

- »» In the third quarter, net sales decreased by 6% to SEK 69.1 billion (73.3). Adjusted for currency movements and acquired and divested units, sales decreased by 4%.
- »» The third quarter operating income amounted to SEK 2,927 M (5,774), including a non-recurring negative impact amounting to SEK 1,060 M, whereof SEK 560 M relating to a restructuring in UD Trucks and SEK 500 M to an adjustment of warranty reserves. Compared to the third quarter 2011, changes in exchange rates had a positive impact of SEK 594 M.
- »» Operating margin in the third quarter was 4.2% (7.9). Adjusted for the non-recurring items, the operating margin was 5.8%.
- »» In the third quarter, basic and diluted earnings per share was SEK 0.68 (1.89).
- »» In the third quarter, operating cash flow in the Industrial Operations was negative in an amount of SEK 7.2 billion driven by a lower level of payables (positive SEK 2.2 billion).
- »» Costs associated with the reorganization of the Volvo Group's dealer network and sales and marketing organizations in EMEA are currently estimated to be in the magnitude of SEK 900 M starting in the fourth quarter of 2012 and going forward.
- »» New range of Volvo FH trucks launched.



	Third quarter		First nine months	
	2012	2011	2012	2011
Net sales Volvo Group, SEK M	69,111	73,321	231,853	223,860
Operating income Volvo Group, SEK M	2,927	5,774	16,501	19,944
Operating income Industrial operations, SEK M	2,544	5,516	15,399	19,242
Operating income Customer Finance, SEK M	383	258	1,102	702
Operating margin Volvo Group, %	4.2	7.9	7.1	8.9
Income after financial items, SEK M	2,329	5,443	14,695	18,539
Income for the period, SEK M	1,382	3,895	10,417	13,317
Diluted earnings per share, SEK	0.68	1.89	5.05	6.43
Operating Cash Flow in Industrial Operations, SEK Bn	(7.2)	2.2	(9.6)	3.4
Return on shareholders' equity, rolling 12 months,%			17.6	22.1

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Quarter 3

CEO'S COMMENTS

TOUGH THIRD QUARTER



During the third quarter, sales for the Volvo Group were impacted by the weakening in demand that has become increasingly evident around the globe. To respond to declining demand and increasing inventories, we decided to adjust our production rates down in several parts of the company. Net sales for the Group declined to SEK 69.1 billion, compared to SEK 73.3 billion in the year-earlier period. The operating income for the third quarter amounted to SEK 2.9 billion (5.8) and was adversely impacted by under absorption in the industrial systems in the range of SEK 1 billion and another SEK 1,060 M of negative non-recurring items. Adjusted for the non-recurring items, operating margin was 5.8% (7.9).

Trucks: slow demand in the quarter, but expectations of unchanged markets for 2013

Compared with the third quarter of 2011 the Truck operation's order intake declined 25% to 45,300 trucks. At the same time, deliveries fell 8% to 50,500 trucks and net sales declined 7% to SEK 44.3 billion. Operating income amounted to SEK 1,695 M, including negative non-recurring items of SEK 1,060 M. Operating margin excluding non-recurring items was 6.2% (8.4%). The weaker profitability was attributable to lower sales and under absorption of costs in the manufacturing system in the range of SEK 600 M.

In Europe, the weak demand has spread from Southern Europe to an increasing number of countries and the normal pick-up of order activity in September was muted. During the third quarter, order intake fell 28% to 16,100 trucks and for our Renault Trucks brand, which has its core markets in Southern

Europe, it is necessary to adjust production rates downwards. The uncertainty in the economy makes it difficult to predict the market, but our best assessment is that the total market in Europe 29 will amount to approximately 230,000 trucks this year, which is the same forecast as earlier. Our best assessment for 2013 is that the total market will be on the same level as in 2012.

In North America, US customers still have a need to renew their fleets. However, today's market is characterized by customers being cautious ahead of the presidential election and the outcome of the federal budget discussions in order to have a better understanding of the overall economic conditions in the beginning of 2013. This wait-and-see approach impacted order intake, which declined 33% to 7,900 trucks. We maintain our assessment that the North American market will amount to approximately 250,000 vehicles this year. The trend for 2013 is difficult to predict but our current forecast is that the market will amount to approximately 250,000 trucks, however with a weak start to the year.

In South America, the Brazilian market has had a weak development for most of the year, but there are clear signs of recovery. A contributory factor is the Brazilian government's measures to subsidize interest rates to stimulate demand for new trucks. The forecast for a Brazilian heavy duty truck market of approximately 90,000 vehicles in 2012 remains unchanged. During 2013, the market is expected to grow somewhat and amount to approximately 95,000 trucks.

In Asia, order intake declined 19% to 11,100 trucks during the third quarter. Following a strong upswing during the first half

of the year, the Japanese market weakened during the third quarter. Based on the strong trend during the first half of 2012, we retain the forecast that the Japanese heavy-duty truck market will amount to approximately 30,000 vehicles in 2012. For 2013 we expect the market to remain flat at about 30,000 trucks.

Construction Equipment: weak trend

As we described already in the report for the second quarter, Volvo CE noted a decline in demand in an increasing number of markets throughout the world, higher inventories among our dealers in Europe and China and stiffer price competition. Against that backdrop we decided to reduce production rates. When markets subsequently weakened further, especially demand from the mining industry, we were forced to cut production further. As a consequence of the substantially reduced production, the under absorption of costs in the industrial system was considerable. Combined with increased price pressure and a negative trend in the product mix resulting from lower demand in the mining segment, this has meant that the operating margin has been under increasing pressure. However, it is positive that we in this declining market have managed to reduce both our own inventories and those at our dealers for five consecutive months.

Sales in the third quarter declined 9% to SEK 13.3 billion. At the same time, the operating income fell to SEK 650 M (1,438) and the operating margin to 4.9% (9.9). Under absorption of costs in manufacturing were in the range of SEK 400 M. Based on the weak trend in the global economy, higher industry inventories and increased price competition,

the pressure on Volvo CE's earnings is expected to continue in the fourth quarter. Based on the slowdown in demand, we already during the summer started activities to reduce overall costs within Volvo CE.

Volvo Buses, Volvo Penta and VFS

Buses reported a loss of SEK 58 M in the third quarter in the wake of declining volumes, intense price competition in Europe and low capacity utilization. The weak market trend and the stiff competition has led us to take a policy decision to close production of buses at our plant in Säfte, Sweden and concentrate the production of complete buses in Europe to the main facility in Wrocław, Poland. The measure is needed in order to reduce costs and turn around the negative profitability trend.

Despite a sales decline in the third quarter of 17%, Volvo Penta reported an operating margin of 8.5%. Lower costs largely offset the negative effects of the lower volumes.

The customer-financing operation in Volvo Financial Services had a continued positive profitability development, with an operating income of SEK 383 M and a return on shareholders' equity of 10.9%.

Following the end of the quarter, the divestment of Volvo Aero to GKN for SEK 6.9 billion was concluded. The divestment is expected to generate a positive non-recurring effect on operating income totaling approximately SEK 300 M in the fourth quarter, while the financial net debt will decline by approximately SEK 5 billion. I want to take the opportunity to thank all employees at Volvo Aero for their contributions to the Volvo Group through the years and wish them all the best in the future.

Focus on inventories and cash flow in the fourth quarter

Our inventories of trucks and construction equipment are currently too high in some markets at a time when order intake has weakened and price competition has increased. Therefore we will be reducing production rates further and we have high readiness to make more cuts if demand con-

tinues to weaken. This will lead to an under absorption of fixed costs in our manufacturing system, but it is important for us to reduce inventories to the correct levels going into 2013 and to improve our cash flow. In accordance with our new strategy, we are also reviewing fixed costs in areas like IT, research and development as well as selling and administrative expenses in order to reduce them during 2013.

High activity level to implement the new strategy

We continue to have a high speed in the implementation of the new strategy to leverage sales and improve profitability. During the quarter we announced the stop of production of UD trucks for the North American market due to insufficient profitability and in Japan we launched a voluntary leave program aimed at reducing the overall cost level by 10% and improve competitiveness. The application period for the voluntary leave program in Japan has ended and compared to mid-2012 the organization in Japan will from January 2013 be reduced by around 950 employees and consultants.

We have also announced that we intend to reorganize Volvo's and Renault Trucks' distribution networks and sales and marketing organizations in Europe, the Middle East and Africa to achieve a more cost-efficient organization that can better utilize the potential in the Group's brands. We see large opportunities from the integration of the service networks in markets where we have not succeeded in building a sustainable market presence. By joining forces we can increase network density, which will make it possible to sell more and improve customer service. The reorganization is expected to incur restructuring costs of approximately SEK 900 M, beginning in the fourth quarter this year. The costs savings benefits from the reorganization are anticipated to have gradual impact from the second half of 2013 and onward. Together with the actions we have taken in Japan, they are part of the strategic objective in Trucks to decrease wholesale selling expenses to 5% of sales.

Yet another important step was the launch of the completely new Volvo FH truck, which is one of the most important products for the Group. The new truck series shifts the boundaries for what a premium truck can offer. Fuel economy, operational reliability, ergonomics, vehicle dynamics, active and passive safety and time-saving functions – the new Volvo FH is a truck that is built based on the driver's needs and with a focus on increasing profitability for trucking companies.

In order to further improve our competitiveness in the Russian market, we decided to invest SEK 800 M in cab production at our plant in Kaluga. This will reduce our logistics costs as well as increase the level of local production. A high level of local production has become increasingly important in order to be cost competitive in this large and growing truck market.

In the short term, we have a tough quarter ahead of us to manage the consequences of the slow demand in the third quarter. However, with the production adjustments we are currently implementing, we believe we will have the right level of capacity going into 2013. At the same time we continue to have a high speed in the execution of the activities that are part of our new strategic objectives aimed at improving the overall profitability of the Volvo Group.



Olof Persson
President and CEO

IMPORTANT EVENTS

Renault Trucks Defense to acquire French manufacturer Panhard

On July 26 it was announced that Renault Trucks Defense, which is included in the Volvo Group's Governmental Sales business area, is to acquire the French company Panhard, which specializes in manufacturing light transport vehicles adapted for defense operations. In 2011, Panhard reported sales of EUR 81 M and operating profit amounted to EUR 9.4 M. The transaction is expected to be finalized during the fourth quarter of 2012.

New Volvo FH launched

On September 5, Volvo introduced its new Volvo FH series. The new Volvo FH is pushing the envelope for what a premium truck can offer. The Volvo FH is a truck built with the driver in mind and with the focus on improving the haulage firm's profitability.

AB Volvo finalized the acquisition of shares in Deutz AG

On September 13, AB Volvo announced that it had completed the transaction whereby it increased its shareholding in Deutz AG from 6.7% to just over 25%. In total, AB Volvo acquired 22,117,693 shares from Same Deutz-Fahr Group for an amount of EUR 130 million. The transaction made AB Volvo the largest shareholder in Deutz.

Volvo Group to invest in Russia

On September 13, the Volvo Group announced that it will invest SEK 783 M in a new facility for the production of cabs at the

plant in Kaluga, Russia. The facility, which is expected to become operational in 2014, will manufacture cabs for the Volvo and Renault Trucks brands with a total annual capacity of 15,000 cabs.

Volvo Group announced new truck strategy to achieve profitability improvement

The new strategy, which is an important step for the Group towards achieving the objective to improve the operating margin by 3 percentage points, was presented in detail at the Capital Market Day on September 25.

AB Volvo finalized the sale of Volvo Aero

On October 1, AB Volvo finalized the sale of Volvo Aero to GKN. The sale is expected to generate a positive non-recurring effect on operating income of SEK 300 M in the fourth quarter of 2012, net after reversed depreciations. Financial net debt is expected to be reduced by approximately SEK 5 billion.

Volvo Buses to consolidate the manufacture of complete buses in Europe

On October 3, Volvo Buses announced plans to concentrate its European production of complete buses to the main plant in Wroclaw, Poland. Production at the plant in Säfte, Sweden, will be terminated at end June 2013, if necessary union negotiations have been completed. The relocation is expected to negatively impact the Volvo Group's operating profit in the fourth quarter of 2012 in an amount of about SEK 100 M.

New organization for the truck dealer networks in Europe, the Middle East and Africa

On October 10, the Volvo Group announced that it intends to introduce a new organization for its truck dealer networks in Europe, the Middle East and Africa (EMEA). The reorganization aims to capitalize more effectively on opportunities for the Group's brands and products in line with the new truck strategy.

Previously reported important events

- Annual General Meeting of AB Volvo
- AB Volvo signs memorandum of understanding with Deutz
- Unfavorable court ruling in the U.S. pertaining to Volvo Penta engines
- AB Volvo acquires shares in Deutz AG
- AB Volvo divests Volvo Aero to British GKN for SEK 6.9 billion
- New Volvo engine for Euro VI

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

FINANCIAL SUMMARY OF THE THIRD QUARTER

VOLVO GROUP**Net sales and operating income**

During the third quarter of 2012, Volvo Group's net sales decreased by 6% to SEK 69,111 M (73,321) and operating income amounted to SEK 2,927 M (5,774). For detailed information on the development, see separate sections below.

Net financial items

Net interest expense in the third quarter was SEK 465 M compared to an expense of SEK 589 M in the previous year. In the second quarter of 2012 net interest expense amounted to SEK 535 M.

During the third quarter, market valuation of derivatives used for hedging interest-rate exposure in the debt portfolio had a negative impact on Other financial income and expenses amounting to SEK 21 M compared to a positive impact of SEK 297 M in the third quarter of 2011.

Income taxes

The tax expense in the third quarter amounted to SEK 947 M (1,548), corresponding to a tax rate of 41% (28), including

Income Statement Volvo Group SEK M	Third quarter		First nine months	
	2012	2011	2012	2011
Net sales Volvo Group	69,111	73,321	231,853	223,860
Operating Income Volvo Group	2,927	5,774	16,501	19,944
<i>Operating income Industrial operations</i>	<i>2,544</i>	<i>5,516</i>	<i>15,399</i>	<i>19,242</i>
<i>Operating income Customer Finance</i>	<i>383</i>	<i>258</i>	<i>1,102</i>	<i>702</i>
Interest income and similar credits	22	146	215	445
Interest expense and similar charges	(487)	(735)	(1,768)	(2,189)
Other financial income and expenses	(133)	259	(253)	340
Income after financial items	2,329	5,443	14,695	18,539
Income taxes	(947)	(1,548)	(4,277)	(5,222)
Income for the period	1,382	3,895	10,417	13,317

a negative non-recurring and non-cash impact of SEK 340 M relating to a transfer of intangible assets between Japan and Sweden.

Income for the period and earnings per share

Income for the period amounted to SEK 1,382 M in the third quarter of 2012 compared to SEK 3,895 M in the third quarter of 2011.

Basic and diluted earnings per share in the third quarter amounted to SEK 0.68 (1.89).

VOLVO GROUP'S INDUSTRIAL OPERATIONS LOWER SALES AND PROFITABILITY

In the third quarter, net sales for the Volvo Group's Industrial Operations decreased by 6% to SEK 67,143 M (71,559). Adjusted for changes in exchange rates and acquired and divested units net sales decreased by 4%. Net sales increased in North America, Eastern Europe and Other markets whereas it decreased in Western Europe, South America and Asia.

Weakening profitability

In the third quarter of 2012, operating income for the Volvo Group's Industrial Operations amounted to SEK 2,544 M, compared to SEK 5,516 M in the third quarter of 2011. The operating income was negatively impacted by under absorption of costs in the range of SEK 1 billion in the industrial system as a consequence of reductions in production rates in order to adapt to declining demand and address increasing inventories. Earnings were also negatively impacted in an amount of SEK 560 M related to the decision to stop production of UD trucks for the North American market and the restructuring in Japan, as well as increased warranty reserves in Trucks in an amount of SEK 500 M. The operating margin was 3.8%, which is lower than the 7.7% for the third quarter of 2011.

Compared to the third quarter of 2011, changes in currency exchange rates had a positive impact on operating income amounting to SEK 594 M. In the third quarter of 2011, Volvo Aero had a positive impact of SEK 63 M as a result of a number of non-recurring items.

Net sales by market area							
SEK M	Third quarter			First nine months			Share of industrial operations' net sales, %
	2012	2011	Change in %	2012	2011	Change in %	
Western Europe	18,945	21,512	(12)	65,968	71,371	(8)	29
Eastern Europe	4,852	4,749	2	15,031	14,244	6	7
North America	16,206	14,079	15	54,543	40,651	34	24
South America	6,995	9,102	(23)	20,896	24,831	(16)	9
Asia	14,554	16,992	(14)	52,745	53,103	(1)	23
Other markets	5,590	5,125	9	16,932	14,601	16	7
Total Industrial operations	67,143	71,559	(6)	226,115	218,801	3	100

Income Statement Industrial operations				
SEK M	Third quarter		First nine months	
	2012	2011	2012	2011
Net sales	67,143	71,559	226,115	218,801
Cost of sales	(53,089)	(55,488)	(175,070)	(167,267)
Gross income	14,054	16,071	51,045	51,534
<i>Gross margin, %</i>	20.9	22.5	22.6	23.6
Research and development expenses	(3,316)	(3,207)	(10,947)	(9,886)
Selling expenses	(6,193)	(6,153)	(19,525)	(18,293)
Administrative expenses	(1,330)	(1,105)	(4,073)	(3,389)
Other operating income and expenses	(687)	(97)	(1,093)	(676)
Income (loss) from investments in associated companies	(7)	(1)	(6)	(71)
Income from other investments	22	8	(3)	23
Operating income	2,544	5,516	15,399	19,242
<i>Operating margin, %</i>	3.8	7.7	6.8	8.8
Operating income before depreciation and amortization (EBITDA)	5,497	8,500	23,927	27,746
<i>EBITDA margin, %</i>	8.2	11.9	10.6	12.7

Negative operating cash flow

In the third quarter of 2012, operating cash flow from the Industrial Operations was negative in an amount of SEK 7.2 billion compared to a positive SEK 2.2 billion in the third quarter of 2011. The negative cash flow is primarily a consequence of a reduction of

payables in an amount of SEK 7.4 billion as a result of reduced production rates and investments in Volvo Rents to renew and expand the rental fleet.

VOLVO GROUP'S CUSTOMER FINANCE GOOD PERFORMANCE

Profitability trends for the customer finance business continued to strengthen during the quarter on improved portfolio conditions in Europe and strong North American and Asia Pacific performance.

New financing volume during the quarter amounted to SEK 11.1 billion (10.7). Adjusting for movements in exchange rates, new financing volume increased by 8% compared to the third quarter of 2011. In total, 12,253 new Volvo Group units (11,356) were financed during the quarter. In the markets where financing is offered, the average market penetration rate in the third quarter was 28% (25).

As of September 30, 2012, the gross credit portfolio amounted to SEK 97.5 billion (87.8). On a currency adjusted basis, the credit portfolio increased by 17.5% when compared to the third quarter 2011.

Credit provisions in the quarter amounted to SEK 135 M (144) while write-offs of SEK 110 M (166) were recorded. Credit reserves

Income Statement Customer Finance SEK M	Third quarter		First nine months	
	2012	2011	2012	2011
Finance and lease income	2,421	2,237	7,276	6,561
Finance and lease expenses	(1,501)	(1,434)	(4,505)	(4,218)
Gross income	920	803	2,770	2,344
Selling and administrative expenses	(422)	(409)	(1,287)	(1,188)
Credit provision expenses	(135)	(145)	(456)	(513)
Other operating income and expenses	19	7	74	59
Operating income	383	258	1,102	702
Income taxes	(123)	(86)	(347)	(237)
Income for the period	260	172	754	465
<i>Return on Equity, 12 months rolling values</i>			10.9%	6.0%

increased slightly from 1.26% to 1.28% of the credit portfolio at June 30, 2012 and September 30, 2012, respectively. The annualized write-off ratio through September 30, 2012 was 0.53% (0.91).

Operating income in the third quarter amounted to SEK 383 M (258). The improvement compared to the previous year is driven mainly by higher earning assets and better margins.



VOLVO GROUP FINANCIAL POSITION

Net financial debt in the Industrial Operations amounted to SEK 34.9 billion at September 30, 2012, an increase of SEK 7.4 billion compared to the second quarter of 2012, and equal to 44.9% of shareholders' equity. Excluding provision for post-employment benefits, the Industrial Operations net debt amounted to SEK 30.8 billion, which is equal to 39.6% of shareholders' equity.

As from January 1, 2013, new accounting rules for employee benefits (IAS 19) will become effective. Among other changes this entails that the unrecognized part of the pension liability no longer will be reported off balance. As a consequence, AB Volvo's Board of Directors has decided to exclude pension obligations from the target for net financial debt to equity for the Industrial Operations. According to the new target, the Industrial Operations' net financial debt, excluding pension obligations, shall be a maximum of 35% of shareholders equity

under normal conditions. The new target of 35% corresponds to the previous financial target of 40% in which pension obligations were included.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined, amounted to SEK 22.9 billion at September 30, 2012. In addition to this, granted but unutilized credit facilities amounted to SEK 32.5 billion.

During the third quarter, currency movements decreased the Volvo Group's total assets by SEK 11.9 billion related to revaluation of assets in foreign subsidiaries.

The equity ratio in the Volvo Group amounted to 24.7% on September 30, 2012 compared to 24.3% at year-end 2011. On the same date, the equity ratio in the Industrial Operations amounted to 29.9% (28.5).

At September 30, shareholder's equity in the Volvo Group amounted to SEK 86.0 billion.

Number of employees

On September 30, 2012 the Volvo Group had 102,007 employees and 18,571 temporary employees and consultants, compared with 98,162 employees and 19,675 temporary employees and consultants at year-end 2011.

BUSINESS SEGMENT OVERVIEW

Net sales	Third quarter				First nine months			
	2012	2011	Change, %	Change, % *	2012	2011	12 months rolling values	Jan-Dec 2011
SEK M								
Trucks	44,309	47,412	(7)	(4)	144,551	142,181	201,290	198,920
Construction Equipment	13,272	14,571	(9)	(8)	50,986	47,146	67,340	63,500
Buses	4,256	5,043	(16)	(15)	14,669	15,252	21,240	21,823
Volvo Penta	1,720	2,084	(17)	(15)	5,877	6,619	7,716	8,458
Volvo Aero	1,592	1,377	16	13	5,219	4,522	7,053	6,356
Other and eliminations	1,994	1,072	-	-	4,813	3,081	6,264	4,532
Industrial operations	67,143	71,559	(6)	(4)	226,115	218,801	310,903	303,589
Customer Finance	2,422	2,237	8	12	7,276	6,561	9,597	8,882
Reclassifications and eliminations	(452)	(476)	-	-	(1,537)	(1,502)	(2,139)	(2,104)
Volvo Group	69,111	73,321	(6)	(4)	231,853	223,860	318,361	310,367

* Adjusted for exchange rate fluctuations and acquired and divested units.

Operating income	Third quarter				First nine months			
	2012	2011	Change, %	Change, % *	2012	2011	12 months rolling values	Jan-Dec 2011
SEK M								
Trucks	1,695	3,983	(57)	(57)	9,336	13,361	14,202	18,227
Construction Equipment	650	1,438	(55)	(55)	5,410	5,138	7,084	6,812
Buses	(58)	205	(128)	(128)	180	806	488	1,114
Volvo Penta	147	219	(33)	(33)	527	723	629	825
Volvo Aero	227	108	110	110	767	205	922	360
Group functions and other	(116)	(437)	-	-	(822)	(991)	(1,241)	(1,408)
Industrial operations	2,544	5,516	(54)	(54)	15,399	19,242	22,087	25,930
Customer Finance	383	258	48	48	1,102	702	1,369	969
Volvo Group	2,927	5,774	(49)	(49)	16,501	19,944	23,456	26,899

Operating margin	Third quarter				First nine months			
	2012	2011	Change, %	Change, % *	2012	2011	12 months rolling values	Jan-Dec 2011
%								
Trucks	3.8	8.4	(54)	(54)	6.5	9.4	7.1	9.2
Construction Equipment	4.9	9.9	(50)	(50)	10.6	10.9	10.5	10.7
Buses	(1.4)	4.1	(74)	(74)	1.2	5.3	2.3	5.1
Volvo Penta	8.5	10.5	(19)	(19)	9.0	10.9	8.2	9.8
Volvo Aero	14.3	7.8	83	83	14.7	4.5	13.1	5.7
Industrial operations	3.8	7.7	(50)	(50)	6.8	8.8	7.1	8.5
Volvo Group	4.2	7.9	(47)	(47)	7.1	8.9	7.4	8.7

OVERVIEW OF INDUSTRIAL OPERATIONS

TRUCKS**UNCERTAINTY ABOUT FUTURE ECONOMIC DEVELOPMENT IMPACTS DEMAND**

- »» Declining demand
- »» Earnings impacted by restructuring in UD Trucks and an adjustment of warranty reserves
- »» New Volvo FH launched

**Declining demand**

In the first eight months of 2012, the heavy-duty truck market in Europe 26 (EU minus United Kingdom, Ireland and Bulgaria plus Norway and Switzerland) reached 148,130 trucks, down by 6% compared to 2011. The debt crisis in Europe continues to adversely affect the economic outlook. In Southern Europe demand continues to deteriorate and the weaker market conditions have also spread across Europe, with the exception of Russia where demand continues to grow. The current estimate is that the total market for heavy-duty trucks in Europe 29 will reach about 230,000 trucks in 2012 (unchanged forecast). Given the macro-economic development it is difficult to assess the total market for heavy-duty trucks in Europe 29 for 2013. The current estimate is that the market will be on the same level as in 2012.

Through the third quarter of 2012, the total North American retail market for heavy-duty trucks increased 27% to 187,974 vehicles, compared with 148,307 in 2011 on the back of the strong order intake in the beginning of the year. However, in the third quarter order intake in North America decreased by 33% compared with the third quarter of 2011. Continued economic concerns, sluggish job growth, the upcoming presidential election and the federal budget discussions have impacted orders as customers delayed purchasing decisions. Also in the case of North America, the forecast of an overall market of about 250,000 heavy-duty trucks during 2012 is retained. For 2013 the total market is difficult to assess, but it is expected to stay at about 250,000 heavy-duty trucks with a slow start to the year.

Net sales by market area

SEK M	Third quarter		Change in %	First nine months		Change in %
	2012	2011		2012	2011	
Europe	16,146	18,172	(11)	55,898	60,449	(8)
North America	10,132	8,915	14	33,984	25,599	33
South America	5,555	7,156	(22)	15,721	19,821	(21)
Asia	8,606	9,451	(9)	27,155	26,336	3
Other markets	3,870	3,717	4	11,793	9,975	18
Total	44,309	47,412	(7)	144,551	142,181	2

Deliveries per market

Number of trucks	Third quarter		Change in %	First nine months		Change in %
	2012	2011		2012	2011	
Europe	18,130	19,384	(6)	60,695	68,781	(12)
North America	10,659	9,829	8	37,329	28,940	29
South America	6,332	7,852	(19)	16,950	21,431	(21)
Asia	11,426	13,821	(17)	37,695	39,559	(5)
Other markets	3,964	3,897	2	12,722	11,051	15
Total Trucks	50,511	54,783	(8)	165,391	169,762	(3)

During the first nine months of 2012, the total Brazilian market decreased by 25% from 84,291 trucks to 62,835 trucks in comparison to the same period 2011. The truck operations in Brazil continued to be negatively impacted by the general slowdown in the Brazilian economy in the quarter, but the financing incentives to stimulate commercial vehicle sales introduced by the Brazilian government have started to have positive effects. The total Brazilian market for heavy-duty trucks is expected to decline and reach a level of about 90,000 trucks in 2012 (unchanged forecast). For 2013 the total market is expected to increase to about 95,000 heavy-duty trucks.

In Japan the total market for heavy-duty trucks through September 2012 rose by 41% to 24,657 vehicles (17,448) partly driven by government incentives that ran out in July as well as the need for trucks for reconstruction work following the earthquake and the subsequent tsunami that hit Japan in March 2011. For 2012, the total Japanese market for heavy-duty trucks is expected to increase to about 30,000 trucks (unchanged forecast). For 2013 the total market is expected to remain flat at about 30,000 heavy-duty trucks.

In India, the total market for heavy-duty trucks through September 2012 declined by 12% to 158,734 trucks (179,956).

Lower deliveries

In the third quarter of 2012, the Volvo Group delivered a total of 50,511 trucks, which was 8% less than in the third quarter of 2011.

Slowing order intake

The truck operation's total net order intake declined by 25% in the third quarter compared to the year-earlier period. Compared to the second quarter orders declined by 14%.

European orders reached 16,091 trucks in the third quarter of 2012, 28% lower than in the third quarter last year.

In North America, order intake during the third quarter decreased by 33% compared with the strong third quarter of 2011. Order intake in the third quarter was negatively impacted by continued economic concerns, sluggish job growth and the upcoming presidential election as customers delayed purchasing decisions.

In South America, orders declined as customers are more cautious following a slowdown in the economy. Order intake in the third quarter was down 9% compared with the same quarter last year. Compared with the second quarter of 2012 orders improved by 19%. Demand in Argentina and Chile remain stable, while Brazil is starting to show signs of recovery as a result of aggressive efforts by the government to stimulate the economy.

Orders in Asia declined by 19% while orders to Other markets were down by 29%.

Net order intake per market

Number of trucks	Third quarter			First nine months		
	2012	2011	Change in %	2012	2011	Change in %
Europe	16,091	22,257	(28)	61,045	70,692	(14)
North America	7,929	11,898	(33)	29,751	38,939	(24)
South America	7,322	8,063	(9)	19,082	22,082	(14)
Asia	11,118	13,772	(19)	38,027	42,355	(10)
Other markets	2,812	3,985	(29)	11,019	12,205	(10)
Total Trucks	45,272	59,975	(25)	158,924	186,272	(15)

Earnings impacted by non-recurring costs

During the third quarter of 2012, the truck operation's net sales amounted to SEK 44,309 M, which was 7% lower than in the third quarter of 2011. Adjusted for changes in exchange rates net sales declined by 4%. Lower sales in Europe, South America and Asia were somewhat compensated by increased sales in North America and on Other markets.

The truck operations posted an operating income of SEK 1,695 M in the third quarter of 2012 compared with an operating income of SEK 3,983 M in the third quarter of 2011. The operating margin was 3.8%, compared with 8.4% in the year-earlier period. The lower profitability was due to a non-recurring negative impact amounting to SEK 1,060 M, of which SEK 560 M relating to a restructuring in UD Trucks and SEK 500 M to an adjustment of warranty reserves. Adjusted for these items the operating margin was 6.2%. Profit-

ability was also impacted by under absorption of costs in the range of SEK 600 M as a consequence of lower production rates. The changed market mix, with a higher proportion of sales in North America and lower in Brazil and Europe, continued to weigh on earnings. Compared with the third quarter of 2011, operating income was negatively impacted by changes in currency exchange rates in an amount of SEK 81 M.

New Volvo FH

The new generation of Volvo FH was presented to the public in early September through parallel launches in some of our most important markets in Europe. It was also displayed at the automotive fair in Hannover where it got very positive reviews. The advanced technology of the new Volvo FH will create a new platform for strengthening Volvo Trucks' competitiveness. Production will start during the spring of 2013.

CONSTRUCTION EQUIPMENT EARNINGS UNDER PRESSURE

- » Sales down 9%
- » Total market down 11% year-to-date August, Chinese market down 36%
- » Under absorption due to early action to reduce inventories



Significant slowdown in demand in recent months

On the back of the good development during the first half of the year, all markets with the exception of China are up on a year-to-date basis. However, demand has slowed significantly also outside China in recent months, particularly in the mining segment as a consequence of lower commodity prices and too high inventories in that industry. The lower economic activity and the uncertainty about the future development have also impacted customers' willingness to invest in new equipment. As a consequence of the slump in demand, industry inventories of machines are high in some markets, which puts a pressure on prices.

Year-to-date August the total world market for construction equipment was down 11% compared to the same period last year. Europe was up 1%, North America 28%, South America 8%, Asia excluding China 17% and Other markets 24%. On the other hand, China was down 36%. Despite the downturn, China is still a very important market for construction equipment and remains the biggest market in the world.

Volvo CE has been able to maintain its strong position within wheel loaders and excavators in China. As of September 30, 2012 the 12-month rolling market share remained at a historically high level of 13.7% according to CCMA, China Construction Machinery Association.

For the full year 2012 Europe is expected to be down by 0–10% (previous forecast: flat

SEK M	Third quarter		Change in %	First nine months		Change in %
	2012	2011		2012	2011	
Europe	3,803	4,296	(11)	12,656	12,883	(2)
North America	2,684	1,904	41	10,054	5,616	79
South America	931	1,111	(16)	3,027	3,116	(3)
Asia	4,718	6,312	(25)	21,890	22,910	(4)
Other markets	1,136	949	20	3,359	2,622	28
Total	13,272	14,571	(9)	50,986	47,146	8

market), while North America is expected to grow by 15–25% (unchanged forecast) and South America by 0–10% (unchanged forecast). Asia excluding China is expected to grow 0–10% (unchanged forecast) while China is expected to decline by 25–35% (previous forecast down 15–25%).

The market development for 2013 is difficult to assess, but Europe is expected to be in the range of –5% to –15%, North America –5% to +5%, South America –5% to +5%, Asia excluding China –10% to 0%, China –5% to +5% and Other markets –5% to +5%.

Earnings impacted by production cuts

In the third quarter of 2012 net sales decreased by 9% to SEK 13,272 M (14,571). Adjusted for currency movements, net sales decreased by 8%. The lower sales were driven by a weakening total market resulting in lower volumes and a negative impact from an unfavorable product and geographical mix.

Operating income decreased to SEK 650 M (1,438) and the operating margin was 4.9%

(9.9%). Earnings were negatively impacted by lower activities in the global mining industry affecting sales of larger and normally more profitable products. Earnings were also negatively impacted by under absorption in the range of SEK 400 M due to early actions to cut production rates in order to reduce inventory. Compared to the third quarter of 2011 changes in exchange rates had a positive impact of SEK 149 M.

Based on the weak trend in the global economy, higher industry inventories and increased price competition, the pressure on Volvo CE's earnings is expected to continue in the fourth quarter. Based on the slowdown in demand, Volvo CE already during the summer started activities to reduce overall costs.

The value of the order book at September 30, 2012 was 24% lower than a year earlier.

BUSES

PROFITABILITY IMPACTED BY LOWER SALES

- » Lower sales volumes
- » Low capacity utilization – restructuring in Europe
- » Operating loss of SEK 58 M



Continued low demand in the world bus market except for Asia

Demand for buses continued to be low in most world markets except for Asia. In Europe, the total market for the first eight months was 9% lower compared to the same period 2011. The total market for the full year is estimated to be at an all-time low, amounting to some 21,000 units. In Southern Europe the drop is now exceeding 40%. In Europe as a whole, severe price pressure continues in all tenders.

In North America, the transit market is still weak due to the budget deficit. Recovery in the coach market remains slow.

The South American market is slowing down, partly due to the pre-buy effect before Euro V standards and hesitancy among operators ahead of upcoming municipality elections.

The Asian bus markets keep growing, mainly contributing from India and China. In India, the third quarter shows a small drop of 3% in the total market compared to the same period last year, but the total market is still growing with 12% year to date. In China, the total market has increased 11% compared to the same period in 2011.

Net sales by market area

SEK M	Third quarter		Change in %	First nine months		Change in %
	2012	2011		2012	2011	
Europe	1,197	1,534	(22)	4,375	4,493	(3)
North America	1,473	1,860	(21)	4,849	5,368	(10)
South America	473	773	(39)	1,993	1,715	16
Asia	689	550	25	2,102	2,140	(2)
Other markets	425	327	30	1,350	1,537	(12)
Total	4,256	5,043	(16)	14,669	15,252	(4)

Lower order intake and deliveries

Deliveries during the third quarter of 2012 amounted to 2,137 buses, compared with 2,954 the same period last year, down 28%. All main markets, except for the ones in Asia had lower deliveries during the third quarter 2012 compared to the same period last year. Market shares in Europe improved, partly based on the sale of Hybrid buses. Volvo Buses has in total sold more than 800 Hybrid buses in 20 countries, and demand for these products is increasing.

Order intake in the third quarter of 2012 amounted to 2,267 buses compared with 2,580 in the same period last year.

During the third quarter of 2012 a number of important orders were signed, whereof 160 articulated buses and 460 front engine buses to Belo Horizonte, Brazil, 120 bi-articulated buses to Bogota, Colombia, 153 articulated low floor buses to Toronto, Canada, 270 buses to Israel and 29 Hybrid buses to Gothenburg, Sweden.

Operating loss in the third quarter

In the third quarter, net sales decreased by 16% to SEK 4,256 M (5,043). Adjusted for currency movements, net sales decreased by 15%. Buses reported an operating loss of 58 M compared to an operating income of SEK 205 M last year. The operating income was negatively affected by continued low volumes, a negative market mix and low capacity utilization. Operating income was positively impacted by changes in currency exchange rates in an amount of SEK 79 M. Operating margin was a negative 1.4% (positive 4.1%).

Volvo Buses have made a policy decision to concentrate the production of complete buses in Europe to Wroclaw, Poland and close the production in Säffle, Sweden by mid-2013. It is expected that the relocation will have a negative impact on the Volvo Group's operating income of about SEK 100 M in the fourth quarter of 2012.

VOLVO PENTA

WEAK MARKETS AND LOWER SALES

- »» Continued weak markets for both marine and industrial engines
- »» Declining sales almost offset by lower costs
- »» Operating margin of 8.5%



Weak demand

The weak total-market trend for the marine industry continued during the third quarter of 2012. The boat industry in Europe was negatively impacted by the continued uncertainty surrounding the economy, particularly in the previously strong boat markets of Southern Europe. Boat sales in North America are stable to increasing, but remain at historically low levels.

The declining economy and financial turmoil has a negative impact on the total market for industrial engines in Europe and also in North America, and during the quarter demand has declined in other key industrial-engine markets such as China and India.

Inroads into new customers

Volvo Penta has continued to strengthen its market shares within the strategically important segment for versatile industrial engines thanks to new delivery agreements with new customers such as the Austrian manufacturer of special vehicles, Rosenbauer. Volvo Penta will, in cooperation with Volvo Trucks, deliver 16-liter engines for a completely new

Net sales by market area

SEK M	Third quarter		Change in %	First nine months		Change in %
	2012	2011		2012	2011	
Europe	787	936	(16)	2,812	3,460	(19)
North America	362	346	5	1,161	1,056	10
South America	71	77	(8)	223	210	6
Asia	418	644	(35)	1,415	1,643	(14)
Other markets	81	80	1	265	249	6
Total	1,720	2,084	(17)	5,877	6,619	(11)

series of specially built fire-fighting vehicles that are used at airports worldwide.

The volume in Volvo Penta's total order book as of September 30, 2012 was 51% lower than the year-earlier period, excluding outboard engines. The reduction is partly related to lower demand and partly to changed order patterns with shorter lead times from customers.

Lower costs almost offset volume drop

Net sales in the third quarter of 2012 declined 17% year-on-year to SEK 1,720 M (2,084). Adjusted for currency fluctuations, net sales decreased by 15%. Sales were dis-

tributed between the two business segments as follows: Marine SEK 912 M (1,076) and Industrial SEK 808 M (1,008).

Operating income amounted to SEK 147 M, compared with the year-earlier period of SEK 219 M. Earnings were negatively impacted by lower volumes and unfavorable currency movements of SEK 37 M, which were partially offset by lower costs. The operating margin was 8.5% (10.5).

CONSOLIDATED INCOME STATEMENT

THIRD QUARTER

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	67,143	71,559	2,421	2,237	(452)	(476)	69,111	73,321
Cost of sales	(53,089)	(55,488)	(1,501)	(1,434)	452	476	(54,136)	(56,446)
Gross income	14,054	16,071	920	803	0	0	14,975	16,875
Research and development expenses	(3,316)	(3,207)	0	0	0	0	(3,316)	(3,207)
Selling expenses	(6,193)	(6,153)	(415)	(409)	0	0	(6,608)	(6,562)
Administrative expenses	(1,330)	(1,105)	(7)	0	0	0	(1,336)	(1,105)
Other operating income and expenses	(687)	(97)	(116)	(137)	0	0	(803)	(235)
Income (loss) from investments in associated companies	(7)	(1)	0	0	0	0	(7)	0
Income from other investments	22	8	0	0	0	0	23	8
Operating income	2,544	5,516	383	258	0	0	2,927	5,774
Interest income and similar credits	82	149	0	0	(60)	(2)	22	146
Interest expenses and similar charges	(547)	(737)	0	0	60	2	(487)	(735)
Other financial income and expenses	(133)	259	0	0	0	0	(133)	259
Income after financial items	1,946	5,186	383	258	0	0	2,329	5,443
Income taxes	(824)	(1,463)	(123)	(85)	0	0	(947)	(1,548)
Income for the period*	1,122	3,724	260	172	0	0	1,382	3,895
* Attributable to:								
Equity holders of the parent company							1,370	3,827
Minority interests							12	68
							1,382	3,895
Basic earnings per share, SEK							0.68	1.89
Diluted earnings per share, SEK							0.68	1.89

CONSOLIDATED OTHER COMPREHENSIVE INCOME

THIRD QUARTER

Income for the period	1,382	3,895
Exchange differences on translation of foreign operations	(2,774)	1,051
Exchange differences on hedge instruments of net investment in foreign operations	0	0
Accumulated translation difference reversed to income	0	(8)
Available for sale investments	(37)	(193)
Cash flow hedges	(3)	(12)
Other comprehensive income, net of income taxes	(2,814)	838
Total comprehensive income for the period*	(1,432)	4,733
* Attributable to:		
Equity holders of the parent company	(1,410)	4,702
Minority interests	(22)	31
	(1,432)	4,733

CONSOLIDATED INCOME STATEMENT

FIRST NINE MONTHS

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	226,115	218,801	7,276	6,561	(1,537)	(1,502)	231,853	223,860
Cost of sales	(175,070)	(167,267)	(4,505)	(4,218)	1,537	1,502	(178,037)	(169,982)
Gross income	51,045	51,534	2,770	2,343	0	0	53,816	53,878
Research and development expenses	(10,947)	(9,886)	0	0	0	0	(10,947)	(9,886)
Selling expenses	(19,525)	(18,293)	(1,265)	(1,189)	0	0	(20,790)	(19,482)
Administrative expenses	(4,073)	(3,389)	(23)	0	0	0	(4,095)	(3,389)
Other operating income and expenses	(1,093)	(676)	(381)	(453)	0	0	(1,474)	(1,130)
Income (loss) from investments in associated companies	(6)	(71)	0	0	0	0	(6)	(70)
Income from other investments	(3)	23	0	0	0	0	(3)	23
Operating income	15,399	19,242	1,102	702	0	0	16,501	19,944
Interest income and similar credits	363	463	0	0	(148)	(18)	215	445
Interest expenses and similar charges	(1,916)	(2,207)	0	0	148	18	(1,768)	(2,189)
Other financial income and expenses	(253)	340	0	0	0	0	(253)	340
Income after financial items	13,593	17,838	1,102	702	0	0	14,695	18,539
Income taxes	(3,930)	(4,985)	(347)	(237)	0	0	(4,277)	(5,222)
Income for the period*	9,663	12,853	754	465	0	0	10,417	13,317
* Attributable to:								
Equity holders of the parent company							10,245	13,029
Minority interests							172	288
							10,417	13,317
Basic earnings per share, SEK								
Diluted earnings per share, SEK							5.05	6.43
							5.05	6.43

CONSOLIDATED OTHER COMPREHENSIVE INCOME

FIRST NINE MONTHS

Income for the period	10,417	13,317
Exchange differences on translation of foreign operations	(3,988)	(65)
Exchange differences on hedge instruments of net investment in foreign operations	0	(2)
Accumulated translation difference reversed to income	(66)	(26)
Available for sale investments	(36)	(150)
Cash flow hedges	(2)	(92)
Other comprehensive income, net of income taxes	(4,092)	(335)
Total comprehensive income for the period*	6,325	12,982
* Attributable to:		
Equity holders of the parent company	6,186	12,760
Minority interests	139	222
	6,325	12,982

CONSOLIDATED BALANCE SHEET

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	Sep 30 2012	Dec 31 2011	Sep 30 2012	Dec 31 2011	Sep 30 2012	Dec 31 2011	Sep 30 2012	Dec 31 2011
Assets								
Non-current assets								
Intangible assets	39,796	39,385	112	122	0	0	39,908	39,507
Tangible assets								
Property, plant and equipment	54,189	54,446	88	94	0	0	54,277	54,540
Assets under operating leases	19,369	16,749	11,427	11,525	(4,280)	(4,352)	26,516	23,922
Financial assets								
Shares and participations	2,914	1,871	5	3	0	0	2,919	1,874
Non-current customer-financing receivables	629	579	44,000	44,651	(5,547)	(4,612)	39,082	40,618
Deferred tax assets	11,018	12,480	721	358	0	0	11,739	12,838
Prepaid pensions	2,684	2,263	15	14	0	0	2,699	2,277
Non-current interest-bearing receivables	913	757	0	0	(246)	(63)	667	694
Other non-current receivables	4,965	4,500	55	50	(370)	(235)	4,650	4,315
Total non-current assets	136,477	133,030	56,423	56,817	(10,443)	(9,262)	182,457	180,585
Current assets								
Inventories	45,247	43,828	338	771	0	0	45,585	44,599
Current receivables								
Customer-financing receivables	767	1,123	40,956	38,050	(919)	(1,092)	40,804	38,081
Tax assets	1,157	1,152	23	48	0	0	1,180	1,200
Interest-bearing receivables	1,661	1,461	10	226	0	(1,020)	1,671	667
Internal funding	476	2,253	0	0	(476)	(2,253)	0	0
Accounts receivable	28,196	27,492	231	207	0	0	28,427	27,699
Other receivables	13,844	13,438	1,582	1,411	(780)	(1,024)	14,646	13,825
Non interest-bearing assets held for sale	9,847	9,344	0	0	0	0	9,847	9,344
Interest-bearing assets held for sale	0	4	0	0	0	0	0	4
Marketable securities	1,059	6,838	63	24	0	0	1,122	6,862
Cash and cash equivalents	20,479	29,113	1,482	1,593	(179)	(327)	21,782	30,379
Total current assets	122,733	136,046	44,685	42,330	(2,354)	(5,717)	165,064	172,659
Total assets	259,210	269,076	101,108	99,147	(12,797)	(14,979)	347,521	353,244
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company								
Minority interests	1,213	1,100	0	0	0	0	1,213	1,100
Total shareholders' equity	77,621	76,682	8,349	8,999	0	0	85,970	85,681
Non-current provisions								
Provisions for post-employment benefits	6,797	6,635	35	30	0	0	6,832	6,665
Provisions for deferred taxes	4,007	4,171	1,566	1,465	0	0	5,573	5,636
Other provisions	5,382	5,492	172	154	3	2	5,557	5,648
Non-current liabilities								
Bond loans	35,441	38,192	0	0	0	0	35,441	38,192
Other loans	34,872	38,848	11,200	8,974	(5,710)	(57)	40,362	47,765
Internal funding	(31,129)	(35,453)	33,708	33,459	(2,579)	1,994	0	0
Other liabilities	13,932	12,902	713	740	(3,419)	(3,195)	11,226	10,447
Current provisions	10,649	9,438	89	92	3	1	10,741	9,531
Current liabilities								
Loans	54,222	38,644	6,585	6,741	(1,325)	(863)	59,482	44,522
Internal funding	(38,101)	(24,837)	35,954	35,373	2,147	(10,536)	0	0
Non interest-bearing liabilities held for sale	4,386	4,710	0	0	0	0	4,386	4,710
Interest-bearing liabilities held for sale	47	6	0	0	0	0	47	6
Trade payables	47,084	56,546	233	242	0	0	47,317	56,788
Tax liabilities	1,183	2,220	176	171	0	0	1,359	2,391
Other liabilities	32,817	34,880	2,328	2,707	(1,917)	(2,325)	33,228	35,262
Total shareholders' equity and liabilities	259,210	269,076	101,108	99,147	(12,797)	(14,979)	347,521	353,244

CONSOLIDATED CASH FLOW STATEMENT

THIRD QUARTER

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Operating activities								
Operating income (loss)	2.5	5.5	0.4	0.2	0.0	0.0	2.9	5.8
Depreciation tangible assets	1.5	1.6	0.0	0.0	0.0	0.0	1.5	1.6
Amortization intangible assets	0.8	0.9	0.0	0.0	0.0	0.0	0.8	0.9
Depreciation leasing vehicles	0.8	0.5	0.7	0.7	(0.1)	0.0	1.4	1.2
Other non-cash items	0.7	0.4	0.1	0.2	0.1	0.0	0.9	0.6
Total change in working capital whereof	(7.3)	(1.6)	(0.7)	(1.5)	(0.5)	0.0	(8.5)	(3.2)
<i>Change in accounts receivable</i>	1.6	1.9	0.0	0.0	(0.1)	0.0	1.5	1.9
<i>Change in customer financing receivables</i>	(0.2)	0.0	(0.6)	(1.6)	(0.5)	0.0	(1.3)	(1.6)
<i>Change in inventories</i>	(0.1)	(3.4)	0.0	(0.1)	0.0	(0.1)	(0.1)	(3.5)
<i>Change in trade payables</i>	(7.4)	1.6	0.0	0.1	0.0	(0.1)	(7.4)	1.6
<i>Other changes in working capital</i>	(1.2)	(1.7)	(0.1)	0.1	0.1	0.2	(1.2)	(1.6)
Interest and similar items received	0.2	0.2	0.0	0.0	(0.2)	(0.1)	0.0	0.1
Interest and similar items paid	(0.7)	(0.7)	0.0	0.0	0.1	0.0	(0.6)	(0.7)
Other financial items	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0
Income taxes paid	(0.8)	(0.9)	(0.1)	(0.1)	0.0	0.0	(0.9)	(1.0)
Cash flow from operating activities	(2.4)	5.9	0.4	(0.5)	(0.6)	(0.1)	(2.6)	5.3
Investing activities								
Investments in tangible assets	(2.4)	(2.4)	0.0	0.0	0.0	0.0	(2.4)	(2.4)
Investments in intangible assets	(1.4)	(0.9)	0.0	0.0	0.0	0.0	(1.4)	(0.9)
Investment in leasing vehicles	(1.2)	(0.5)	(1.3)	(1.5)	0.1	(0.1)	(2.4)	(2.1)
Disposals of fixed assets and leasing vehicles	0.2	0.1	0.4	0.8	0.0	0.1	0.6	1.0
Operating cash flow	(7.2)	2.2	(0.5)	(1.2)	(0.5)	(0.1)	(8.2)	0.9
Investments and divestments of shares, net							(1.2)	0.1
Acquired and divested operations, net							(0.1)	(0.3)
Interest-bearing receivables incl marketable securities							4.2	0.8
Cash-flow after net investments							(5.3)	1.5
Financing activities								
Change in loans, net							1.5	1.7
Dividend to AB Volvo shareholders							0.0	0.0
Dividend to minority shareholders							0.0	0.0
Other							0.1	0.0
Change in cash and cash equivalents excl. translation differences							(3.7)	3.2
Translation difference on cash and cash equivalents							(0.6)	0.4
Change in cash and cash equivalents							(4.3)	3.6

CONSOLIDATED CASH FLOW STATEMENT

FIRST NINE MONTHS

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Operating activities								
Operating income	15.4	19.3	1.1	0.6	0.0	0.0	16.5	19.9
Depreciation tangible assets	4.3	4.5	0.0	0.0	0.0	0.0	4.3	4.5
Amortization intangible assets	2.3	2.5	0.0	0.0	0.0	0.0	2.3	2.5
Depreciation leasing vehicles	2.0	1.5	2.0	1.9	0.0	0.0	4.0	3.4
Other non-cash items	0.6	0.8	0.4	0.5	0.1	0.0	1.1	1.3
Total change in working capital whereof	(15.9)	(12.4)	(10.9)	(5.6)	0.6	(0.3)	(26.2)	(18.3)
<i>Change in accounts receivable</i>	(2.2)	(3.7)	0.0	0.0	(0.1)	0.0	(2.3)	(3.7)
<i>Change in customer financing receivables</i>	0.2	(0.1)	(11.0)	(6.2)	0.7	(0.2)	(10.1)	(6.5)
<i>Change in inventories</i>	(4.8)	(9.4)	0.3	(0.1)	0.0	(0.1)	(4.5)	(9.6)
<i>Change in trade payables</i>	(7.8)	5.1	0.0	0.1	0.0	(0.1)	(7.8)	5.1
<i>Other changes in working capital</i>	(1.3)	(4.3)	(0.2)	0.6	0.0	0.1	(1.5)	(3.6)
Interest and similar items received	0.4	0.5	0.0	0.0	(0.2)	(0.1)	0.2	0.4
Interest and similar items paid	(2.1)	(2.0)	0.0	0.0	0.1	0.0	(2.0)	(2.0)
Other financial items	(0.3)	(0.1)	0.0	0.0	0.0	0.0	(0.3)	(0.1)
Income taxes paid	(3.9)	(3.1)	(0.5)	(0.2)	0.0	0.0	(4.4)	(3.3)
Cash flow from operating activities	2.8	11.5	(7.9)	(2.8)	0.6	(0.4)	(4.5)	8.3
Investing activities								
Investments in tangible assets	(6.0)	(5.1)	0.0	0.0	0.0	0.0	(6.0)	(5.1)
Investments in intangible assets	(3.8)	(2.8)	0.0	0.0	0.0	0.0	(3.8)	(2.8)
Investment in leasing vehicles	(3.0)	(0.7)	(4.3)	(4.7)	0.1	0.0	(7.2)	(5.4)
Disposals of fixed assets and leasing vehicles	0.4	0.5	1.7	1.7	0.0	0.1	2.1	2.3
Operating cash flow	(9.6)	3.4	(10.5)	(5.8)	0.7	(0.3)	(19.4)	(2.7)
Investments and divestments of shares, net							(1.2)	0.0
Acquired and divested operations, net							(1.0)	(0.8)
Interest-bearing receivables incl marketable securities							5.7	3.0
Cash-flow after net investments							(15.9)	(0.5)
Financing activities								
Change in loans, net							14.0	5.3
Dividend to AB Volvo shareholders							(6.1)	(5.1)
Dividend to minority shareholders							0.0	0.0
Other							0.1	0.0
Change in cash and cash equivalents excl. translation differences							(7.9)	(0.3)
Translation difference on cash and cash equivalents							(0.7)	(0.2)
Change in cash and cash equivalents							(8.6)	(0.5)

CONSOLIDATED NET FINANCIAL POSITION

SEK M	Industrial operations		Volvo Group	
	Sep 30 2012	Dec 31 2011	Sep 30 2012	Dec 31 2011
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	39,082	40,618
Non-current interest-bearing receivables	913	757	667	694
Current interest-bearing assets				
Customer-financing receivables	-	-	40,804	38,081
Interest-bearing receivables	1,661	1,461	1,671	667
Internal funding	476	2,253	-	-
Interest-bearing assets held for sale	0	4	0	4
Marketable securities	1,059	6,838	1,122	6,862
Cash and cash equivalents	20,479	29,113	21,782	30,379
Total financial assets	24,588	40,426	105,128	117,305
Non-current interest-bearing liabilities				
Bond loans	(35,441)	(38,192)	(35,441)	(38,192)
Other loans	(34,872)	(38,848)	(40,362)	(47,765)
Internal funding	31,129	35,453	-	-
Current interest-bearing liabilities				
Loans	(54,222)	(38,644)	(59,482)	(44,522)
Internal funding	38,101	24,837	-	-
Interest-bearing liabilities held for sale	(47)	(6)	(47)	(6)
Total financial liabilities	(55,352)	(55,400)	(135,332)	(130,485)
Net financial position excl post-employment benefits	(30,764)	(14,974)	(30,204)	(13,180)
Provisions for post-employment benefits, net	(4,113)	(4,372)	(4,133)	(4,388)
Net financial position incl post-employment benefits	(34,877)	(19,346)	(34,337)	(17,568)

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Third quarter 2012	First nine months 2012
Beginning of period	(27.5)	(19.3)
Cash flow from operating activities	(2.4)	2.8
Investments in fixed assets	(5.0)	(12.8)
Disposals	0.2	0.4
Operating cash-flow	(7.2)	(9.6)
Investments and divestments of shares, net	(1.2)	(1.2)
Acquired and divested operations, net	(0.1)	(1.1)
Capital injections to/from Customer Finance operations	0.1	0.9
Currency effect	0.9	1.3
Dividend paid to minority shareholders	0.0	0.0
Dividend paid to AB Volvo shareholders	0.0	(6.1)
Other changes	0.1	0.2
Total change	(7.4)	(15.6)
Net financial position at end of period	(34.9)	(34.9)

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

SEK bn	First nine months	
	2012	2011
Total equity at end of previous period	85.7	74.1
Shareholders' equity attributable to equity holders of the parent company at beginning of period	84.6	73.1
Income for the period	10.2	13.0
Other comprehensive income	(4.0)	(0.3)
Total comprehensive income	6.2	12.7
Dividend to AB Volvo's shareholders	(6.1)	(5.1)
Share-based payments	0.1	0.0
Transactions with minority interests	0.0	(0.1)
Other changes	0.0	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	84.8	80.6
Minority interests at beginning of period	1.1	1.0
Income for the period	0.2	0.3
Other comprehensive income	(0.1)	0.1
Total comprehensive income	0.1	0.4
Dividend	0.0	0.0
Minority regarding acquisitions and divestments	0.0	(0.4)
Other changes	0.0	0.0
Minority interests at end of period	1.2	1.0
Total equity at end of period	86.0	81.6

KEY RATIOS

Industrial operations	First nine months	
	2012	2011
Gross margin, %	22.6	23.6
Research and development expenses in % of net sales	4.8	4.5
Selling expenses in % of net sales	8.6	8.4
Administrative expenses in % of net sales	1.8	1.5
Operating margin, %	6.8	8.8
	Sep 30	Dec 31
	2012	2011
Return on operating capital, %, 12 months rolling values	23.0	28.8
Net financial position at end of period, SEK billion	(34.9)	(19.3)
Net financial position in % of shareholders' equity at end of period	(44.9)	(25.2)
Shareholders' equity as percentage of total assets, end of period	29.9	28.5

Customer Finance	Sep 30 2012	Dec 31 2011
Return on shareholders' equity, %, 12 months rolling values	10.9	7.3
Equity ratio at end of period, %	8.3	9.1
Asset growth, % from preceding year end until end of period	2.0	11.1

Volvo Group	First nine months	
	2012	2011
Gross margin, %	23.2	24.1
Research and development expenses in % of net sales	4.7	4.4
Selling expenses in % of net sales	9.0	8.7
Administrative expenses in % of net sales	1.8	1.5
Operating margin, %	7.1	8.9
	Sep 30	Dec 31
	2012	2011
Basic earnings per share, SEK, 12 months rolling values	7.38	8.76
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	41.8	41.7
Return on shareholders' equity, %, 12 months rolling values	17.6	23.1
Shareholders' equity as percentage of total assets, end of period	24.7	24.3

SHARE DATA

	First nine months	
	2012	2011
Basic earnings per share, SEK	5.05	6.43
Diluted earnings per share, SEK	5.05	6.43
Number of shares outstanding, million	2,028	2,027
Average number of shares during period, million	2,027	2,027
Average diluted number of shares during period, million	2,029	2,027
Number of company shares, held by AB Volvo, million	101	101
Average number of company shares, held by AB Volvo, million	101	101

QUARTERLY FIGURES

SEK M unless otherwise stated					
Industrial operations	3/2011	4/2011	1/2012	2/2012	3/2012
Net sales	71,559	84,788	77,034	81,938	67,143
Cost of sales	(55,488)	(65,830)	(59,414)	(62,567)	(53,089)
Gross income	16,071	18,958	17,620	19,371	14,054
Research and development expenses	(3,207)	(3,390)	(3,708)	(3,923)	(3,316)
Selling expenses	(6,153)	(6,888)	(6,489)	(6,843)	(6,193)
Administrative expenses	(1,105)	(1,364)	(1,232)	(1,511)	(1,330)
Other operating income and expenses	(97)	(369)	(292)	(114)	(687)
Income (loss) from investments in associated companies	(1)	(11)	8	(7)	(7)
Income from other investments	8	(248)	0	(25)	22
Operating income Industrial operations	5,516	6,688	5,906	6,949	2,544
Customer Finance					
Finance and lease income	2,237	2,321	2,367	2,487	2,421
Finance and lease expenses	(1,434)	(1,475)	(1,484)	(1,521)	(1,501)
Gross income	803	846	883	967	920
Selling and administrative expenses	(409)	(429)	(419)	(446)	(422)
Credit provision expenses	(145)	(169)	(127)	(194)	(135)
Other operating income and expenses	7	18	(5)	60	19
Operating income Customer Finance	258	267	333	386	383
Volvo Group					
Operating income	5,774	6,955	6,239	7,335	2,927
Interest income and similar credits	146	164	142	51	22
Interest expense and similar charges	(735)	(686)	(695)	(586)	(487)
Other financial income and expenses	259	(43)	(84)	(36)	(133)
Income after financial items	5,443	6,390	5,602	6,764	2,329
Income taxes	(1,548)	(1,592)	(1,510)	(1,820)	(947)
Income for the period*	3,895	4,798	4,092	4,943	1,382
* Attributable to					
Equity holders of AB Volvo	3,827	4,722	4,013	4,862	1,370
Minority interests	68	76	79	81	12
	3,895	4,798	4,092	4,943	1,382
Key operating ratios, Industrial operations					
Gross margin,	22.5	22.4	22.9	23.6	20.9
Research and development expenses in % of net sales	4.5	4.0	4.8	4.8	4.9
Selling expenses in % of net sales	8.6	8.1	8.4	8.4	9.2
Administrative expenses in % of net sales	1.5	1.6	1.6	1.8	2.0
Operating margin ,	7.7	7.9	7.7	8.5	3.8
Depreciation and amortization, included above					
Product and Software development, amortization	695	659	653	639	712
Other intangible assets, amortization	116	119	103	100	97
Tangible assets, depreciation	2,829	2,821	2,711	2,719	2,848
Total	3,640	3,599	3,466	3,458	3,657
Of which					
Industrial operations	2,984	2,915	2,811	2,764	2,954
Customer Finance	656	683	656	693	703
Total	3,640	3,599	3,466	3,458	3,657
Research and development expenses					
Capitalization	768	1,157	996	1,128	1,224
Amortization	(592)	(570)	(586)	(583)	(579)
Net capitalization of research and development expenses	176	587	410	545	645

QUARTERLY FIGURES

Share data	3/2011	4/2011	1/2012	2/2012	3/2012
Earnings per share, SEK*	1.89	2.33	1.98	2.40	0.68
Number of shares outstanding, million	2,027	2,027	2,028	2,028	2,028
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

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

Net sales	3/2011	4/2011	1/2012	2/2012	3/2012
SEK M	3/2011	4/2011	1/2012	2/2012	3/2012
Trucks	47,412	56,739	48,911	51,331	44,309
Construction Equipment	14,571	16,354	17,999	19,715	13,272
Buses	5,043	6,571	5,224	5,189	4,256
Volvo Penta	2,084	1,839	1,933	2,224	1,720
Volvo Aero	1,377	1,834	1,682	1,945	1,592
Other and eliminations	1,072	1,451	1,284	1,535	1,994
Industrial operations	71,559	84,788	77,034	81,938	67,143
Customer Finance	2,237	2,321	2,367	2,487	2,422
Reclassifications and eliminations	(476)	(602)	(563)	(522)	(452)
Volvo Group	73,321	86,507	78,838	83,904	69,111

Operating income	3/2011	4/2011	1/2012	2/2012	3/2012
SEK M	3/2011	4/2011	1/2012	2/2012	3/2012
Trucks	3,983	4,866	3,521	4,120	1,695
Construction Equipment	1,438	1,674	2,131	2,629	650
Buses	205	308	62	176	(58)
Volvo Penta	219	102	112	268	147
Volvo Aero	108	155	235	305	227
Group functions and other	(437)	(417)	(157)	(549)	(116)
Industrial operations	5,516	6,688	5,906	6,949	2,544
Customer Finance	258	267	333	386	383
Volvo Group	5,774	6,955	6,239	7,335	2,927

Operating margin	3/2011	4/2011	1/2012	2/2012	3/2012
Trucks	8.4	8.6	7.2	8.0	3.8
Construction Equipment	9.9	10.2	11.8	13.3	4.9
Buses	4.1	4.7	1.2	3.4	(1.4)
Volvo Penta	10.5	5.5	5.8	12.1	8.5
Volvo Aero	7.8	8.5	14.0	15.7	14.3
Industrial operations	7.7	7.9	7.7	8.5	3.8
Volvo Group	7.9	8.0	7.9	8.7	4.2

ACCOUNTING PRINCIPLES

As from January 1, 2005, AB Volvo applies the International Financial Reporting Standards (IFRS) as adopted by the EU, for the group consolidation. The accounting principles, which were applied during the preparation of this report, are described in Note 1 to the consolidated financial statements, which is included in the 2011 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 Reporting for legal entities. Application of RFR 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.

VOLVO REORGANIZATION – IMPACT ON REPORTING STRUCTURE

New organization

As of January 1, 2012, the Volvo Group has introduced a new functional organization which better utilizes the global potential of the Group's brands and products and a new financial framework to reflect the changes in the organization. The re-organization and the new framework impacts to some extent how revenues and expenses are reported in the income statement and between the different reportable segments.

In the new organization from January 1, 2012, the Trucks operations have been structured according to a functional approach, whereby the entire Trucks business is managed as one single business area consisting of five different functional organizations: Group Trucks Sales & Marketing EMEA (Europe, Middle East, Africa), Group Trucks Sales & Marketing Americas, Group Trucks Sales & Marketing APAC (Asia Pacific), Group Trucks Operations and Group Trucks Technology. In addition, a separate unit for Truck Joint Ventures is included in business area Trucks. Business areas Buses, Construction Equipment, Volvo Penta, Volvo Aero and Customer Finance remain as separate business areas. Governmental Sales and Volvo Rents are treated as separate business areas under the new organization. The Volvo Group is thereby organized in eight business areas from January 1, 2012. As from October 1, 2012 the separate unit Truck Joint Ventures is included in Group Truck Sales & Marketing APAC. As a result of this change, Group Trucks Sales & Marketing APAC is renamed Group Trucks Sales & Marketing and JV's APAC.

Former business units Volvo Powertrain, Volvo 3P, Volvo Logistics and Volvo Parts are included in business area Trucks from 2012. The costs of these operations are shared between the different business areas based on utilization according to the principles of the new financial framework.

Volvo IT, Volvo Business Services and Volvo Real Estate are treated as business support functions and costs of operations are shared by the business areas based on utilization according to the principles of the new financial framework.

Impact on segment reporting

Under the prior organization, the Trucks operations were organized in four business areas, which were aggregated to one reportable segment for Trucks. Under the new organization, the consolidation of the four truck areas into one Trucks business area is further emphasizing the utilization of resources between the different brands to optimize the overall global potential for the Trucks business. Therefore, the overall Truck business is considered one single operating segment under the new organization. The Volvo Group will thus continue to be reported in the six segments Trucks, Construction Equipment, Buses, Volvo Penta, Volvo Aero and Customer Finance. The reported segment information is based on the information used internally by the chief operating decision maker, i.e. the Volvo Group CEO.

The heading Other contains the cost of corporate functions, external business related to the business support functions

and the operations within business areas Volvo Rents and Governmental Sales.

Impact on goodwill impairment testing

The Trucks segment is considered one single cash generating unit (CGU) under the new organization. Goodwill related to the area Trucks will therefore be evaluated based on the cash generation capacity of the overall Trucks segment from January 1, 2012.

Restatement of financial reporting for 2011

The implementation of the functional organization has resulted in a reallocation of responsibilities within the Group. As a consequence, certain cost items have been redefined from a functional perspective, causing a shift between the lines in the income statement of the Volvo Group as well as the income statement of the Industrial Operations. In addition, as a result of the reorganization as well as the new financial framework, certain sales and cost items are reported differently from a segment reporting perspective from 2012. To facilitate comparability between the years, 2011 income statement and segment reporting data has been restated. A detailed description of effects on income statements and segment reporting data because of the restatement is enclosed in the first quarterly report 2012.

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 69–70 in the 2011 Annual Report for the Volvo Group. The Annual Report is available at www.volvogroup.com.

Risk updates

Short-term risks, when applicable, are also described in the respective report per business area of this report.

Uncertainty regarding customers' access to the financing of products might have a negative impact on demand.

Due to slowdown in the economy and the automotive sector Volvo sees increased supplier risks where some suppliers are under financial pressure. Consequences thereof could be increased cost for Volvo or disruptions in production.

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas and other intangible assets for possible impairment. The size of the overvalue differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities as of September 30, 2012, amounted to SEK 18,206 M, an increase of SEK 1,052 M compared to December 31, 2011. A major part of the total contingent liabilities is related to credit guarantees issued as a result of sales in emerging markets.

An American court (The United District Court of the District of Columbia), on April 13, 2012 handed down a decision in a dispute between Volvo Powertrain and the U.S. Environmental Protection Agency (EPA) regarding whether Volvo Penta's non-road engines sold in 2005 were subject to an agreement between EPA and Volvo Powertrain whereby the 2006 non-road emission standards were pulled-ahead to January 1, 2005. The Court found in favor of EPA and ordered Volvo Powertrain to pay penalties and interest of approximately USD 72 M. Volvo Powertrain has appealed the decision. As of September 30, an amount of SEK 65 M has been set as a provision and SEK 405 M has been retained as a contingent liability.

Volvo Group is subject to investigations by competition authorities. Volvo Group cooperates fully with the respective authority.

In September 2010 Volvo Trucks' and Renault Trucks' UK subsidiaries, together with a number of other international truck companies, became subject of an investigation initiated by the Office of Fair Trading (OFT), the British competition authority. In June 2012, OFT decided to close its investigation on the grounds that it considers the European Commission to be best placed to act in the matter. The OFT has reserved its right to reopen the investigation.

In January 2011, the Volvo Group and a number of other companies in the truck industry became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules.

In April 2011, the Volvo Group's truck business in Korea and a number of other truck companies became subject of an investigation by the Korean Fair Trade Commission.

Given the nature of the ongoing investigations initiated by competition authorities, the Volvo Group cannot exclude that they may affect the Group's result and cash flow with an amount that may be material. However, as regards the investigation initiated in Europe, it is too early to assess whether and when such effect may occur and hence if and when it could be accounted for. The Volvo Group has therefore not reported any contingent liability or any provision for the investigation initiated in Europe. Concerning the investigation initiated in Korea a contingent liability has however been recognized.

In May 2011 Volvo Penta became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. In June 2012, the European Commission closed the investigation without further actions.

CORPORATE ACQUISITIONS AND DIVESTMENTS

At the end of the third quarter total assets and liabilities held for sale amounted to SEK 9,847 M and SEK 4,433 M respectively. This mainly refers to the process to divest the business area Volvo Aero. A divestment is in line with the further streamlining of the Volvo Group towards commercial vehicles.

In October AB Volvo finalized the sale of Volvo Aero to the global engineering company, GKN, for the equivalent of SEK 6.9 billion on a debt-free basis. The transaction was finalized after receiving approval from the appropriate authorities. The sale is expected to generate a positive effect on operating income of SEK 300 M in the "Corporate functions and other" segment in the fourth quarter, net after reversed depreciations. Due to the sale, financial net debt is expected to be reduced by approximately SEK 5 billion in the fourth quarter.

In September AB Volvo increased its shareholding in Deutz AG from 6.7% to just over 25%. AB Volvo has acquired 22,117,693 shares from Same Deutz-Fahr Group for a total of EUR 130 million. Total acquisition value for 30,246,582 shares amounts to SEK 1,359 M. The acquisition analysis is not yet complete. Volvo accounts for Deutz AG as an associated company in accordance with the equity method as from September 12, 2012.

However, income from shares in Deutz is included in the consolidated financial statements with a time lag of one quarter. As a consequence, only the acquisition value is recognized in the third quarter. The transaction is not expected to have any material impact on the Volvo Group's earnings or financial position.

During 2012 Volvo has expanded the ownership in construction equipment rental operations through several minor acquisitions of assets and liabilities. These acquisitions have increased assets under operating lease of the Volvo Group by SEK 445 M and added SEK 549 M to the Volvo Group goodwill. The impact on net debt of Industrial operations is SEK 1,064 M, whereof assumed liabilities in the acquisitions are SEK 98 M. Of the assumed liabilities, SEK 94 M are Group-internal liabilities to the segment Customer Finance. The impact on the Group's cash flow from these acquisitions is SEK 966 M. Other than the above, the acquisitions have not had any significant impact on the Volvo Group.

See also Important events on page 5.

Volvo has not made any other acquisitions or divestments during the third quarter that have had a significant impact on the Volvo Group.

EXTENDED CURRENCY DISCLOSURES

Currency effect on operating income Industrial operations SEK M	Compared to third quarter 2011			Compared to second quarter 2012		
	Third quarter 2012	Third quarter 2011	Change	Third quarter 2012	Second quarter 2011	Change
Net flows in foreign currency			199			(338)
Realized gains and losses on hedging contracts	(29)	(18)	(11)	(29)	(125)	96
Unrealized gains and losses on receivables and liabilities in foreign currency	(13)	62	(75)	(13)	(6)	(7)
Unrealized gains and losses on hedging contracts	242	(378)	620	242	(79)	321
<i>whereof:</i>						
<i>Business Areas</i>	93	(166)	259	93	(28)	121
<i>Group functions and other</i>	149	(212)	361	149	(51)	200
Translation effect on operating income in foreign subsidiaries			(139)			(24)
Total currency effect on operating income Industrial operations			594			48
<i>whereof:</i>						
<i>Business Areas</i>			256			(131)
<i>Group functions and other</i>			338			179

Hedging of commercial currency flows

Volvo only hedges firm flows whereof the major part is realized within six months. Hedge accounting is not applied and unrealized gains and losses from fluctuations in the fair values of the contracts are reported in the income statement.

Applicable currency rates	Quarterly exchange rates		Close rates	
	Third quarter 2012	Third quarter 2011	September 2012	September 2011
	BRL	3.33169	3.97832	3.21610
CNY	1.06351	1.00976	1.03830	1.07490
EUR	8.45399	9.16012	8.44765	9.27805
JPY	0.08599	0.08348	0.08431	0.08950
USD	6.75637	6.47964	6.52965	6.85875

NEW TAX RATE IN SWEDEN

In September 2012, the Swedish Government announced a proposal to reduce income tax from 26.3% to 22%. The new rules are proposed to be effective as from January 1, 2013. The Swedish Parliament has not yet decided upon the Swedish Government's proposal. Deferred tax assets and deferred tax liabilities are recognized based

on tax rates that are decided or announced as per closing date. If the Swedish Parliament approves the proposal before December 31, 2012, Swedish deferred tax assets and deferred tax liabilities as of December 31, 2012 will be based on a tax rate of 22%. The adjustment of deferred taxes will be recognized in the income statement (Income

taxes), except for the part that refers to items that previously have been recognized in equity. The fourth quarter closing balances will be the base for the calculation. Based on third quarter balances, the adjustment will have limited effect on Volvo's financial position and net income.

RELATED-PARTY TRANSACTIONS

Sales to associated companies amounted to SEK 387 M (293) and purchases from associated companies amounted to SEK 13 M (14) during the third quarter of 2012. As of September 30, 2012, receivables from asso-

ciated companies amounted to SEK 209 M (186) and liabilities to associated companies to SEK 129 M (129).

Sales to related-party Renault s.a.s. amounted to SEK 5 M (6) and purchases

from Renault s.a.s to SEK 423 M (618) during the third quarter of 2012. Receivables from Renault s.a.s amounted to SEK 11 M (11) and liabilities to Renault s.a.s. to SEK 286 M (372) as of September 30, 2012.

PARENT COMPANY

Income statements SEK M	Third quarter		First nine months	
	2012	2011	2012	2011
Net sales¹⁾	181	192	467	577
Cost of sales ¹⁾	(181)	(192)	(467)	(577)
Gross income	0	0	0	0
Operating expenses ¹⁾	(216)	(272)	(747)	(690)
Income from investments in Group companies	427	(349)	(7)	1,576
Income from investments in associated companies	(12)	(19)	24	(22)
Income from other investments	-	-	5	4
Operating income (loss)	199	(640)	(725)	868
Interest income and expenses	(375)	(414)	(1,231)	(1,249)
Other financial income and expenses	(7)	(17)	(58)	(76)
Income after financial items	(183)	(1,071)	(2,014)	(457)
Income taxes	147	516	725	1,076
Income for the period	(36)	(555)	(1,289)	619

¹ Of net sales in the second quarter, SEK 152 M (165) pertained to Group companies, while purchases from Group companies amounted to SEK 45 M (136).

Other comprehensive income				
Income for the period	(36)	(555)	(1,289)	619
Available-for-sale investments	(21)	(191)	(35)	(142)
Other comprehensive income, net of income taxes	(21)	(191)	(35)	(142)
Total comprehensive income for the period	(57)	(746)	(1,324)	477

Balance sheet SEK M	Sep 30	Dec 31
	2012	2011
Assets		
Non-current assets		
Intangible assets	77	88
Tangible assets	64	80
Financial assets		
Share and participations in Group companies	59,460	59,460
Receivables from Group companies	82	38
Other shares and participations	4,013	2,953
Deferred tax assets	3,780	3,060
Total non-current assets	67,476	65,679
Current assets		
Short-term receivables from Group companies	802	10,843
Other short-term receivables	628	501
Cash and bank accounts	0	0
Total current assets	1,430	11,344
Total assets	68,906	77,023
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	24,934	32,268
Untaxed reserves	4	4
Provisions	164	183
Non-current liabilities ¹⁾	17	18
Current liabilities ²⁾	33,896	34,659
Total shareholders' equity and liabilities	68,906	77,023

¹ Of which SEK 7 M (7) pertains to Group companies.

² Of which SEK 33,506 M (34,260) pertains to Group companies.

Income from investments in Group companies for the third quarter includes dividends amounting to SEK 604 M (-).

In September AB Volvo acquired 22,117,693 additional shares in Deutz AG amounting to SEK 1,107 M, which means that the total shareholding amounts to just over 25. See page 28, Corporate acquisitions and divestments for further information.

Investments in tangible assets amounted to SEK 56 M (65).

Financial net debt amounted to SEK 32,966 M at the end of the third quarter (30,665).

Events after the balance sheet date

See Important events on page 5 of this report. No other significant events have occurred after the end of the third quarter 2012 that are expected to have a substantial effect on the Volvo Group.

Göteborg, October 24, 2012

AB Volvo (publ)



Olof Persson
President and CEO

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

DELIVERIES

	Third quarter			First nine months		
	2012	2011	Change in %	2012	2011	Change in %
Delivered Trucks						
Trucks						
Europe	18,130	19,384	(6)	60,695	68,781	(12)
Western Europe	13,163	15,460	(15)	45,982	55,515	(17)
Eastern Europe	4,967	3,924	27	14,713	13,266	11
North America	10,659	9,829	8	37,329	28,940	29
South America	6,332	7,852	(19)	16,950	21,431	(21)
Asia	11,426	13,821	(17)	37,695	39,559	(5)
Other markets	3,964	3,897	2	12,722	11,051	15
Total Trucks	50,511	54,783	(8)	165,391	169,762	(3)
Light duty (< 7 tons)	4,286	5,745	(25)	13,637	18,598	(27)
Medium duty (7-16 tons)	7,069	8,837	(20)	24,720	24,747	0
Heavy duty (>16 tons)	39,156	40,202	(3)	127,034	126,418	0
Total Trucks	50,511	54,783	(8)	165,391	169,762	(3)
Mack Trucks						
Europe	26	-	-	26	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	26	-	-	26	-	-
North America	4,574	3,075	49	17,398	10,880	60
South America	886	864	3	1,940	2,107	(8)
Asia	5	-	-	30	2	1,400
Other markets	270	268	1	858	816	5
Total Mack Trucks	5,761	4,207	37	20,252	13,805	47
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	-	-	-	-	-	-
Heavy duty (>16 tons)	5,761	4,207	37	20,252	13,805	47
Total Mack Trucks	5,761	4,207	37	20,252	13,805	47
Renault Trucks						
Europe	9,002	10,410	(14)	29,751	36,133	(18)
Western Europe	7,705	9,370	(18)	26,076	32,541	(20)
Eastern Europe	1,297	1,040	25	3,675	3,592	2
North America	20	38	(47)	65	104	(38)
South America	264	311	(15)	852	728	17
Asia	954	739	29	2,851	3,245	(12)
Other markets	1,266	875	45	3,940	3,143	25
Total Renault Trucks	11,506	12,373	(7)	37,459	43,353	(14)
Light duty (< 7 tons)	3,242	4,581	(29)	10,398	14,353	(28)
Medium duty (7-16 tons)	1,463	1,506	(3)	5,231	5,651	(7)
Heavy duty (>16 tons)	6,801	6,286	8	21,830	23,349	(7)
Total Renault Trucks	11,506	12,373	(7)	37,459	43,353	(14)

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 7.20 a.m. on October 24, 2012.

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		
	2012	2011	Change in %	2012	2011	Change in %
Volvo Trucks						
Europe	9,102	8,974	1	30,918	32,648	(5)
Western Europe	5,458	6,090	(10)	19,906	22,974	(13)
Eastern Europe	3,644	2,884	26	11,012	9,674	14
North America	5,976	6,446	(7)	19,497	17,079	14
South America	5,162	6,576	(22)	14,066	18,386	(23)
Asia	2,591	3,090	(16)	7,773	9,560	(19)
Other markets	1,289	1,354	(5)	4,339	3,333	30
Total Volvo Trucks	24,120	26,440	(9)	76,593	81,006	(5)
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	366	380	(4)	1,247	1,338	(7)
Heavy duty (>16 tons)	23,754	26,060	(9)	75,346	79,668	(5)
Total Volvo Trucks	24,120	26,440	(9)	76,593	81,006	(5)
UD Trucks						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	89	270	(67)	369	877	(58)
South America	20	101	(80)	92	210	(56)
Asia	3,762	4,801	(22)	12,549	11,648	8
Other markets	1,139	1,400	(19)	3,585	3,759	(5)
Total UD Trucks	5,010	6,572	(24)	16,595	16,494	1
Light duty (< 7 tons)	546	541	1	1,487	2,237	(34)
Medium duty (7-16 tons)	2,465	3,385	(27)	8,495	7,571	12
Heavy duty (>16 tons)	1,999	2,646	(24)	6,613	6,686	(1)
Total UD Trucks	5,010	6,572	(24)	16,595	16,494	1
Eicher¹						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
South America	-	-	-	-	-	-
Asia	4,114	5,192	(21)	14,492	15,105	(4)
Other markets	-	-	-	-	-	-
Total Eicher	4,114	5,192	(21)	14,492	15,105	(4)
Light duty (< 7 tons)	498	623	(20)	1,752	2,008	(13)
Medium duty (7-16 tons)	2,775	3,566	(22)	9,747	10,187	(4)
Heavy duty (>16 tons)	842	1,003	(16)	2,993	2,910	3
Total Eicher	4,114	5,192	(21)	14,492	15,105	(4)

¹ The delivery figures relate to the 50% of the joint venture with Eicher Motor which is consolidated in the Volvo Group.

Delivered Buses	Third quarter			First nine months		
	2012	2011	Change in %	2012	2011	Change in %
Buses						
Europe	480	607	(21)	1,776	1,844	(4)
Western Europe	480	577	(17)	1,726	1,765	(2)
Eastern Europe	0	30	(100)	50	79	(37)
North America	349	805	(57)	1,290	2,197	(41)
South America	422	656	(36)	1,598	1,399	14
Asia	725	709	2	2,145	2,390	(10)
Other markets	161	177	(9)	625	784	(20)
Total Buses	2,137	2,954	(28)	7,434	8,614	(14)

Further publication dates

Report on the fourth quarter and full-year 2012	February 6, 2013
Annual Report	March, 2013
Annual General Meeting	April 4, 2013
Report on the first quarter 2013	April 25, 2013
Report on the second quarter 2013	July 24, 2013
Report on the third quarter 2013	October 25, 2013

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