AB Volvo

Press Information October 25, 2005

Volvo – nine months ended September 30, 2005

- Net sales in the third quarter 2005 increased by 14% to SEK 52,532 M (46,024)
- In the third quarter, income for the period increased by 151% to SEK 2,935 M (1,167*)
- Income per share for the third quarter increased by 163% to SEK 7.24 (2.75*)
- The Group's operating margin rose to 7.6% (6.3) in the third quarter, with all business areas improving profitability
- Third quarter operating cash flow was a negative SEK 0.7 billion (neg: 2.9), after a transfer of SEK 1.5 billion to pension funds
- Important product launches within truck operations

* Write-downs of SEK 1,310 M relating to Henlys Group were included in the income for the third quarter 2004.

	Third quarter		First nine months	
	2005	**2004**	**2005**	**2004**
Net sales, SEK M	**52,532**	46,024	**165,904**	145,196
Operating income, SEK M [1)]	**4,004**	2,900	**13,890**	9,163
Revaluation of shares	**-**	**-**	-	820
Operating income, SEK M	**4,004**	2,900	**13,890**	9,983
Income after financial items, SEK M	**4,015**	1,516	**13,871**	8,432
Income for the period, SEK M	**2,935**	1,167	**10,112**	6,402
Income per share, SEK [1)]	**7.24**	2.75	**24.84**	13.20
Income per share, SEK	**7.24**	2.75	**24.84**	15.15
Return on shareholders' equity during most recent 12 month period, %			**19.0**	4.9

1) Excluding revaluation of shares in Scania AB and Henlys Group.

As of January 1, 2005 AB Volvo complies with International Financial Reporting Standards (IFRS), previously known as IAS, in accordance with the European Union regulation. Figures for the corresponding periods in the preceding year have been restated according to IFRS.

In the comments on earnings on pages 1-20, Volvo Financial Services is reported in accordance with the equity method. Reporting in accordance with IAS 1 is provided beginning on page 22.

Aktiebolaget Volvo (publ) 556012-5790
Investor Relations, VHQ
SE-405 08 Göteborg
Sweden

Tel +46 31 66 00 00 Fax +46 31 53 72 96
www.volvo.com

Contacts
Investor Relations: Fredrik Brunell +46 31 66 11 91
Christer Johansson +46 31 66 13 34
John Hartwell +1 212 418 7432

CEO comments – best third quarter ever

With sales of SEK 53 billion and operating income of SEK 4 billion, this was our best third quarter ever. All business areas contributed with profitability improvements, which is highly pleasing. The result is attributable to high global demand, high capacity utilization and strong work efforts in the improvement measures taken throughout the Group. Many employees have every reason to be proud about this fine development.

At the same time as we maintain a very high production rate, intensive work is under way with the launch of products that contribute to strengthening our competitiveness even further.

Increased sales and improved profitability in all business areas

While sales remained at a high level in Europe, we experienced favorable growth in primarily North and South America. In total, Group sales rose by 14%. All business areas posted higher sales.

Volvo Aero reported the largest profitability improvement and posted its best earnings for some time. Strong component business and favorable product mix were the key reasons. Trucks' margins improved, with a favorable development for Mack Trucks and Volvo Trucks in North America, while at the same time Renault Trucks' positive profitability trend was sustained. Construction Equipment continued to improve profitability as a result of increased sales and good cost control.

Buses reversed the loss in the third quarter of last year, but still has a way to go to satisfactory levels and is proceeding with its program of measures to achieve stable profitability. Volvo Penta improved profitability somewhat from a high level. Financial Services developed solidly with good profitability in the credit portfolio.

Intensive product renewal

Our business areas are in an intensive period of product renewal, largely based on our new generation of diesel engines, with high performance and lower fuel consumption. Currently, the focus is on trucks. The new Volvo FH, Volvo FM and Renault Premium were presented in September. The introductions are important since they account for the largest portion of our truck volumes in Europe, South America and Asia. The new models have been well received by customers, among other reasons due to the lower fuel consumption of up to 5%.

In October, Mack Trucks unveiled the new Mack Pinnacle for long-haul transports and the Mack Granite for construction segments. The trucks will enter the market in 2006 and will be equipped with new 11-liter and 13-liter engines.

We now have the entire heavy engine range – the 9-, 11-, 13- and 16-liter models – in production and it will be successively introduced in our different business areas, in accordance with the strategy set in 2001. The pace of product renewal will remain high in the immediate year ahead, with strong focus on the changeover to the new products.

Continued stable demand

We assess that the total market for heavy trucks in Europe and North America during 2005 will be somewhat higher than previous estimates. In Europe, we expect that the total market will show growth of about 5% compared with the earlier forecast of a 0-5% growth. We assess that the total market in North America will grow by about 25% during 2005. The prior forecast was for growth of about 20%.

To date, our customers have succeeded in transferring the increased oil prices to their customers, but rising transport costs increase the uncertainty about market development. Our best estimate today is that the total market in 2006 in both North America and Europe will be on the same level as 2005.

I wish to thank our colleagues who developed Celero Support into a truly fine service company. Through the transfer to Coor Service Management, Celero is moving into an environment offering better conditions to compete in the increasingly competitive service market. We are looking forward to continuing as a customer to an even stronger Celero.

Leif Johansson
President and CEO

Strong improvement in Group's profits in the third quarter of 2005

Net sales increased by 14%

Net sales by market area	Third quarter			First nine months		
SEK M	2005	2004	Change	2005*	2004	Change
Western Europe	**22,745**	21,702	5%	**77,307**	74,606	4%
Eastern Europe	**2,499**	2,507	0%	**7,690**	7,368	4%
North America	**16,788**	13,254	27%	**48,988**	37,698	30%
South America	**3,008**	1,822	65%	**7,912**	4,836	64%
Asia	**4,929**	4,428	11%	**16,180**	14,293	13%
Other markets	**2,563**	2,311	11%	**7,827**	6,395	22%
Total	**52,532**	**46,024**	**14%**	**165,904**	**145,196**	**14%**

** Volvo has reviewed the allocation of certain IFRS-related eliminations for sales per market. The market allocation in the second quarter of 2005 has been adjusted. Compared to previously reported figures for the second quarter 2005 isolated, net sales in Western Europe was SEK 846 M lower, net sales in North America was SEK 313 M lower, while net sales in Other markets were SEK 1,159 M higher.*

The Volvo Group's net sales rose by 14% to SEK 52,532 M in the third quarter of 2005, compared with SEK 46,024 M in the corresponding period in the preceding year. Adjusted for currency effects and acquired and divested operations, net sales increased by 10%. Net sales increased in all of the Group's main markets with the exception of Eastern Europe, where sales were unchanged. Growth was particularly strong in North America and South America.

All business areas report increased net sales. Trucks' net sales rose 12% to SEK 34,949 M (31,271); Volvo Buses increased 34% to SEK 3,914 M (2,925), Construction Equipment by 19% to SEK 7,778 M (6,552), Volvo Penta by 10% to SEK 2,333 M (2,130), and Volvo Aero by 20% to SEK 1,997 M (1,664).

Operating income rose 38%

Operating income for the third quarter 2005 improved by 38% to SEK 4,004 M, compared with SEK 2,900 M in the third quarter of 2004. The third quarter 2004 included provisions for an industrial reallocation within Renault Trucks amounting to approximately SEK 400 M.

The combined effect of currency movements was a negative SEK 200 M on operating income during the third quarter, compared with the year-earlier period.

The improvement in operating income was the result of increased volumes, improved gross margin and lower operating costs in relation to sales, which was partly offset by higher costs for raw material. The Volvo Group's operating margin rose to 7.6% for the third quarter, compared with 6.3% in the third quarter of 2004.

All business areas increased earnings during the third quarter of 2005. Operating income for Trucks rose to SEK 2,496 M (1,807), Buses increased to SEK 144 M (loss: 10) and Construction Equipment to SEK 521 M (370). Volvo Penta's operating income was SEK 230 M (207), Volvo Aero's SEK 239 M (100) and Financial Services SEK 484 M (343). Detailed comments on trends are provided in the business area sections.

Improved net interest expense

Net interest expense in the third quarter was SEK 88 M, compared with an expense of SEK 169 M in the year-earlier period and an expense of SEK 42 M in the second quarter of 2005. The net interest expense for the third quarter 2004 included a write-down of SEK 114 M relating to accrued interest on a convertible debenture loan to Henlys Group.

Other financial income and expenses

The net of other financial income and expense was an income of SEK 99 M (expense: 1,215). Other financial income included a positive effect of about SEK 125 M from a market valuation of derivates in accordance with IAS 39. The year-earlier figure included a write-down of shares in Henlys Group amounting to SEK 1,196 M.

Income taxes

Tax expenses relating to both current and deferred tax amounted to SEK 1,080 M (349) in the third quarter of 2005. The tax rate for the quarter was 27% (23).

Strong increase in income for the period and income per share

Income for the period rose to SEK 2,935 M (1,167). Income per share (excluding minority interests) amounted to SEK 7.24 (2.75). Conditional upon all outstanding options being exercised to subscribe for new shares, income per share after full dilution amounted to SEK 7.23 (2.75).

Number of employees

On September 30, 2005, the number of employees in the Volvo Group was 83,046, compared with 81,078 at year-end 2004.

Volvo Group Income Statements	**Third quarter**		**First nine months**	
SEK M	**2005**	**2004**	**2005**	**2004**
Net sales	**52,532**	**46,024**	**165,904**	**145,196**
Cost of sales	**(40,605)**	(35,681)	**(129,146)**	(113,613)
Gross income	**11,927**	**10,345**	**36,758**	**31,583**
Research and development expenses	**(1,791)**	(1,831)	**(5,585)**	(5,675)
Selling expenses	**(4,719)**	(4,401)	**(13,929)**	(13,374)
Administrative expenses	**(1,318)**	(1,208)	**(4,533)**	(3,950)
Other operating income and expenses	**(543)**	(351)	**(369)**	(384)
Income from Financial Services [1)]	**484**	343	**1,554**	931
Income from investments in associated companies	**(39)**	(3)	**(51)**	2
Income from other investments	**3**	6	**45**	850
Operating income	**4,004**	**2,900**	**13,890**	**9,983**
Interest income and similar credits	**151**	153	**661**	727
Interest expenses and similar charges	**(239)**	(322)	**(838)**	(1,094)
Other financial income and expenses	**99**	(1,215)	**158**	(1,184)
Income after financial items	**4,015**	**1,516**	**13,871**	**8,432**
Income taxes	**(1,080)**	(349)	**(3,759)**	(2,030)
Income for the period*	**2,935**	**1,167**	**10,112**	**6,402**
* Attributable to:				
Equity holders of the parent company	**2,927**	1,155	**10,072**	6,354
Minority	**8**	12	**40**	48
	2,935	1,167	**10,112**	6,402
Income per share, SEK	**7.24**	2.75	**24.84**	15.15
Diluted earnings per share, SEK	**7.23**	2.75	**24.80**	15.13
Number of shares outstanding, million	**404.5**	419.4	**404.5**	419.4
Average number of shares during period, million	**404.5**	419.4	**405.5**	419.4
Average diluted number of shares during period	**405.1**	419.9	**406.1**	419.9
Number of company shares, held by AB Volvo	**21.2**	22.1	**21.2**	22.1

1) Financial Services reported in accordance with the equity method.

Key operating ratios, Volvo Group	**Third quarter**		**First nine months**	
%	**2005**	**2004**	**2005**	**2004**
Gross margin	**22.7**	22.5	**22.2**	21.8
Research and development expenses in % of net sales	**3.4**	4.0	**3.4**	3.9
Selling expenses in % of net sales	**9.0**	9.6	**8.4**	9.2
Administrative expenses in % of net sales	**2.5**	2.6	**2.7**	2.7
Operating margin [1)]	**7.6**	6.3	**8.4**	6.3
Operating margin	**7.6**	6.3	**8.4**	6.9

1) Excluding revaluation of shares in Scania AB and Henlys Group. Reversal of write-down of shares in Scania AB amounted to SEK 915 in 2004. Write-downs of shares in Henlys Group amounted to SEK 95 M in 2004.

Condensed income statement, Financial Services	**Third quarter**		**First nine months**	
SEK M	**2005**	**2004**	**2005**	**2004**
Net sales [1)]	**1,876**	2,466	**5,593**	7,171
Income after financial items	**484**	343	**1,554**	931
Income taxes	**(109)**	(103)	**(459)**	(291)
Income of the period	**375**	**240**	**1,095**	**640**

1) The decrease in net sales is due to the change in classification of leasing contracts in the segment reporting of Volvo Financial Services.

Key ratios, Financial Services	**Sep 30**	**Dec 31**
12-month rolling figures unless otherwise stated	**2005**	**2004**
Return on shareholders' equity, %	**15.4**	11.1
Equity ratio at end of period, %	**12.1**	11.6
Asset growth, %	**13.9**	7.0

The Volvo Group’s financial position

Total assets in the Volvo Group amounted to SEK 248.2 billion at September 30, 2005, an increase of SEK 24.2 billion, compared with year-end 2004, of which SEK 17.2 billion was a result of currency movements. Assets also increased as a result of growth in Financial Services’ credit portfolio, higher inventory levels and receivables as a result of increased production and higher sales.

Shareholders’ equity at September 30, 2005 amounted to SEK 75.2 billion, corresponding to an equity ratio of 40.1%, excluding Financial Services. Changes in shareholders’ equity during the period are specified on page 7. The Group’s net financial assets at the same date amounted to SEK 10,9 billion, corresponding to 14.5% of shareholders’ equity. Changes in net financial position are specified on page 7. The consolidated balance sheet is affected by the adoption of IAS 39. See page 23 for further information.

As of September 30, 2005, assets and liabilities in Celero Support AB are classified as non-current assets held for sale, for more information see Significant events page 18.

Total contingent liabilities amounted to SEK 8.0 billion, a reduction of SEK 1.1 billion, compared with year-end 2004. Credit guarantees were reduced by SEK 1.5 billion, while other contingent liabilities increased by SEK 0.4 billion.

Volvo holds 42.5% of the shares in Peach County Holdings, Inc., a US-based company containing the US school bus manufacturer Blue Bird, having a carrying value of USD 71 M. Since the restructuring last year, the company has performed below Volvo's expectations. Volvo and the other shareholders are currently reviewing different options concerning the company's funding requirements in order to improve the company's liquidity position. At conclusion of these discussions, Volvo will review the extent to which the carrying value of the investment may have to be written-down.

Volvo Group Balance Sheets	Volvo Group excl. Financial Services [1]		Financial Services		Volvo Group total	
SEK M	**Sep 30 2005**	Dec 31 2004	**Sep 30 2005**	Dec 31 2004	**Sep 30 2005**	Dec 31 2004
Assets						
Intangible assets	**19,247**	17,570	**62**	42	**19,309**	17,612
Property, plant and equipment	**30,094**	27,260	**3,722**	3,891	**33,816**	31,151
Assets under operating leases	**9,726**	8,477	**1,349**	773	**20,989**	19,534
Shares and participations	**11,137**	10,116	**41**	193	**1,322**	2,003
Long-term customer finance receivables	**713**	147	**37,751**	33,887	**30,131**	25,187
Long-term interest-bearing receivables	**1,316**	1,797	**56**	5	**1,332**	1,741
Other long-term receivables	**8,262**	6,492	**274**	212	**7,695**	6,100
Inventories	**35,321**	28,291	**311**	307	**35,632**	28,598
Short-term customer finance receivables	**651**	83	**35,641**	29,531	**30,208**	26,006
Short-term interest bearing receivables	**4,639**	10,330	**0**	0	**422**	1,643
Other short-term receivables	**34,020**	30,043	**1,115**	1,628	**34,077**	29,647
Non-current assets held for sale, non interest-bearing	**495**	-	**-**	-	**495**	-
Non-current assets held for sale, interest-bearing	**79**	-	**-**	-	**79**	-
Marketable securities	**23,700**	25,839	**122**	116	**23,822**	25,955
Cash and bank	**7,881**	8,789	**1,040**	914	**8,826**	8,791
Total assets	**187,281**	**175,234**	**81,484**	**71,499**	**248,155**	**223,968**
Shareholders' equity and liabilities						
Shareholders' equity [2]	**75,188**	70,155	**9,856**	8,306	**75,188**	70,155
Provisions for post-employment benefits	**12,690**	14,677	**29**	26	**12,719**	14,703
Other provisions	**16,800**	14,115	**1,095**	845	**18,051**	14,993
Loans	**13,836**	13,968	**66,431**	57,860	**73,949**	61,807
Liabilities associated with assets held for sale, non interest-bearing	**357**	-	**-**	-	**357**	-
Liabilities associated with assets held for sale, interest-bearing	**186**	-	**-**	-	**186**	-
Other liabilities	**68,224**	62,319	**4,073**	4,462	**67,705**	62,310
Shareholders' equity and liabilities	**187,281**	**175,234**	**81,484**	**71,499**	**248,155**	**223,968**

1) Financial Services reported in accordance with the equity method.
2) Whereof minority interests SEK 193 M (229).

Changes in Net financial position, SEK bn		Third quarter		First nine months
Beginning of period		**9.8**		**18.1**
Cash flow from operating activities excl. Financial Services	1.7		7.2	
Investments in fixed assets, net	(2.2)		(6.1)	
Customer Finance receivables, net	(0.2)		(0.1)	
Operating cash-flow, excluding Financial Services		**(0.7)**		**1.0**
Investments and divestments of shares, net		(0.1)		0.0
IFRS transition effect		-		(3.3)
Change in provision for post-employment benefits [1)]		1.5		3.6
Repurchase of own shares		-		(1.8)
Dividend paid to AB Volvo shareholders		-		(5.1)
Currency effect		0.3		(1.6)
Other		0.1		0.0
Total change		**1.1**		**(7.2)**
Net financial position at end of period		**10.9**		**10.9**

1) Includes transfer to premium based plan and contribution to pension plans, which reduced provisions for post-employment benefits with SEK 0.2 billion and SEK 3.4 billion, respectively.

Changes in shareholders' equity	Jan-Sep	
SEK bn	**2005**	**2004**
Beginning of period	**70.2**	**72.4**
IFRS Transition effect, January 1, 2004	-	0.1
IFRS Transition effect IAS 39	**0.3**	-
Translation differences	**3.1**	0.4
Translation differences on hedge instruments of net investments	**(0.2)**	0.0
Minority interest	**0.0**	0.0
Investments in listed companies	**0.1**	-
Fair value on derivatives	**(1.5)**	-
Dividend to Volvo's shareholders	**(5.1)**	(9.7)
Repurchase own shares	**(1.8)**	-
Income for the period, attributable to equity holders of the parent company	**10.1**	6.4
Other changes	**0.0**	0.0
Balance at end of period	**75.2**	**69.6**

Key ratios	Sep 30	Dec 31
12-month rolling figures unless otherwise stated	**2005**	**2004**
Income per share, SEK	**33.29**	23.58
Income per share, SEK [1)]	**33.29**	21.62
Shareholders' equity per share, SEK at end of period	**186**	171
Return on shareholders' equity, %	**19.0**	13.9
Return on shareholders' equity, % [1)]	**19.1**	12.8
Net financial position at end of period, SEK billion	**10.9**	18.1
Net financial position at end of period as percentage of shareholders' equity	**14.5**	25.8
Shareholders' equity at end of period as percentage of total assets	**30.3**	31.3
Shareholders' equity as percentage of total assets, excluding Financial Services	**40.1**	40.0

1) Excluding revaluation of shares in Scania AB and Henlys Group.

Transfer to pension plans affected cash flow negatively

Operating cash flow, excluding Financial Services, was a negative SEK 0.7 billion (neg: 2.9) in the third quarter of 2005. Working capital increased by SEK 2.7 billion (6.1), including a transfer to pension plans totaling SEK 1.5 billion.

Cash-flow statement	Third quarter		First nine months	
SEK bn	**2005**	**2004**	**2005**	**2004**
Operating activities				
Operating income [1]	**3.5**	2.6	**12.3**	9.1
Add depreciation and amortization	**1.8**	1.8	**5.2**	5.5
Other non-cash items	**0.1**	0.4	**(0.1)**	(0.7)
Change in working capital	**(2.7)**	(6.1)	**(9.2)**	(6.6)
Financial items and income taxes paid	**(1.0)**	(0.1)	**(1.0)**	(0.6)
Cash flow from operating activities	**1.7**	**(1.4)**	**7.2**	**6.7**
Investing activities				
Investments in fixed assets	**(2.3)**	(1.7)	**(6.5)**	(4.8)
Investment in leasing vehicles	**(0.1)**	(0.1)	**(0.2)**	(0.2)
Disposals of fixed assets and leasing vehicles	**0.2**	0.3	**0.6**	0.5
Customer Finance receivables, net	**(0.2)**	0.0	**(0.1)**	0.0
Operating cash flow excl. Financial Services	**(0.7)**	**(2.9)**	**1.0**	**2.2**
Operating cash flow, Financial Services	**0.5**	**0.0**	**(1.4)**	**(2.4)**
Operating cash flow, Eliminations	**(0.2)**	**0.0**	**(0.7)**	**0.0**
Operating cash flow, Volvo Group total	**(0.4)**	**(2.9)**	**(1.1)**	**(0.2)**
Investments and divestments of shares, net	**(0.1)**	0.0	**0.2**	15.0
Acquired and divested operations, net	**0.1**	0.0	**0.3**	0.0
Interest-bearing receivables incl. marketable securities, net	**1.2**	1.7	**3.6**	(6.7)
Cash flow after net investments	**0.8**	**(1.2)**	**3.0**	**8.1**
Financing activities				
Change in loans, net	**0.5**	0.3	**2.9**	(7.4)
Dividend to AB Volvo shareholders	**0.0**	0.0	**(5.1)**	(3.4)
Repurchase of own shares	**-**	-	**(1.8)**	-
Other	**0.0**	0.0	**0.0**	0.0
Change in liquid funds excl. translation differences	**1.3**	**(0.9)**	**(1.0)**	**(2.7)**
Translation difference on liquid funds	**0.0**	0.0	**1.0**	0.2
Change in liquid funds	**1.3**	**(0.9)**	**0.0**	**(2.5)**

1) Excluding Financial Services

The layout of the cash-flow statement has been modified. As an effect of the adoption of IAS 39 for derecognition of financial assets and as an effect of the segment reporting, certain dealer financing transactions between Volvo Financial Services and the other business areas are eliminated on the line Operating cash flow, eliminations.

The segment reporting in the cash-flow statement is changed to Operating cash flow. Consequently there is no segment reporting of Investments in shares, net, Acquired and divested operations, net and Interest-bearing receivables incl. marketable securities, net.

Condensed cash-flow statement, Financial Services	**Third quarter**		**First nine months**	
SEK bn	**2005**	**2004**	**2005**	**2004**
Cash flow from operating activities	**1.0**	1.2	**2.2**	4.0
Net investments in credit portfolio etc	**(0.5)**	(1.2)	**(3.6)**	(6.4)
Operating cash flow	**0.5**	**0.0**	**(1.4)**	**(2.4)**

Financial review by business area

Net sales	**Third quarter**		**First nine months**			**12-months**	**Jan-Dec**
SEK M	**2005**	**2004**	**2005**	**2004**	**Change**	**rolling**	**2004**
Trucks	**34,949**	31,271	**111,955**	97,375	15%	151,459	136,879
Buses	**3,914**	2,925	**11,329**	9,091	25%	14,960	12,722
Construction Equipment	**7,778**	6,552	**24,515**	21,461	14%	32,414	29,360
Volvo Penta	**2,333**	2,130	**7,348**	6,878	7%	9,527	9,057
Volvo Aero	**1,997**	1,664	**5,428**	5,111	6%	7,242	6,925
Other units and eliminations	**1,561**	1,482	**5,329**	5,280	1%	7,277	7,228
Net sales	**52,532**	**46,024**	**165,904**	**145,196**	**14%**	**222,879**	**202,171**

Operating income	**Third quarter**		**First nine months**			**12-months**	**Jan-Dec**
SEK M	**2005**	**2004**	**2005**	**2004**	**Change**	**rolling**	**2004**
Trucks	**2,496**	1,807	**8,975**	5,680	58%	12,287	8,992
Buses	**144**	(10)	**336**	64	425%	525	253
Construction Equipment	**521**	370	**2,016**	1,473	37%	2,441	1,898
Volvo Penta	**230**	207	**738**	702	5%	976	940
Volvo Aero	**239**	100	**617**	390	58%	630	403
Financial Services	**484**	343	**1,554**	931	67%	1,988	1,365
Other units	**(110)**	83	**(346)**	(77)	-	(261)	8
Operating income [1)]	**4,004**	**2,900**	**13,890**	**9,163**	**52%**	**18,586**	**13,859**
Revaluation of shares	**-**	-	**-**	820	-	-	820
Operating income	**4,004**	**2,900**	**13,890**	**9,983**	**39%**	**18,586**	**14,679**

1) Excluding revaluation of shares in Scania AB and Henlys Group

Operating margin	**Third quarter**		**First nine months**		**12-months**	**Jan-Dec**
%	**2005**	**2004**	**2005**	**2004**	**rolling**	**2004**
Trucks	**7.1**	5.8	**8.0**	5.8	8.1	6.6
Buses	**3.7**	(0.3)	**3.0**	0.7	3.5	2.0
Construction Equipment	**6.7**	5.6	**8.2**	6.9	7.5	6.5
Volvo Penta	**9.9**	9.7	**10.0**	10.2	10.2	10.4
Volvo Aero	**12.0**	6.0	**11.4**	7.6	8.7	5.8
Operating margin [1)]	**7.6**	**6.3**	**8.4**	**6.3**	**8.3**	**6.9**
Operating margin	**7.6**	**6.3**	**8.4**	**6.9**	**8.3**	**7.3**

1) Excluding revaluation of shares in Scania AB and Henlys Group

Trucks – high product renewal pace

- Demand at continued high level
- Important product launches from all three brands
- Increased operating income

Net sales by market area	Third quarter			First nine months		
SEK M	2005	2004	Change	2005	2004	Change
Europe	**16,677**	16,592	1%	**57,127**	55,785	2%
North America	**11,688**	9,036	29%	**33,546**	25,134	33%
South America	**2,065**	1,348	53%	**5,501**	3,658	50%
Asia	**2,567**	2,587	(1%)	**10,068**	7,941	27%
Other markets	**1,952**	1,708	14%	**5,713**	4,857	18%
Total	**34,949**	**31,271**	**12%**	**111,955**	**97,375**	**15%**

Growing total market for heavy trucks

The market for heavy trucks continues to be at high levels in Europe, as well as North and South America. In Europe the total number of registrations through August rose by 8% to 206,473 heavy trucks (191,341). Among other countries, registrations increased in the UK, Germany, France, Spain and the Nordic region. Sales of heavy trucks (Class 8) in North America increased through September by 35% to 243,227 trucks (180,495). The Brazilian market decreased by 1% to 35,276 trucks (35,474).

The total European market for full-year 2005 is expected to grow by approximately 5% (previous forecast: a growth of 0-5%) compared with 2004. This would mean that the market would reach its highest level ever. In 2006, the total European market is expected to remain at about the same level.

The total North American market is expected to grow by about 25% in 2005 (previous forecast: approximately 20%). The forecast for 2006 is that the total North American market will sustain the level from 2005.

Unchanged order bookings

Order intake per market	Third quarter			First three quarters		
Number of trucks	2005	2004	Change	2005	2004	Change
Europe	**23,509**	23,953	-2%	**76,507**	82,664	-7%
North America	**16,136**	14,240	13%	**54,076**	50,813	6%
South America	**2,833**	2,767	2%	**8,050**	7,213	12%
Asia	**4,080**	6,351	-36%	**20,588**	19,459	6%
Other markets	**2,159**	1,946	11%	**7,222**	6,144	18%
Total	**48,717**	**49,257**	**-1%**	**166,443**	**166,293**	**0%**

During the third quarter of 2005, the Volvo Group's truck operations' total order bookings were largely unchanged at 48,717 trucks (49,257). Order bookings increased in North America, South America and Other markets. In Europe, order bookings decreased marginally while they declined in Asia. During the first nine months, order bookings for the truck operations were at unchanged high levels.

In Europe, demand has stabilized at a historically high level. In North America, the underlying demand continues to be strong. After a dip in the second quarter, there was a recovery in order bookings in North America in the third quarter, when orders started to be taken for trucks to be delivered during 2006.

Deliveries increased by 9%

Deliveries per market Number of trucks	Third quarter 2005	2004	Change	First three quarters 2005	2004	Change
Europe	**19,923**	19,964	0%	**73,799**	72,452	2%
North America	**15,821**	12,284	29%	**48,265**	34,229	41%
South America	**2,899**	2,335	24%	**8,365**	6,506	29%
Asia	**4,556**	4,883	-7%	**19,079**	15,543	23%
Other markets	**1,867**	1,762	6%	**6,318**	5,065	25%
Total	**45,066**	**41,228**	**9%**	**155,826**	**133,795**	**16%**

Total deliveries for the Volvo Group's truck operations increased by 9% during the third quarter to 45,066 trucks (41,228). Development was especially favorable in North and South America, where deliveries increased sharply. In Europe, deliveries were unchanged, while they declined in Asia. The high rate of delivery is an effect of favorable demand and efforts to reduce delivery times. Capacity utilization in the production plants is high.

During the first nine months of 2005, deliveries rose 16%, with all markets reporting increases.

Increased operating income

The truck operation's net sales increased by 12% to SEK 34,949 M (31,271) during the third quarter. Adjusted for currency movements, net sales rose 8%.

Operating income increased by 38% to SEK 2,496 M (1,807). The increased income was the result of higher volumes and better margins. The third quarter 2004 included provisions for an industrial reallocation within Renault Trucks amounting to approximately SEK 400 M. Operating margin rose to 7.1% (5.8). Renault Trucks and Mack Trucks continued to improve profitability.

New trucks with new engines

The truck operations are presently characterized by a number of important product launches. All three brands have introduced new trucks that advance their positions in several different segments. The new trucks have been developed to reinforce each brand's distinctive identity while at the same time using shared technology and common architecture, thus creating industrial synergies and economies of scale for the Group.

In September, Volvo Trucks launched the new Volvo FH and Volvo FM with new 13-liter and 9-liter engines. Among the improvements are up to 5% lower fuel consumption, and the engines meet the new emission requirements Euro 4 and Euro 5.

Renault Trucks introduced a new version of its truck model for long-haul transportation, Renault Premium, with more fuel-efficient engine, new driveline and new chassis.

In October, Mack Trucks launched new truck programs for both highway and construction purposes and a new engine series featuring the base architecture to address forthcoming emission standards.

At the same time as launch work is intense and the production rate considerable, a high activity is being maintained within product development. The rate of product renewal will be significant in the year ahead.

Buses – higher deliveries and improved profitability

- Improved profitability
- Lower order bookings
- First order for gas-driven 7700 CNG (Compressed Natural Gas)

Net sales by market area	Third quarter			First nine months		
SEK M	2005	2004	Change	2005	2004	Change
Europe	**1,712**	1,574	9%	**5,323**	5,232	2%
North America	**957**	598	60%	**3,001**	1,825	64%
South America	**581**	146	298%	**1,245**	321	288%
Asia	**466**	381	22%	**1,065**	1,197	(11%)
Other markets	**198**	226	(12%)	**695**	516	35%
Total	**3,914**	**2,925**	**34%**	**11,329**	**9,091**	**25%**

Continued slow-growing total market

The global bus market continued to develop positively, despite signs of slowing. The high price for fuel means that some customers are delaying the purchase of new vehicles. In Europe, the number of new registrations rose 6% in the first half of the year, but for the full year it is estimated that the total market will be at the same level as 2004. In North America, the tourist bus market increased by 13% in the first six months and an increase of 20% was noted in Mexico in the same segment. In China, the share of tourist buses declined, while the share of city buses continued to rise, particularly buses in the economy segment.

Lower order bookings

Order bookings in the third quarter fell from 2,345 to 2,120 buses, which is 10% lower than in the year-earlier period. Order bookings rose in North and South America, while a weakening was noted in Europe. With the help of flextime and reduced temporary resources, production capacity was adapted to the lower order bookings. At the end of the third quarter, the order backlog was 4,301 buses, compared with 3,910 in 2004, up 10%. The increased backlog is explained by the large order to Santiago, Chile.

Increased deliveries

During the third quarter, 2,358 buses (1,879) were delivered, 25% higher than the year-earlier period. The largest increases were in North America and South America, where the order to Santiago accounts for a substantial portion.

Profit also in the third quarter

Net sales in the third quarter amounted to SEK 3,914 M, an increase of 34% compared with SEK 2,925 M in the preceding year. Adjusted for currency movements and acquired units, net sales rose 17%.

Operating income was positive, amounting to SEK 144 M (loss: 10). The effects of the restructuring program and increased deliveries are the main reasons for the earnings improvement. The operating margin was 3.7% (neg: 0.3).

Continued focus on improved profitability

Volvo Buses improvement efforts to achieve stable and long-term profitability are under way within all market regions. Restructuring continues in Europe, and the closing of the plant in Heilbronn is proceeding as planned. In Mexico, work continues with implementing a new industrial and commercial structure, and in China intensive work is being carried out to increase the portion of locally purchased components as a consequence of high import tariffs in conjunction with implementation of China's new automotive policy.

Deliveries for Volvo Buses' large order for a total of 1,779 buses to Chile are now under way. More than 1,100 new buses were in Santiago when traffic started on October 22. The remaining buses will be delivered successively through the first quarter of 2006.

During the third quarter, the first order for the new CNG engine in the form of 32 gas-driven buses to Bern was signed, with an option for 39 more. Continued intensive work is being undertaken prior to the introduction of Euro4/5 and the new engine generation, which was presented at the Busworld trade show at the end of October.

Construction Equipment – operating income up 41%

- Continued strong demand for heavy equipment in North America
- Sales growth of 19%
- Operating income up 41%

Net sales by market area	**Third quarter**			**First nine months**		
SEK M	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Europe	**3,316**	2,851	16%	**10,987**	9,722	13%
North America	**2,346**	2,113	11%	**7,606**	6,420	18%
South America	**291**	260	12%	**895**	660	36%
Asia	**1,444**	1,005	44%	**3,812**	3,814	(0%)
Other markets	**381**	323	18%	**1,215**	845	44%
Total	**7,778**	**6,552**	**19%**	**24,515**	**21,461**	**14%**

Total world market up 12%

The total world market within the business area's product segments increased by 12% during the third quarter of 2005, compared with the corresponding period a year earlier.

The increase was mainly driven by a continued strong demand in North America, up 14%, and positive developments in Asia and Other markets, which posted total growth of 18%. The Chinese market is rebounding from a low level and increased more than 100%, mainly driven by favorable demand for crawler excavators and compact equipment.

Total market development in the third quarter, %	**Europe**	**North America**	**Asia**	**Other markets**	**Total**
Heavy equipment	+1	+18	+26	+21	**+17**
Compact equipment	+3	+11	+8	+23	**+9**
Total	**+3**	**+14**	**+16**	**+22**	**+12**

Over all, market conditions remain relatively positive, with 2005 total markets estimated to grow by around 10% in North America and up to 5% in Europe. The outlook for Asia and Other markets remains favorable with the exception of South Korea.

Continued strong order bookings

Order bookings for Construction Equipment remained on a high level. At September 30, 2005, the value of the order backlog was 34% higher than on the same date a year earlier.

Sales and operating income rose

Construction Equipment's net sales rose 19% and amounted to SEK 7,778 M (6,552). The increase is mainly attributable to higher volumes, improved distribution and a favorable market and product mix. Adjusted for currency movements, acquisitions and divestments, net sales rose 17%.

Operating income increased by 41% to SEK 521 M (370). The operating margin was 6.7% (5.6). The income and margin improvement is due to reduced selling and administrative expenses and a favorable product and market mix, which were partly offset by higher prices for raw material.

Continued focus on distribution

During the third quarter Volvo CE Rents opened its 100th rental store. The total number of stores opened amounts to 104, of which 64 in North America and 40 in Europe.

As a result of focused aftermarket activities, sales of parts and related services have increased by 17% year-to-date through September. The initiatives include customer support agreement penetration, expanding re-manufacturing business and deployment of dealer tool kit.

Volvo Penta – higher sales and continued favorable profitability

- Good demand for larger marine engines
- High interest for Volvo Penta IPS
- Continued high sales and operating income

Net sales by market area	Third quarter			First nine months		
SEK M	2005	2004	Change	2005	2004	Change
Europe	**1,114**	1,047	6%	**3,793**	3,678	3%
North America	**726**	667	9%	**2,204**	1,970	12%
South America	**51**	33	55%	**153**	89	72%
Asia	**382**	346	10%	**1,042**	1,014	3%
Other markets	**60**	37	62%	**156**	127	23%
Total	**2,333**	**2,130**	**10%**	**7,348**	**6,878**	**7%**

Strong demand for larger marine engines

Demand for smaller boats declined successively during the year, while the market for boats exceeding about 40 feet developed positively in Europe and in North America. As a result, sales of larger marine engines remained strong, while the demand for smaller marine engines weakened somewhat.

After several quarters with reduced demand for industrial engines, due primarily to the sharp decline in China, the total market for industrial engines rose somewhat in the third quarter.

Increased orders for industrial engines

Volvo Penta's order bookings for industrial engines rose compared with a year earlier, while order bookings for commercial marine engines was unchanged, In the leisure boat segment, the order situation for smaller gasoline and diesel engines weakened while at the same time the order bookings for larger marine engines remained stable.

Volvo Penta captures market shares

Volvo Penta continues to increase its market shares in the marine engine segment, in Europe as well as North America. The launch of the new drive system for boats, Volvo Penta IPS, continued as planned. During the boat shows this autumn, a large number of boat models are being launched with Volvo Penta IPS, which strengthens Volvo Penta's position among boats in the 40- to 50-foot class.

Sales increase and earnings improvement

Volvo Penta's sales and operating income continued to rise during the third quarter. Sales were up 10%, totaling SEK 2,333 M (2,130), and were distributed among Volvo Penta's business segments as follows: Marine Leisure SEK 1,378 M (1,271), Marine Commercial SEK 291 M (229) and Industrial SEK 664 M (630). Adjusted for currency movements, the total increase was 7%.

Operating income for the third quarter rose to SEK 230 M, compared with SEK 207 M in the year-earlier period, among other factors, as a result of a positive product mix. Operating margin was 9.9% (9.7).

Cost control and efficient industrial structure

Volvo Penta closely monitors total market developments and retains its intensive cost focus. The responsibility for production and logistics has been combined into the same organization, with the aim of ensuring an efficient industrial structure and reducing operating capital.

During the autumn, important introductions for commercial shipping are being carried out through the launch of a new 16-liter diesel engine and Volvo Penta IPS, which was previously only available for leisure boats.

Volvo Aero – operating income more than doubled

- Air traffic and industrial order bookings continue to grow
- High capacity utilization in component manufacturing
- Improved operating margin – best result since the second quarter of 2001

Net sales by market area	**Third quarter**			**First nine months**		
SEK M	**2005**	**2004**	**Change**	**2005**	**2004**	**Change**
Europe	**814**	697	17%	**2,502**	2,371	6%
North America	**1,064**	813	31%	**2,575**	2,277	13%
South America	**31**	35	(11%)	**119**	106	12%
Asia	**67**	103	(35%)	**186**	311	(40%)
Other markets	**21**	16	31%	**46**	46	0%
Total	**1,997**	**1,664**	**20%**	**5,428**	**5,111**	**6%**

World air traffic continues to grow

World airline passenger traffic increased by nearly 7% in the first seven months of 2005. Passenger traffic increased by 5.1% in Europe in August and preliminary results for Asia-Pacific airlines point at a similar rate of traffic growth. Load factors remained high in all regions. High fuel prices continue to be a major challenge for airlines in all regions of the world. Many airlines, including in the U.S., are introducing passenger fuel surcharges to cope with the surge in jet fuel prices.

During the month of August, the order backlog for large commercial jets passed the 3,000 mark. This is the highest point since September 2001. In the first nine months of this year, Airbus and Boeing announced 1 060 orders for large commercial aircraft, up from 385 in the year-earlier period. Most of the order intake has taken place in the past five months. At the end of September, Airbus and Boeing had delivered 488 aircraft, an increase of 10% compared with the corresponding period last year.

Volvo Aero's order backlog increased

Rolling 12-month order bookings were 12% higher than in the corresponding period 2004. At the end of the third quarter, the value of Volvo Aero's order backlog was 1% higher than on the same date a year earlier. The lower growth in order backlog in relation to order bookings is mainly explained by a shift in order mix, from orders for military products with long lead-times to commercial orders with shorter lead-times.

Component business contributed to substantial improvement in income

Sales increased in the third quarter by 20% to SEK 1,997 M (1,664). Adjusted for currency effects, net sales rose 14%.

Operating income increased to 239 MSEK, compared to 100 MSEK in the preceding year. This is the best result since the second quarter 2001. Operating margin was 12.0% (6.0). Earnings are attributable mainly to high profitability within sales of components and new spare parts to commercial aircraft engines. The underlying factors are a favorable product mix and high degree of utilization at the production plants in Trollhättan, Sweden, and in Kongsberg, Norway. Volvo Aero's aftermarket business also contributed to the earnings improvement. The overhaul operations still face a volume problem, but were able to improve earnings, among other factors as a result of efficiency enhancements and cost reductions. After market services, including spare part activities, through the US company Volvo Aero Services report steadily increasing sales and an improved result.

Expanded contract for LM2500 increases sales

Volvo Aero and General Electric have signed an agreement through which Volvo Aero increases its share of the LM2500 stationary gas turbine. The new agreement with GE results in an investment of about SEK 140 M. Sales for the supplemental agreement are expected to be about SEK 1 billion for Volvo Aero over a 15-year period. Since 1997, Volvo Aero has been a risk-sharing partner in the LM2500, which has become known as the most reliable gas turbine in its class.

Volvo Aero Norway has signed an agreement with Pratt & Whitney covering manufacture of the intermediate case for the F135 engine in the F-35 Joint Strike Fighter (JSF). The F-35 Joint Strike Fighter is expected to become the predominant combat aircraft in terms of sales in the next decade and Pratt & Whitney expects to sell more than 5,000 aircraft. The sales value of the agreement is expected to be up to USD 100 M, depending on how sales of the JSF develop.

Financial Services – continued good earnings and returns

- Continued solid profitability
- Steady market shares and increased retail volume
- Portfolio performing well

New financing and penetration by business area	**New financing, SEK M Third quarter**		**Penetration, % Third quarter**	
	2005	**2004**	**2005**	**2004**
Volvo Trucks	**3,889**	3,760	**29**	30
Renault Trucks	**1,122**	1,193	**17**	20
Mack Trucks	**790**	528	**13**	13
Buses	**212**	323	**10**	14
Construction Equipment	**1,851**	1,536	**36**	37
Other	**5**	92	**-**	-
Total	**7,869**	7,432	**23**	25

New volume financing rose 6%

Total new volume financing in the third quarter of 2005 amounted to SEK 7.9 billion, a 6% increase compared with SEK 7.4 billion in the third quarter of 2004. The volume increase is mainly driven by Volvo Trucks, Mack Trucks and Construction Equipment. In total, 9,298 units (9,680) were financed during the quarter, resulting in an average financing per contract of SEK 0.85 M.

In the markets where financing is offered, the average penetration rate in the third quarter was 23% (25).

The credit portfolio grew by 5.6%

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Good earnings and returns

Operating income in the third quarter amounted to SEK 484 M (343), compared with SEK 483 M in the second quarter of 2005. Return on shareholders' equity for the rolling 12 months was 15.4% (9.7). Excluding the effect from the sale of non-strategic properties in VFS' real estate company Danafjord, the return on shareholders' equity for the 12 months ending September 30, 2005 was 12.7%. The equity ratio at the end of the third quarter was 12.1% (12.3).

Write-offs in the third quarter amounted to SEK 63 M (76). The annualized write-offs ratio through September 30, 2005, was 0.38% (0.64). On September 30, 2005, the total credit reserves were 2.23% of the credit portfolio, compared with 2.15% at June 30, 2005.

The third quarter continued the trend of good results and good portfolio performance in all business segments seen throughout 2005.

Commercial focus strategy

Volvo Financial Services is working closely with all markets to implement a strategy with more commercial focus, developed earlier in the year, and to work even more in partnership with the product companies. In addition, Volvo Financial Services continues to develop further the activities in Region International – particularly in Eastern Europe and Asia.

Significant events

Volvo Trucks launches its cleanest and most fuel-efficient trucks ever

In the beginning of September, Volvo Trucks launched a new generation of trucks, the Volvo FH and Volvo FM. An entirely new 13-liter engine and an improved 9-liter engine that meet forthcoming European exhaust emissions requirements with SCR catalytic technology power the trucks.

With the launch of the new Volvo FH and Volvo FM models, Volvo Trucks is taking a huge step forward with regard to technology and environmental care. The all-new 13-liter engine has more power and better drivability than its predecessor and is available with power outputs of up to 520 hp. Compared with the current 12-liter engine, its fuel consumption is reduced by up to 5%. At the same time, the 9-liter engine has been upgraded and is now more powerful, offering better drivability. Both engines also meet the new emissions requirements that come into force in 2006 and 2009 (Euro 4 and Euro 5). The new truck models will start being built in Göteborg and Ghent this autumn. The first trucks will be delivered to customers in early 2006.

Renault Trucks launches new Renault Premium

In September, Renault Trucks introduced a new version of its truck model for long-haul transportation, the Renault Premium tractor unit. Among other improvements, the new version features a new driveline and chassis. The new Renault Premium represents another step in the work to renew the Renault Trucks product range.

The new Renault Premium is equipped with a new 11-liter engine in power classes up to 440 hp and is designed for a wide range of varying transport needs. The new 11-liter engine is more efficient and compared with the earlier engine delivers up to 5% fuel savings. Other new features include an automatic Optidriver II transmission, an improved cab, as well as a new front-end design. The first deliveries of the new Renault Premium took place in October 2005.

Breakthrough order for Volvo’s new gas bus

In September, Volvo Buses received its first bus order for the new gas engine, the Volvo 7700. It was the local public transport company in the city of Bern in Switzerland that placed an order for 32 articulated buses, with an option for 39 more. The gas buses will run on biogas, which, as opposed to natural gas, does not contribute to higher carbon dioxide levels. The first ten buses will be shipped during summer 2006, with the remainder scheduled to follow in the autumn.

Volvo Buses is one of Europe's leading manufacturers of gas buses with over 1,000 gas-operated vehicles delivered since the start in 1992. The company is now advancing to the next phase with the launch of its new 9-liter gas engine for natural gas or biogas. The new 9-liter engine outperforms its predecessor and maintains emission levels below both the Euro 5 and EEV, the European Union's special environmental class for environment-adapted vehicles.

Volvo to sell Celero Support service company

AB Volvo announced in October that it is selling the Group's service company Celero Support AB to Coor Service Management for SEK 680 M. The sale will result in a capital gain for Volvo of about SEK 450 M, which will be included in the income for the fourth quarter. Celero Support provides various office and workplace services as well as maintenance of industrial plants and properties. Celero Support AB has 1,100 employees, with sales totaling about SEK 1.4 billion. The sale is subject to approval by the Swedish competition authorities and that the parties reach agreement on an extension of certain service deliveries. The transaction is expected to be completed before the end of November.

Mack Trucks launches new trucks and engines

In October, Mack Trucks unveiled new truck offerings and new heavy-duty diesel engines to be launched in 2006. The new Mack Pinnacle models are intended for the core highway application customer base, while the redesigned Mack Granite models are aimed at strengthening Mack Truck’s leadership position in the construction segments of the North American heavy-duty truck market. The new MackPower (MP) engine series, which will begin with the 11-liter MP7 product, provides the basic engine architecture for the solution to the EPA ’07 emissions regulations. Mack Trucks also intends to introduce a 13-liter version, the MP8, in 2007.

Significant events earlier in the year

- Repurchase of own shares, in accordance with mandate from the AGM 2004, completed
- Sales of property yielded capital gain of SEK 188 M
- Volvo Trucks launched a new flagship in North America
- Tax rulings contribute SEK 300 M to Volvo
- Volvo Buses to close factory in Heilbronn, Germany
- Annual General Meeting approved dividend and re-elected the Board
- Cancellation of shares and new repurchase mandate
- Allotment of shares in incentive program

For further information regarding previously reported significant events, please refer to Volvo Group's report on the first three months of 2005 and report on the first six months 2005. Detailed information is also available at www.volvo.com.

Quarterly figures

Volvo Group SEK M unless otherwise specified	3/2004	4/2004	1/2005	2/2005	3/2005
Net sales	**46,024**	**56,977**	**52,253**	**61,119**	**52,532**
Cost of sales	(35,679)	(44,842)	(40,559)	(47,982)	**(40,605)**
Gross income	**10,345**	**12,135**	**11,694**	**13,137**	**11,927**
Research and development expenses	(1,831)	(1,938)	(1,934)	(1,860)	**(1,791)**
Selling expenses	(4,401)	(4,944)	(4,381)	(4,829)	**(4,719)**
Administrative expenses	(1,208)	(1,361)	(1,585)	(1,630)	**(1,318)**
Other operating income and expenses	(351)	392	173	1	**(543)**
Income from Financial Services [1)]	343	434	587	483	**484**
Income from investments in associated companies	(3)	1	(27)	15	**(39)**
Income from other investments	6	(22)	9	33	**3**
Operating income	**2,900**	**4,697**	**4,536**	**5,350**	**4,004**
Interest income and similar credits	153	266	226	284	**151**
Interest expenses and similar charges	(322)	(332)	(273)	(326)	**(239)**
Other financial income and expenses	(1,215)	(27)	114	(55)	**99**
Income after financial items	**1,516**	**4,604**	**4,603**	**5,253**	**4,015**
Income taxes	(349)	(1,100)	(1,355)	(1,324)	**(1,080)**
Income for the period*	**1,167**	**3,504**	**3,248**	**3,929**	**2,935**
* Attributable to					
Equity holders of AB Volvo	1,155	3,512	3,234	3,911	**2,927**
Minority interests	12	(8)	14	18	**8**
	1,167	**3,504**	**3,248**	**3,929**	**2,935**

Depreciation and amortization included above	**3/2004**	**4/2004**	**1/2005**	**2/2005**	**3/2005**
Industrial and Commercial	1,609	1,631	1,583	1,631	**1,694**
Financial Services	759	804	125	148	**100**
Classification Group versus segment Financial Services	-	-	575	681	**673**
Total	**2,368**	**2,435**	**2,283**	**2,460**	**2,467**

Income per share, SEK [2)]	2.75	8.45	7.93	9.67	**7.24**
Number of shares outstanding, million	419.4	410.1	404.4	404.5	**404.5**
Average number of shares during period, million	419.4	415.8	407.6	404.4	**404.4**
Number of company shares, held by AB Volvo, million	22.1	31.4	37.1	21.2	**21.2**

1) Financial Services reported according to equity method.
2 Income per share is calculated as Income for the period (excl. minority interests) divided by the weighted average number of shares outstanding during the period.

Key operating ratios

%	3/2004	4/2004	1/2005	2/2005	3/2005
Gross margin	22.5	21.3	22.4	21.5	**22.7**
Research and development expenses in % of net sales	4.0	3.4	3.7	3.0	**3.4**
Selling expenses in % of net sales	9.6	8.7	8.4	7.9	**9.0**
Administrative expenses in % of net sales	2.6	2.4	3.0	2.7	**2.5**
Operating margin	6.3	8.2	8.7	8.8	**7.6**

Net sales

SEK M	3/2004	4/2004	1/2005	2/2005	3/2005
Trucks	31,271	39,504	35,911	41,095	**34,949**
Buses	2,925	3,631	3,196	4,219	**3,914**
Construction Equipment	6,552	7,899	7,182	9,555	**7,778**
Volvo Penta	2,130	2,179	2,391	2,624	**2,333**
Volvo Aero	1,664	1,814	1,647	1,784	**1,997**
Other	1,482	1,950	1,926	1,842	**1,561**
Net sales Volvo Group	**46,024**	**56,977**	**52,253**	**61,119**	**52,532**
Financial Services	2,467	2,426	1,778	1,939	**1,876**
Eliminations and other	(190)	(176)	405	486	**485**
Net sales total	**48,301**	**59,227**	**54,436**	**63,544**	**54,893**

Operating income

SEK M	3/2004	4/2004	1/2005	2/2005	3/2005
Trucks	1,807	3,312	3,077	3,402	**2,496**
Buses	(10)	189	32	160	**144**
Construction Equipment	370	425	558	937	**521**
Volvo Penta	207	238	206	302	**230**
Volvo Aero	100	13	210	168	**239**
Financial Services	343	434	587	483	**484**
Other	83	86	(134)	(102)	**(110)**
Operating income (loss)	**2,900**	**4,697**	**4,536**	**5,350**	**4,004**

Operating margin

%	3/2004	4/2004	1/2005	2/2005	3/2005
Trucks	5.8	8.4	8.6	8.3	**7.1**
Buses	(0.3)	5.2	1.0	3.8	**3.7**
Construction Equipment	5.6	5.4	7.8	9.8	**6.7**
Volvo Penta	9.7	10.9	8.6	11.5	**9.9**
Volvo Aero	6.0	0.7	12.8	9.4	**12.0**
Operating margin	**6.3**	**8.2**	**8.7**	**8.8**	**7.6**

Financial Information in accordance with IAS 1

Consolidated income statements	Third quarter		First nine months	
SEK M	**2005**	**2004**	**2005**	**2004**
Net sales	**54,894**	**48,301**	**172,874**	**151,850**
Cost of sales	**(42,090)**	**(37,115)**	**(133,529)**	(117,904)
Gross income	**12,804**	**11,186**	**39,345**	**33,946**
Research and development expenses	**(1,791)**	(1,830)	**(5,585)**	(5,675)
Selling expenses	**(5,010)**	(4,680)	**(14,786)**	(14,166)
Administrative expenses	**(1,354)**	(1,245)	**(4,644)**	(4,074)
Other operating income and expenses	**(609)**	(539)	**(440)**	(922)
Income from investments in associated companies	**(39)**	3	**(45)**	23
Income from other investments	**3**	5	**45**	850
Operating income	**4,004**	**2,900**	**13,890**	**9,982**
Interest income and similar credits	**112**	100	**540**	607
Interest expenses and similar charges	**(200)**	(270)	**(717)**	(974)
Other financial income and expenses	**99**	(1,215)	**158**	(1,184)
Income after financial items	**4,015**	**1,516**	**13,871**	**8,432**
Taxes	**(1,080)**	(349)	**(3,759)**	(2,030)
Income for the period*	**2,935**	**1,167**	**10,112**	**6,402**
* Attributable to:				
Equity holders of the parent company	**2,927**	1,155	**10,072**	6,354
Minority	**8**	12	**40**	48
	2,935	**1,167**	**10,112**	6,402

Consolidated Balance Sheets	**Sep 30**	Dec 31
SEK M	**2005**	2004
Assets		
Non-current assets		
Intangible assets	**19,309**	17,612
Tangible assets	**54,805**	50,685
Financial assets	**40,480**	35,031
Total non-current assets	**114,594**	103,328
Current assets		
Inventories	**35,632**	28,598
Short-term receivables	**64,707**	57,296
Non-current assets held for sale [1)]	**574**	-
Marketable securities	**23,822**	25,955
Cash and bank accounts	**8,826**	8,791
Total current assets	**133,561**	120,640
Total assets	**248,155**	**223,968**
Shareholders' equity and liabilities		
Shareholders' equity [2)]	**75,188**	70,155
Non-current provisions [3)]	**22,075**	22,514
Non-current liabilities	**49,697**	45,064
Current provisions	**8,695**	7,182
Liabilities associated with assets held for sale	**543**	-
Current liabilities	**91,957**	79,053
Total shareholders' equity and liabilities	**248,155**	**223,968**

1) As of September 30, 2005, assets and liabilities in Celero Support AB are classified as non-current assets held for sale, for more information see Significant events page 18.
2) Of which, minority interests amounted to SEK 193 M (229).
3) Pension obligations and deferred taxes regarded as non-current provisions.

Cash-flow statement	**Third quarter**		**First nine months**	
SEK billion	**2005**	2004	**2005**	2004
Operating activities				
Operating income	**4.0**	3.1	**13.9**	9.6
Depreciation and amortization	**2.5**	2.6	**7.2**	7.9
Other non-cash items	**0.4**	0.3	**0.1**	0.1
Change in working capital	**(2.6)**	(6.0)	**(8.4)**	(6.3)
Financial items and income taxes	**(1.0)**	(0.2)	**(1.3)**	(0.8)
Cash flow from operating activities	**3.3**	(0.2)	**11.5**	10.5
Investing activities				
Investments in fixed assets	**(2.5)**	(1.7)	**(6.7)**	(4.9)
Investment in leasing vehicles	**(0.7)**	(0.8)	**(3.0)**	(3.2)
Disposals of fixed assets and leasing vehicles	**0.7**	0.7	**2.0**	1.8
Customer Finance receivables, net	**(1.2)**	(0.9)	**(4.9)**	(4.4)
Operating cash flow	**(0.4)**	**(2.9)**	**(1.1)**	**(0.2)**
Investments in shares, net	**(0.1)**	0.0	**0.2**	15.0
Acquired and divested operations	**0.1**	0.0	**0.3**	0.0
Interest-bearing receivables incl. marketable securities, net	**1.2**	1.7	**3.6**	(6.7)
Cash flow after net investments	**0.8**	**(1.2)**	**3.0**	**8.1**
Financing activities				
Change in loans, net	**0.5**	0.3	**2.9**	(7.4)
Dividend paid to AB Volvo shareholders	**0.0**	0.0	**(5.1)**	(3.4)
Repurchase of own shares	**-**	-	**(1.8)**	-
Other	**0.0**	0.0	**0.0**	0.0
Change in liquid funds excl translation differences	**1.3**	**(0.9)**	**(1.0)**	**(2.7)**
Translation difference on liquid funds	**0.0**	0.0	**1.0**	0.2
Change in liquid funds	**1.3**	**(0.9)**	**0.0**	**(2.5)**

Accounting principles

As of January 1, 2005 AB Volvo complies with International Financial Reporting Standards (IFRS), previously known as IAS, in accordance with the European Union regulation. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting principles applied in preparing this report are described in Note 1, in applicable sections, and the section “Expected effects of IFRS,” included in the Volvo 2004 Annual Report. In the section “Expected effects of IFRS,” the anticipated full-year effects on the income statement and balance sheet are reported in tables that show the full-year change regarding shareholders’ equity and the period’s earnings. This report includes comparable tables for the third quarter of 2004 prepared in accordance with IFRS compared with the third quarter of 2004 prepared in accordance with Swedish GAAP.

The effects of applying IFRS for 2004 will be determined first when the 2005 Annual Report is presented. Changes may occur as a result of new interpretations from the International Reporting Interpretations Committee (IFRIC), or the issue of new standard in accordance with IFRS. All comparative figures in this report for 2004 are restated to currently prevailing accounting standards in accordance with IFRS.

In this interim report, Volvo applies the amendment to IAS 39, Financial Instruments: Recognition and Measurement that was published in April entitled “Cash flow Hedge Accounting of Forecast Intragroup Transactions.” The European Commission has not yet approved this amendment, but is expected to do so before Volvo releases the 2005 Annual Report.

Classification of leasing contracts in segment reporting for Volvo Financial Services

In accordance with IFRS, operational leasing contracts with end customers are defined in Volvo Financial Services reporting as financial leasing contracts, if the residual value in these contracts is guaranteed by one of the other Volvo business areas to Volvo Financial Services. In the Volvo Group's consolidated balance sheet, these leasing contracts are still reported as operational leasing contracts. Reclassification from operational to financial leasing contracts also affects the income statement with regard to sales and depreciation. Volvo Financial Services' sales are reduced due to the reclassification as well as depreciation, which affect the cash flow from operating activities. However, the Volvo Group's consolidated income statements and balance sheets continue to report them as operational and as a result show higher sales as well as depreciation.

Expected impact of IFRS

Summarized reconciliation of shareholders' equity	**Sep 30, 2004**
Equity under Swedish GAAP	**68,852**
IFRS adjustments:	
Capitalization and amortization of development costs and software	430
Minority interest	241
Non-amortization of goodwill	692
Post employee benefits	(567)
Consolidation of temporary investments	(126)
Share based payments	0
Deferred taxes on IFRS adjustments	77
Total adjustments to IFRS	***747***
Equity under IFRS	**69,599**

Summarized reconciliation of income of the period, 2004	**Third quarter**	**First nine months**
Income of the period under Swedish GAAP	**1,002**	**5,861**
IFRS adjustments:		
Capitalization and amortization of development costs and software	(93)	(292)
Minority interest	12	48
Non-amortization of goodwill	227	685
Post employee benefits	4	12
Consolidation of temporary investments	(32)	8
Deferred taxes on IFRS adjustments	47	80
Total adjustments to IFRS	***176***	***553***
Income of the period under IFRS	**1,167**	**6,402**

The impact of IFRS on the balance sheet

In total, the impact on the balance sheet of adopting IAS 39 was SEK 3.9 billion at January 1, 2005. The consolidated balance sheet increased by SEK 1.9 billion as a result of the application regarding financial assets. However, the Group's net financial position was affected negatively by SEK 3.3 billion mainly due to the internal balance between Financial Services and the Volvo Group excluding Financial Services. The market valuation of derivatives increased total assets by SEK 2.5 billion, while the market valuation of shares and participation reduced total assets by SEK 0.5 billion.

The impact of IFRS on the Group cash-flow statement

Under Swedish GAAP, all investments in marketable debt securities have been included in the definition of liquid funds for the purpose of the cash-flow statement. In accordance with Volvo’s financial risk policy, all such securities should fulfill requirements regarding low risk and high liquidity. Under IFRS, investments in marketable debt securities are excluded from the definition, if these instruments have maturity dates beyond three months from the date of investment. In the first nine months of 2005 and 2004 no marketable securities are defined as cash equivalents according to IFRS. In the Group’s 2004 cash-flow statement, the change in liquid funds has been restated according to the table below. The reclassified amount is included in Interest-bearing receivables including marketable securities, net.

	Jan 1, 2004	**Sep 30, 2004**	**Change in liquid funds first nine months, 2004**
Liquid funds reported under Swedish GAAP	28,735	33,538	
Less: Amounts with maturity > 3 months	19,526	26,837	
Liquid funds according to IFRS	**9,209**	**6,701**	**(2,508)**

Göteborg, October 25, 2005
AB Volvo (publ)

Leif Johansson, President and CEO

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

Report on operations 2005

Volvo’s report on operations 2005 will be published on Friday, February 3, 2006, and will be available at www.volvo.com.

Annual General Meeting

AB Volvo’s Annual General Meeting will be held on April 5, 2006 in Göteborg.

Deliveries

Delivered trucks	Third quarter			First nine months		
	2005	2004	Change	2005	2004	Change
Volvo Group						
Europe	**19,923**	19,964	0%	**73,799**	72,452	2%
Western Europe	**17,337**	17,162	1%	**65,398**	64,115	2%
Eastern Europe	**2,586**	2,802	-8%	**8,401**	8,337	1%
North America	**15,821**	12,284	29%	**48,265**	34,229	41%
South America	**2,899**	2,335	24%	**8,365**	6,506	29%
Asia	**4,556**	4,883	-7%	**19,079**	15,543	23%
Middle East	**3,805**	4,001	-5%	**16,313**	12,665	29%
Other Asia	**751**	882	-15%	**2,766**	2,878	-4%
Other markets	**1,867**	1,762	6%	**6,318**	5,065	25%
Total Volvo Group	**45,066**	**41,228**	**9%**	**155,826**	**133,795**	**16%**
Mack Trucks						
Europe	**1**	0	-	**1**	0	-
Western Europe	**1**	0	-	**1**	0	-
Eastern Europe	**0**	0	-	**0**	0	-
North America	**8,020**	5,284	52%	**24,405**	16,095	52%
South America	**775**	294	164%	**1,649**	622	165%
Asia	**19**	34	-44%	**120**	63	90%
Middle East	**19**	32	-41%	**118**	59	100%
Other Asia		2	-100%	**2**	4	-50%
Other markets	**351**	288	22%	**916**	843	9%
Total Mack Trucks	**9,166**	**5,900**	**55%**	**27,091**	**17,623**	**54%**
Renault Trucks						
Europe	**11,826**	11,512	3%	**43,290**	42,081	3%
Western Europe	**10,817**	10,237	6%	**39,595**	38,293	3%
Eastern Europe	**1,009**	1,275	-21%	**3,695**	3,788	-2%
North America	**151**	62	144%	**331**	179	85%
South America	**285**	113	152%	**686**	344	99%
Asia	**1,509**	1,404	7%	**5,416**	4,815	12%
Middle East	**1,430**	1,380	4%	**5,169**	4,615	12%
Other Asia	**79**	24	229%	**247**	200	24%
Other markets	**711**	705	1%	**3,020**	1,863	62%
Total Renault Trucks	**14,482**	**13,796**	**5%**	**52,743**	**49,282**	**7%**
Volvo Trucks						
Europe	**8,096**	8,452	-4%	**30,508**	30,371	0%
Western Europe	**6,519**	6,925	-6%	**25,802**	25,822	0%
Eastern Europe	**1,577**	1,527	3%	**4,706**	4,549	3%
North America	**7,650**	6,938	10%	**23,529**	17,955	31%
South America	**1,839**	1,928	-5%	**6,030**	5,540	9%
Asia	**3,028**	3,445	-12%	**13,543**	10,665	27%
Middle East	**2,356**	2,589	-9%	**11,026**	7,991	38%
Other Asia	**672**	856	-21%	**2,517**	2,674	-6%
Other markets	**805**	769	5%	**2,382**	2,359	1%
Total Volvo Trucks	**21,418**	**21,532**	**-1%**	**75,992**	**66,890**	**14%**
Delivered Buses						
Europe	**789**	726	9%	**2,797**	2,490	12%
Western Europe	**738**	700	5%	**2,563**	2,282	12%
Eastern Europe	**51**	26	96%	**234**	208	13%
North America	**344**	269	28%	**1,087**	896	21%
South America	**408**	151	170%	**1,289**	396	226%
Asia	**694**	567	22%	**1,712**	1,713	0%
Other markets	**123**	166	-26%	**446**	378	18%
Total	**2,358**	**1,879**	**25%**	**7,331**	**5,873**	**25%**