Volvo Group
Report on operations 2008

In the fourth quarter net sales decreased by 9% to SEK 77 billion (85)
For the full year net sales increased by 6% to SEK 304 billion (285)

The fourth quarter operating loss amounted to SEK 999 M (Income: 5,775)
For the full year operating income amounted to SEK 15,851 M (22,231)

In the fourth quarter basic and diluted earnings per share amounted to a negative SEK 0.67 (Positive 2.00).
Full-year earnings per share amounted to SEK 4.90 (7.37)

In the fourth quarter working capital in the Industrial Operations was reduced by SEK 5.1 billion contributing to a positive operating cash flow of SEK 1.8 billion

The Board of Directors proposes an ordinary dividend of SEK 2.00 per share

Volvo Group	Fourth quarter 2008	Fourth quarter 2007	Year 2008	Year 2007	Change, %
Net sales Volvo Group, SEK M	**76,954**	84,556	**303,667**	285,405	6
Operating income Volvo Group, SEK M	**(999)**	5,775	**15,851**	22,231	(29)
Operating income Industrial Operations, SEK M	**(1,237)**	5,397	**14,454**	20,583	(30)
Operating income Customer Finance, SEK M	**238**	378	**1,397**	1,649	(15)
Operating margin Volvo Group, %	**(1.3)**	6.8	**5.2**	7.8	
Income after financial items, SEK M	**(2,510)**	5,609	**14,010**	21,557	(35)
Income for the period, SEK M	**(1,348)**	4,094	**10,016**	15,028	(33)
Diluted earnings per share, SEK	**(0.67)**	2.00	**4.90**	7.37	
Return on shareholders' equity, %			**12.1**	18.1	

Content

Comments by the CEO – quick response secured positive cash flow

The sharp slowdown in the global economy during summer 2008 led us to making the decision already in early autumn to commence the actions necessary ahead of a recession. We implemented significant production cut-backs to reduce our inventory of new trucks and construction vehicles with the aim of maintaining our product prices, which is one of the most important factors in securing favorable future profitability.

We were successful in the efforts to reduce our inventory. During the fourth quarter, our new truck inventory decreased by 13% and new construction vehicles by 19%, which contributed to reducing capital tied-up in inventory by approximately SEK 6 billion. The reduced inventory contributed to a positive cash flow in the industrial operations of SEK 1.8 billion during the quarter and the net debt declining, disregarding currency fluctuations on loans in USD and JPY. Our net debt remains low and amounts to 27% of shareholders' equity, excluding reserves for future pensions and healthcare costs, which become due in the distant future. We are strong in terms of liquidity and at year-end 2008 we held cash and cash equivalents of SEK 24 billion and an additional SEK 27 billion in unutilized credit facilities.

In a slumping economy, it is highly important to act quickly to lower the Group's cost level. We have initiated savings at all levels and in all operations and we are maintaining a high pace in the implementation of agreed actions. This has unfortunately led to us being forced to issue notices of termination to a substantial number of employees. These are necessary decisions that sadly affect many hard-working employees and their families.

Early action to reduce inventories impacted profitability during the quarter

The consequence of quickly reducing production pace is that it negatively impacts operating income in the short term, since there is a lead-time in adjusting the cost structure. We will also feel the effects of this during the first half of 2009.

Sales declined 9% to SEK 77 billion during the fourth quarter and we reported an operating loss of SEK 999 M. In addition to underutilization in the plants, earnings were also negatively impacted by fewer deliveries and continued high costs for raw materials and components. We continued our investments in future products and the costs for research and development were SEK 800 M higher during the quarter than in the year-earlier period. The research and development investments will remain at a relatively high level to ensure that we can launch competitive trucks, buses and construction equipment in conjunction with the implementation of new emission regulations in the coming years.

The truck market was weak in the Group's primary markets of Europe, North America and Japan, resulting in lower order intake. However, I notice that we have gained market share in almost all markets during 2008. We adjusted the pace of production according to the decline in demand and implemented a substantial number of down days, whereby production ceased, while at the same time we still had costs for personnel. In the prevailing market situation, it is difficult to make an assessment of the truck market trend for 2009. We do not expect a recovery in demand during the first half-year, but with agreed and already implemented actions progressively penetrating during the first six months, we are prepared to cope with the troubling situation.

Construction Equipment was affected the most by the rapid decline of the global economy, and the business area reported a significant loss during the fourth quarter. Sharply declining sales in combination with underutilization in our facilities and substantially higher raw material costs caused the loss. Production has also been halted for Construction Equipment for a great number of days and during the first half of 2009 there will be an adjustment of costs according to diminished demand.

In Buses, the market for city buses continues its stable development with increased interest for environmentally adapted vehicles and particularly hybrids. During the quarter, we also received our first order for hybrid buses. Volvo Penta foresees a continued significantly weaker market for marine engines, while the market for industrial engines is performing relatively well. Volvo Aero's sales increased during the quarter but since air-travel in the world is declining Volvo Aero has already started preparing for lower demand. As expected, write-offs and credit provisions for doubtful receivables in the VFS customer financing portfolio increased, but despite this the business generated a return of 12.6% on shareholders' equity in 2008.

In recent years, the Group has worked hard at expanding the aftermarket business containing spare parts, workshop services and other additional services. In 2008, this business accounted for about 26% of total sales. This element of the operations is considerably more stable than sales of new vehicles and equipment. Profitability is also higher, which is why this is a prioritized area for improving the Group's profitability through the entire economic cycle.

Preparing for the future

In order to maintain a good financial stability to be able to continue to invest in the development of products for the future, the Board of Directors proposes that the ordinary dividend be lowered to SEK 2.00 per share. Since the Volvo Group's return on equity exceeded 12% for the full year 2008 SEK 150 M has been reserved for the employee profit-sharing program.

In the coming quarters, the Volvo Group will be characterized by the adaptation to a new, lower cost level. When this is fully implemented, the Group will have created the conditions to continue the positive performance of recent years. We have a product program that is at the forefront, strong positions in key markets and are active in industries with long-term growth opportunities. Transportation and infrastructure are the backbone of modern society and I have a positive view on our future. Along with the necessary actions we are currently implementing, we have major opportunities to advance our positions when markets rebound.

Leif Johansson
President and CEO

Important events

Credit ratings

On January 23, Standard & Poor's initiated an official rating on AB Volvo. Standard & Poor's assigned an "A-" long-term corporate credit rating with stable outlook for AB Volvo and affirmed the A-2 short-term rating. In their credit report Standard & Poor's says the assigned rating reflects AB Volvo's "leading market positions worldwide" and the fact that "Volvo also benefits from a conservative financial profile and high financial flexibility".

On October 31, 2008 Moody's Investors Service changed AB Volvo's A3 long term rating outlook to negative from stable, and on January 9, 2009 Moody's placed AB Volvo's A3 rating under review for possible downgrade.

First order received for new Volvo 7700 Hybrid bus

In October, Volvo Buses received its first order for the company's new hybrid bus, Volvo 7700 Hybrid. Sales-Lentz, a bus operator in Luxembourg, ordered six hybrid buses with delivery starting in 2009. As a result of hybrid components developed by Volvo and fuel savings of up to 30%, it is an economically attractive hybrid bus. Many of Europe's bus operators have shown major interest in the new hybrid bus.

Renault Trucks to distribute Renault Trafic

Renault Trucks intends to start distributing the light duty vehicle Renault Trafic through its dealer network in France, Belgium, The Netherlands, Luxemburg, Switzerland and in Austria, then gradually in Renault Trucks' remaining European network. Renault Trafic, which is manufactured by Renault SA, will further strengthen Renault Trucks customer offer of light trucks while at the same time add service and spare parts revenue to Renault Trucks and its dealer network.

Previously reported important events

- Strike at New River Valley plant
- Volvo Buses closed plant in Tampere, Finland
- AB Volvo reached settlements with Department of Justice and Securities and Exchange Commission
- Annual General Meeting of AB Volvo
- Europe's first hybrid refuse truck presented
- Final agreement with Indian vehicle manufacturer Eicher Motors
- Volvo Buses sold body plant in Turku, Finland
- Volvo Group entered into a SEK 6.2 billion loan agreement
- Volvo Aero entered into two major engine programs
- Volvo CE moves motor grader business as part of North American consolidation plan
- Volvo Group moves ahead in hybrids
- Mack and Volvo Trucks launched North American optimization plan

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

Financial summary of the fourth quarter

Volvo Group

Net sales

The Volvo Group's net sales decreased by 9% to SEK 76,954 M during the fourth quarter of 2008, compared to SEK 84,556 M in the corresponding quarter a year earlier. For the full year net sales increased by 6% to SEK 303,667 M compared to SEK 285,405 M in 2007.

Operating income

The Volvo Group's operating loss amounted to SEK 999 M in the fourth quarter (Income SEK 5,775 M). The Industrial Operations' operating loss amounted to SEK 1,237 M, compared to an operating income of SEK 5,397 M in the preceding year. Operating income for the Volvo Group's Customer Finance declined by 37% to SEK 238 M (378). For the full year 2008 the Volvo Group's operating income decreased by 29% to SEK 15,851 M compared to an operating income of SEK 22,231 M in 2007. For detailed information on the development, see separate sections below.

Net financial items

Net interest expense in the fourth quarter was SEK 391 M, compared to an expense of SEK 60 M for the same period in the preceding year. The increased interest expense is partly attributable to an increased debt level and it was also negatively impacted by approximately SEK 200 M from adjustments in pension liabilities primarily related to the closure of the plant in Goderich, Canada.

During the quarter, market valuation of derivatives used for hedging interest-rate exposure in the customer financing portfolio had a negative effect on Other financial income and expenses amounting to SEK 1,081 M compared to a negative impact of SEK 131 M in the fourth quarter of 2007. The negative impact is mainly due to long-term interest rates decreasing sharply during the quarter, with the two-year euro interest rate dropping 1.80 percentage points in the quarter and the two-year US interest rate coming down 2.07 percentage points. Volvo intends to keep these derivatives to maturity, why, over time, the market valuation will not affect result or cash flow. The derivatives are held to match the lending in the customer finance portfolio. It is however not practically possible to apply hedge accounting in accordance with IAS 39 due to the fact that the customer finance portfolio consists of a large number of contracts.

Income Statement Volvo Group

SEK M	Fourth quarter 2008	Fourth quarter 2007	Change, %	Year 2008	Year 2007	Change, %
Net sales Volvo Group	**76,954**	**84,556**	**(9)**	**303,667**	**285,405**	**6**
Operating Income Volvo Group	**(999)**	**5,775**	**(117)**	**15,851**	**22,231**	**(29)**
Operating income Industrial Operations	***(1,237)***	*5,397*	*(123)*	***14,454***	***20,583***	***(30)***
Operating income Customer Finance	***238***	*378*	*(37)*	***1,397***	*1,649*	*(15)*
Interest income and similar credits	**367**	257	43	**1,171**	952	23
Interest expense and similar credits	**(758)**	(317)	139	**(1,935)**	(1,122)	72
Other financial income and expenses	**(1,121)**	(106)	–	**(1,078)**	(505)	–
Income after financial items	**(2,510)**	**5,609**	**(145)**	**14,010**	**21,557**	**(35)**
Taxes	**1,162**	(1,515)	(177)	**(3,994)**	(6,528)	(39)
Income for the period	**(1,348)**	**4,094**	**(133)**	**10,016**	**15,028**	**(33)**

Income taxes

The tax income in the fourth quarter amounted to SEK 1,162 M (Tax cost: SEK 1,515 M) mainly as a consequence of the loss after financial items. Taxes include a positive effect of SEK 201 M from revaluation of deferred tax assets and liabilities for reduction in the Swedish tax rate that will be implemented in 2009 and SEK 177 M from a tax case ruled in AB Volvo's favor.

Income for the period and earnings per share

The loss for the period amounted to SEK 1,348 M in the fourth quarter of 2008 compared to an income for the period of SEK 4,094 M in the fourth quarter of 2007. Income for the period declined primarily as a result of lower operating income and the revaluation of the derivates used for the customer financing portfolio.

Basic and diluted earnings per share in the fourth quarter amounted to a negative SEK 0.67 (Positive SEK 2.00).

Volvo Group's Industrial Operations
– operating loss in the quarter

In the fourth quarter, net sales for the Volvo Group's Industrial Operations decreased by 9% to SEK 74,592 M (82,346). Adjusted for changes in exchange rates and acquired and divested units net sales decreased by 15%.

In Europe the downturn has been more rapid than previously expected, aggravated by the financial crisis resulting in lower sales. Demand in North America continues to be on a low level. The increase in sales in Asia was driven by large truck deliveries to the Middle East while other parts of Asia showed decreasing sales, primarily in Japan. Sales continued to be strong in South America during the fourth quarter. However, also the Middle East and South America have begun to experience the impact of the financial crisis and the global economic downturn.

In the fourth quarter, Trucks' net sales decreased by 6% to SEK 53,714 M (57,012), Construction Equipment's by 29% to SEK 11,031 M (15,523) and Volvo Penta's by 21% to SEK 2,254 M (2,859). On the other hand, Buses net sales increased by 6% to SEK 5,481 M (5,173) and Volvo Aero's by 12% to SEK 2,239 M (1,992).

Net sales by market area

SEK M	Fourth quarter 2008	Fourth quarter 2007	Change, %	Year 2008	Year 2007	Change, %	Share of industrial' operations' net sales %
Western Europe	**29,724**	36,012	(17)	**123,881**	124,239	(0)	42
Eastern Europe	**4,955**	8,885	(44)	**28,126**	27,116	4	10
North America	**12,759**	13,003	(2)	**47,600**	49,435	(4)	16
South America	**5,592**	5,004	12	**19,553**	15,638	25	7
Asia	**15,774**	13,656	16	**55,641**	42,429	31	19
Other markets	**5,788**	5,786	0	**20,131**	17,938	12	7
Total Industrial Operations	**74,592**	**82,346**	**(9)**	**294,932**	**276,795**	**7**	**100**

Income Statement Industrial operations

SEK M	Fourth quarter 2008	Fourth quarter 2007	Change, %	Year 2008	Year 2007	Change, %
Net sales	**74,592**	**82,346**	**(9)**	**294,932**	**276,795**	**7**
Cost of sales	**(61,696)**	(63,900)	(3)	**(232,247)**	(214,160)	8
Gross income	**12,896**	**18,446**	**(30)**	**62,685**	**62,635**	**0**
Gross margin, %	***17.3***	*22.4*	–	***21.3***	*22.6*	–
Research and development expenses	**(4,251)**	(3,443)	23	**(14,348)**	(11,059)	30
Selling expenses	**(7,060)**	(7,700)	(8)	**(25,597)**	(24,671)	4
Administrative expenses	**(1,530)**	(1,916)	(20)	**(6,921)**	(7,092)	(2)
Other operating income and expenses	**(1,307)**	(8)	–	**(1,457)**	249	–
Income from investments in associated companies	**11**	3	267	**23**	428	(95)
Income from other investments	**3**	15	(80)	**69**	93	(26)
Operating income	**(1,237)**	**5,397**	**(123)**	**14,454**	**20,583**	**(30)**
Operating margin, %	***(1.7)***	*6.6*	–	***4.9***	*7.4*	–
Operating income before depreciation and amortization (EBITDA)	**1,712**	8,322	(79)	**25,482**	30,306	(16)
EBITDA margin, %	***2.3***	*10.1*	–	***8.6***	*10.9*	–

Operating loss in the fourth quarter

In the fourth quarter of 2008, the operating loss for the Volvo Group's Industrial Operations amounted to SEK 1,237 M, compared to an operating income of SEK 5,397 M in the fourth quarter of 2007. The operating margin for the Industrial Operations was a negative 1.7% (Positive 6.6%).

The lower sales of trucks and, in particular, construction equipment had a negative impact on operating income. As a consequence of the continued rapid weakening of demand in many markets, the Group is adjusting to lower market demand and reducing inventories with the ambition to defend price levels on new products. Production rates have been reduced at a more rapid pace than the adaptation of the cost structure within manufacturing. This has resulted in an under absorption of costs equal to approximately SEK 2 billion in the quarter. Production rates will be low during the first and second quarter of 2009 in order to adjust to lower demand and to further reduce inventories and tied-up capital.

The cost structure will gradually be adapted to the lower production rates which will lead to continued under absorption of costs during the first half of 2009. The adjustment of the cost structure had a one-time negative impact of SEK 750 M during the fourth quarter in layoff-related costs.

As previously indicated, there was also a negative impact from continued high costs for raw materials and components, estimated at approximately SEK 900 M in the fourth quarter of 2008 compared to the fourth quarter of 2007, of which a significant portion impacted Construction Equipment. The costs for raw materials and components are expected to remain on a high level during the first quarter of 2009 and then gradually decrease as contracts signed in 2008 expire.

During the quarter a write-down on the value of inventories of used products amounted to approximately SEK 300 M and additional provisions for residual-value commitments amounted to SEK 300 M as a consequence of lower prices for used trucks.

Parts of the restructuring program in the North American truck business have been put on hold awaiting a new labor agreement. Therefore no restructuring costs were recorded in the fourth quarter of 2008.

In the fourth quarter of 2008, research and development expenses amounted to SEK 4,251 M (3,443). The expense increase of SEK 808 M is primarily a consequence of increased spending related to new emission regulations in Europe, USA and Japan in 2009, 2010 and 2011 as well as increased spending on projects for the launch of diesel-electric hybrids the next few years. The net of capitalization and amortization of R&D had a positive impact of SEK 355 M compared to the fourth quarter of 2007.

Cost reduction measures are beginning to have an effect on selling and administration costs, and in the fourth quarter 2008 these were reduced by 7% and 21% respectively compared to the same period the preceding year.

The combined effect of changed exchange rates had a negative effect on operating income of approximately SEK 200 M in the fourth quarter of 2008, compared with the same quarter in 2007.

Significant inventory reduction

Significant production cutbacks during the quarter in combination with a focus on reducing inventories resulted in a working capital reduction of SEK 5.1 billion in the Industrial Operations.

In the fourth quarter of 2008, operating cash flow from the Industrial Operations was positive in amount of SEK 1.8 billion compared to SEK 12.4 billion in the fourth quarter of 2007. The cash flow decrease compared to the fourth quarter of 2007 is mainly a consequence of the operating loss, less working capital-reduction and increased investments in fixed assets.

Volvo Group's Customer Finance
– managing the downturn

Total new financing volume in the fourth quarter of 2008 amounted to SEK 11.9 billion (12.2). In total, 11,966 new Volvo Group units (13,928) were financed during the quarter. In the markets where financing is offered, the average penetration rate in the fourth quarter was 27% (24).

Adjusted for the effects of fluctuations in exchange rates new business volume was SEK 1.1 billion lower compared to the fourth quarter of 2008.

At December 31, 2008 total assets in Customer Finance amounted to SEK 117.5 billion (94.6). Excluding the Nissan Diesel receivables, the credit portfolio grew by 12.7% (12.6) over the last twelve months, adjusted for exchange-rate movements. The funding of the credit portfolio is fully matched in terms of maturity, interest rates and currencies.

Operating income in the fourth quarter amounted to SEK 238 M (378). Return on shareholders' equity for 2008 was 12.6% (15.9). The equity ratio at the end of the fourth quarter was 8.2% (8.1).

Write-offs in the fourth quarter amounted to SEK 211 M (72). Excluding the Nissan Diesel receivables, the annualized write-off ratio through December 31, 2008 was 0.54% (0.29), while the total credit reserves were 1.41% of the credit portfolio (1.64).

Income Statement Customer Finance

SEK M	Fourth quarter 2008	Fourth quarter 2007	Change, %	Full year 2008	Full year 2007	Change, %
Finance and lease income	**2,332**	1,972	18	**8,485**	7,705	10
Finance and lease expenses	**(1,425)**	(1,168)	22	**(5,082)**	(4,535)	12
Gross income	**907**	**804**	**13**	**3,403**	**3,170**	**7**
Selling and administrative expenses	**(418)**	(364)	15	**(1,551)**	(1,437)	8
Credit provision expenses	**(239)**	(56)	327	**(483)**	(125)	286
Other operating income and expenses	**(12)**	(6)	100	**28**	41	(32)
Operating income	**238**	**378**	**(37)**	**1,397**	**1,649**	**(15)**
Income taxes	**29**	(66)	(144)	**(356)**	(502)	(29)
Income for the period	**267**	**312**	**(14)**	**1.041**	**1.147**	**(9)**
Return on Equity, 12 month moving values				*12,6%*	*15,9%*	–

Dealing with a challenging economic environment

2008 presented many challenges for Volvo Financial Services (VFS) with the North American market in a severe downturn for the full year, coupled with a dramatic slowdown and severe liquidity crisis affecting the rest of the world in the final quarter. For most of the year, write-offs, delinquencies and repossessions were at reasonable levels, although higher than in recent years. However, these have increased in the last two months not only in North America but also in Europe.

The financial crisis during the final quarter indicates that the foreseeable future will be difficult, particularly when it comes to ensuring competitive funding for new financing and from a risk mitigation perspective. VFS is heavily focused on downturn management activities, including collection of delinquent accounts, repossession of assets where necessary and their subsequent remarketing and liquidation.

VFS has continued to provide vital financial services to Volvo Group customers and dealers while maintaining strict credit policies. At the same time VFS attempts to capitalize on the opportunities afforded by the downturn.

Volvo Group financial position

The positive operating cash flow during the fourth quarter decreased the Volvo Group's Industrial Operations net financial debt by SEK 1.8 billion. However fluctuations in exchange rates increased the net debt by SEK 6.5 billion, primarily due to the strengthening of the US dollar and the Japanese yen against the Swedish krona. The net debt amounted to SEK 29.8 billion at December 31, 2008, equal to 39.7% of shareholders' equity. Adjusted for fluctuations in exchange rates the net debt was unchanged compared to the end of the third quarter.

Excluding provisions for post-employment benefits the Volvo Group's net debt amounted to SEK 20.5 billion, which is equal to 27.4% of shareholders' equity.

The Volvo Group's liquid funds, cash and cash equivalents and marketable securities combined, amounted to SEK 23.6 billion at December 31, 2008, of which SEK 0.7 billion are restricted for use by the Volvo Group and SEK 2.7 billion are liquid funds in countries where exchange controls or other legal restrictions apply. In addition to this, granted but unutilized credit facilities amounted to approximately SEK 27 billion. In 2009 loans in the Industrial Operations amounting to approximately SEK 15 billion will mature. In order to maintain today's financial flexibility with a strong cash position and unutilized credit facilities, the Volvo Group intends to refinance the majority of the debt that matures during 2009.

During the fourth quarter the Volvo Group's total inventories decreased by SEK 1.7 billion. Currency adjusted, total inventories decreased by SEK 6.2 billion. During the fourth quarter, changed currency exchange rates increased the Volvo Group's total assets in an amount of SEK 30.8 billion.

At the end of the fourth quarter, the equity ratio in the Industrial Operations was 28.4% (30.8) and in the Volvo Group 22.7% (25.7). At December 31, 2008 shareholders' equity in the Volvo Group amounted to SEK 84.6 billion, which is an increase of SEK 2.3 billion compared to September 30, 2008.

Related-party transactions

Sales to associated companies amounted to SEK 1,222 M and purchasing from associated companies amounted to SEK 116 M during 2008. On December 31, 2008, receivables from associated companies amounted to SEK 273 M and liabilities to associated companies to SEK 63 M. Sales to related-party Renault SA amounted to SEK 113 M and purchasing from Renault SA to SEK 2,833 M during 2008. Receivables from Renault SA amounted to SEK 31 M and liabilities to Renault SA to SEK 539 M at December 31, 2008.

Number of employees

On December 31, 2008 the Volvo Group had 101,381 employees, compared with 101,698 at year-end 2007. The consolidation of 50% of the joint-venture together with Eicher Motor Limited added approximately 1,800 employees.

During 2008 and 2009 in total 16,255 permanent employees, temporary employees and consultants have been notified that they will have to leave the Group, of which 7,670 in Sweden, 2,223 in France, 2,328 in the US and 4,034 in other countries. In total, 5,800 of them left the Group in 2008.

Business segment overview

Net sales SEK M	Fourth quarter 2008	Fourth quarter 2007	Change, %	Change, %[1]	Year 2008	Year 2007
Trucks	**53,714**	57,012	(6)	(11)	**203,235**	187,892
Construction Equipment	**11,031**	15,523	(29)	(38)	**56,079**	53,633
Buses	**5,481**	5,173	6	2	**17,312**	16,608
Volvo Penta	**2,254**	2,859	(21)	(29)	**11,433**	11,719
Volvo Aero	**2,239**	1,992	12	2	**7,448**	7,646
Eliminations and other	**(127)**	(213)	–	–	**(575)**	(703)
Industrial operations	**74,592**	**82,346**	**(9)**	**(15)**	**294,932**	**276,795**
Customer Finance	**2,332**	1, 972	18	0	**8,485**	7,705
Reclassifications and eliminations	**30**	238	–	–	**250**	905
Volvo Group	**76,954**	**84,556**	**(9)**	**-**	**303,667**	**285,405**

1) Adjusted for exchange rates and acquired and divested units.

Operating income (loss) SEK M	Fourth quarter 2008	Fourth quarter 2007	Change %	Year 2008	Year 2007
Trucks	**257**	4,144	(94)	**12,167**	15,193
Construction Equipment	**(1,256)**	1,035	(221)	**1,808**	4,218
Buses	**72**	93	(23	**(76)**	231
Volvo Penta	**(46)**	177	(126)	**928**	1,173
Volvo Aero	**141**	196	(28)	**359**	529
Group headquarter functrions and other	**(404)**	(248)	–	**(731)**	(761)
Industrial operations	**(1,237)**	**5,397**	**(123)**	**14,454**	**20,583**
Customer Finance	**238**	378	(37)	**1,397**	1,649
Volvo Group	**(999)**	**5,775**	**(117)**	**15,851**	**22,231**

Operating margin %	Fourth quarter 2008	Fourth quarter 2007	Year 2008	Year 2007
Trucks	**0.5**	7.3	**6.0**	8.1
Construction Equipment	**(11.4)**	6.7	**3.2**	7.9
Buses	**1.3**	1.8	**(0.4)**	1.4
Volvo Penta	**(2.0)**	6.2	**8.1**	10.0
Volvo Aero	**6.3**	9.8	**4.8**	6.9
Industrial operations	**(1.7)**	**6.6**	**4.9**	**7.4**
Volvo Group	**(1.3)**	**6.8**	**5.2**	**7.8**

Overview of Industrial Operations

Trucks
– slowdown in Europe and North America continues

- Significant production cutbacks and cost-cutting measures implemented
- Working capital-reduction as a result of lowered inventories
- Fourth quarter operating income of SEK 257 M and operating margin of 0.5%

Slowing truck markets

After a strong first half of 2008 with registrations of trucks on very high levels in Europe, the market has decelerated through the course of the second half of 2008. The total number of registrations in Europe 29 (EU, Norway and Switzerland) decreased by 3% to 318,700 heavy trucks in 2008 (328,905) according to preliminary statistics.

In 2008, the total market for heavy trucks (Class 8) in North America decreased by 11% to 184,938 trucks compared with 207,847 trucks in 2007. The decrease is a consequence of the weak US economy with lower freight volumes and a drop-off in the activity in the construction sector.

In South America demand has weakened in recent months, but boosted by strong sales earlier in the year the Brazilian market grew by 35% to 78,632 heavy trucks (57,817) in 2008. The Chinese market for trucks over 14 tons grew by 11% to 550,126 trucks (494,542) with a sharp decline in registrations during the fourth quarter. In India the market has slowed down significantly, and full-year registrations declined by 17% to 159,618 trucks (193,105). The Japanese market for heavy trucks amounted to 34,898 vehicles (42,717), which was a decrease of 18%.

Demand in Europe and North America weakened further

Order bookings continued to be weak during the fourth quarter of 2008. Customers were reluctant to place new orders while at the same time cancellations of already ordered trucks continued. In Europe net order bookings were negative in October and November but slightly positive in December as the high cancellation rates slowed down towards the end of the year. In Europe the Group had a gross order intake to production during the quarter of about 7,000 trucks consisting of new, changed and delayed orders. The low order intake is also an effect of increased sales of trucks from inventory at the Volvo Group and at dealers. These sales do not result in an order for production. To forecast the market demand in Europe in 2009 continues to be difficult given the uncertain macro economic outlook and the financial turmoil. The Volvo Group's truck operations are in the process of adapting the industrial system to meet a significant market decline in Europe during the first half of 2009. For the full year 2009 the European market for heavy-duty trucks is expected to amount to 180,000–220,000 vehicles.

Order bookings in North America decreased in comparison to the fourth quarter of 2007 and continued to be on a low level due to the financial turmoil and the weakness of the US economy with decreasing freight volumes and softness in the construction sector. The North American market is expected to be characterized by continued weak demand during the first half of 2009 as customers currently are putting off investments in new trucks in order to balance their capacity to freight demand. The North American market for heavy-duty trucks is difficult to forecast but is expected to amount to 165,000–185,000 vehicles in 2009.

Also in Japan, customers are impacted by the slowdown of the economy and demand is therefore expected to continue to be weak during the first half of 2009. The Japanese market for medium-duty and heavy-duty trucks is expected to decline by 10–15% from the level of 74,500 vehicles in 2008.

Net sales by market area, Trucks

	Fourth quarter		Change,	Year		Change,
SEK M	**2008**	2007	%	**2008**	2007	%
Europe	**26,089**	32,282	(19)	**109,914**	108,651	1
North America	**7,584**	7,571	0	**26,588**	27,255	(2)
South America	**4,121**	3,550	16	**14,680**	11,483	28
Asia	**11,668**	8,950	30	**37,515**	26,593	41
Other markets	**4,252**	4,659	(9)	**14,538**	13,910	5
Total	**53,714**	**57,012**	**(6)**	**203,235**	**187,892**	**8**

Net order intake per market [1]

	Fourth quarter		Change,	Year		Change,
Number of trucks	**2008**	2007	%	**2008**	2007	%
Europe	**(1,549)**	41,403	–	**46,784**	174,987	(73)
North America	**4,037**	8,879	(55)	**23,648**	26,008	(9)
South America	**1,087**	5,775	(81)	**14,100**	18,209	(23)
Asia	**7,868**	14,525	(46)	**47,001**	45,236	4
Other markets	**2,235**	5,835	(62)	**17,547**	18,556	(5)
Total	**13,678**	**76,417**	**(82)**	**149,080**	**282,996**	**(47)**

1) 50% of VECV, the joint venture with Eicher Motor Limited, was consolidated in the Volvo Group on August 1, 2008. Nissan Diesel was consolidated into the Volvo Group on April 1, 2007.

Truck deliveries decreased

The overall delivery pace of the truck operations declined during the fourth quarter of 2008. In total, 59,528 trucks were delivered during the quarter, which was 22% fewer compared to 76,525 trucks in the same quarter the preceding year.

Deliveries decreased by 37% in Europe and by 32% in North America. The only market showing increased deliveries is Asia, driven by deliveries to the Middle East. The truck operation's most important Asian market, Japan, continued to be weak.

Thanks to competitive products and strengthened market channels the Group's truck companies gained market share in several important markets during 2008.

Lower sales and profitability

During the fourth quarter of 2008, the truck operation's net sales amounted to SEK 53,714 M, which was a decline of 6% compared to SEK 57,012 M during the fourth quarter of 2007. Adjusted for changes in exchange rates and acquired companies, net sales decreased by 11%.

Operating income declined to SEK 257 M (4,144) and the operating margin amounted to 0.5% (7.3). The lower operating income is an effect of lower sales, continued high price levels on raw materials and components as well as increased research and development costs ahead of new emission standards and significant under absorption of costs in relation to the rapid reduction of production rates towards the end of the year. In order to avoid a continued inventory build-up and the risk of price pressure on new products, substantial production cut-backs were implemented during the quarter. In Europe shutdown days and weeks were taken in the plants to reduce inventories of new trucks and increase cash flow. These cut-backs had a negative effect on operating income, as the cost structure in the production system could not be lowered at the same pace as the drop in production volumes. Operating income was also negatively impacted by SEK 450 M in costs related to the personnel reductions. The efforts to reduce inventories were successful and the number of new trucks in inventory was reduced by 13% during the quarter. The low levels of production will continue during the first quarter of 2009 to reduce inventories to a level more in line with current market demand.

Some aspects of the restructuring program in the North American truck business has been put on hold. Therefore no restructuring costs were recorded in the fourth quarter of 2008.

Deliveries per market [1]

Number of trucks	Fourth quarter 2008	Fourth quarter 2007	Change, %	Year 2008	Year 2007	Change, %
Europe	**24,845**	39,740	(37)	**121,847**	128,070	(5)
North America	**7,635**	11,222	(32)	**30,146**	33,280	(9)
South America	**4,749**	4,819	(1)	**18,092**	15,264	19
Asia	**16,635**	14,097	18	**60,725**	39,916	52
Other markets	**5,664**	6,647	(15)	**20,341**	19,826	3
Total	**59,528**	**76,525**	**(22)**	**251,150**	**236,356**	**6**

1) 50% of VECV, the joint venture with Eicher Motor Limited, was consolidated in the Volvo Group on August 1, 2008. Nissan Diesel was consolidated into the Volvo Group on April 1, 2007.

Further adjustments of production levels

To adapt to lower demand globally Volvo Trucks has reduced production rates in the industrial system. As a consequence, approximately 4,000 employees in Europe, the US, Brazil and Australia have been given notice of redundancy. During the fourth quarter a significant number of shutdown days were implemented in the European plants. A cost-reduction plan covering all of Volvo Trucks is also being implemented in order to meet the lower sales levels.

During the quarter, Renault Trucks implemented a number of measures to adapt to present market demand. These included the non-renewal of contracts with some 2,500 temporary workers, a reduction in the production levels and stop days in the production plants. During the first quarter of 2009, further measures have been taken including short-time work weeks at production sites and for white-collar workers, lower rates of production and increased cost-cutting measures.

To respond to the weaker domestic market and difficulties in exports due to the strong Japanese yen, Nissan Diesel will reduce the temporary workforce by 700 people during the first half of 2009.

Renault Trucks will start distributing the light duty vehicle Renault Trafic through its dealer network in France, Belgium, The Netherlands, Luxemburg, Switzerland and in Austria, then gradually in Renault Trucks' remaining European network. Renault Trafic, which is manufactured by Renault SA, will further strengthen Renault Trucks customer offer of light trucks while at the same time add service and spare parts revenue to Renault Trucks and its dealer network.

The transfer of Mack highway production from the New River Valley plant in Dublin, Virginia to the plant in Macungie, Pennsylvania was scheduled for the fourth quarter. This transfer has now been put on hold awaiting a new labor agreement with the UAW.

Development and testing of the SCR technology being used by Mack and Volvo Trucks for 2010 emission regulations in North America is in advanced stages, yielding near zero emissions, enhanced engine performance and significant improvements in fuel economy. Reports from both Mack and Volvo customers testing SCR-equipped trucks continue to be very positive.

Construction Equipment – considerable loss in the fourth quarter

- Total world market down 39%
- Revenues down 29%
- Operating loss amounting to SEK 1,256 M
- Inventories reduced by 19% since October
- Factories closed 24 days out of 60 (40%) in fourth quarter

Decline in all markets

Measured in units, the total world market for heavy, compact and road machinery equipment decreased 39% during the fourth quarter of 2008 compared to the same period last year. In Europe the total market was down 49%, North America decreased by 34 %, China declined by 29% while total Asia was down 38% and other markets decreased by 28%.

For the full year 2008 the total global market for heavy equipment, compact equipment and road machinery declined by 11%. Volvo CE's sales in number of units in 2008 were basically flat versus 2007 at 64,000.

The total market conditions for 2009 are expected to remain very weak. It is difficult to make forecasts in this uncertain economic environment. However, the european market is expected to decline by 30–40% for the full year of 2009 compared to 2008. North America is expected to decline by around 10–20% and the rest of the world is expected to be down about 30%.

Several governments have announced stimulus packages for investments in infrastructure projects. These initiatives may have a positive impact on the total market for construction equipment towards the end of 2009 and a more significant positive impact in 2010 and onwards. In the tough market conditions Volvo CE gained market share in most of the markets and product segments thanks to a strong dealer network and world-leading products.

Net sales by market area, Construction Equipment

	Fourth quarter			Year		
SEK M	**2008**	2007	Change, %	**2008**	2007	Change, %
Europe	**4,483**	7,826	(43)	**25,192**	25,294	0
North America	**2,024**	2,422	(16)	**10,159**	11,170	(9)
South America	**672**	684	(2)	**2,913**	2,155	35
Asia	**2,834**	3,781	(25)	**13,738**	12,179	13
Other markets	**1,018**	810	26	**4,077**	2,835	44
Total	**11,031**	**15,523**	**(29)**	**56,079**	**53,633**	**5**

Total market development in the fourth quarter

Unit sales in %	Europe	North America	Asia	Other markets	**Total**
Heavy equipment	(53)	(29)	(38)	(18)	**(36)**
Compact equipment	(54)	(38)	(38)	(37)	**(43)**
Road machinery	(30)	(25)	(33)	(28)	**(29)**
Total	**(49)**	**(34)**	**(38)**	**(28)**	**(39)**

Sales and earnings negatively impacted by downturn

Net sales in Construction Equipment declined by 29% to SEK 11,031 M (15,523) in the fourth quarter. Adjusted for changes in the exchange rates and acquired and divested units, net sales decreased by 38%. The operating loss amounted to SEK 1,256 M compared to an operating income of SEK 1,035 M in the fourth quarter of 2007. The operating margin was a negative 11.4% (Positive 6.7%).

The decline in sales was strongly driven by the severe downturn in the global market for construction equipment. In an effort to reduce inventory levels, Volvo CE implemented aggressive production cut-backs during the quarter through stop days and stop weeks in all plants. Factories were closed about 40% (24 out of 60 days) during the quarter with most of the stoppage days in December. As a result, there was significant under absorption of costs in the quarter. The efforts to reduce the number of new products in inventories have been successful and the number of units in inventory was reduced by 19% since October. Volvo CE intends to continue to have low levels of production during the first quarter to reduce inventory levels, which are expected to be reduced by another 20%. To adjust the cost structure in the production system, Volvo CE has given notice to around 3,400 employees corresponding to one quarter of the blue collar work force. They will leave the company during the first but primarily the second quarter of 2009. A charge of SEK 100 M was taken as a consequence of these lay-offs.

The value of the order book at December 31 was 68% lower than at the same date the previous year, excluding Lingong and the acquired Road Machinery business.

Focus on new organization and down turn management

In order to increase efficiency and speed up decision making and execution, Volvo CE has during the quarter implemented a new organization, which was effective February 2, 2009. Focus in 2009 will be on downturn management and making sure that the production capacity is balanced and adjusted to the present very soft market conditions. Other activities to improve the profit level include driving synergies from acquired companies, cost reductions, increased platform commonality, better co-ordination between factories and active price management. Special attention will also be given to the distribution and vendor networks to ensure long term stability.

Volvo CE continued to expand its customer offering in 2008. Significant updates to the existing product line were announced during the year including the roll out of the new C series excavators, the launch of a new mid sized wheel loader as well as an increased focus on special applications for the pipelayer and forestry industries. Other notable events during the year included the showcasing of Volvo CE's innovative prototype hybrid wheel loader at the CON-EXPO exhibition in Las Vegas in March.

In October, Volvo CE launched two new wheel loaders in the F-series, the L45F and the L50F. The new machines have features like the patented Torque Parallel loader linkage, separate working hydraulic pumps, 100% axle differential locks and the Volvo Care Cab.

Buses
– profitable fourth quarter

- Hybrid field test in London
- Volvo 9700 launch in US
- More city bus orders

Increased demand for city buses but demand for coaches weakening

In Europe the coach market continues to decline whereas the city bus market is maintained by demand for environmentally adapted buses and hybrid buses.

The downturn in the North American economy has had a substantial negative impact on the market for coaches and motor homes, while the transit market shows no signs of weakening and continues to grow. There is great interest in hybrid solutions.

In Mexico the total bus market increased by 48% during the year from very low levels, largely due to prebuying ahead of the new emission standards in 2009. The financial crisis now affects the coach market which is declining. On the other hand there is still an interest in Bus Rapid Transit solutions.

In South America the city and intercity bus market remains strong. In Brazil there are signs of a weaker market for heavy buses.

The Asian bus market continues to grow but at a lower pace. During the first nine months of the year the market in China increased by 20%, primarily driven by city buses.

Net sales by market area, Buses

	Fourth quarter		Change,	Year		Change,
SEK M	**2008**	2007	%	**2008**	2007	%
Europe	**1,995**	2,365	(16)	**7,321**	7,767	(6)
North America	**1,709**	1,456	17	**5,355**	4,630	16
South America	**695**	667	4	**1,571**	1,623	(3)
Asia	**705**	473	49	**2,094**	1,802	16
Other markets	**377**	212	78	**971**	786	24
Total	**5,481**	**5,173**	**6**	**17,312**	**16,608**	**4**

Decreased order bookings

During the fourth quarter, order intake amounted to 2,238 buses and chassis, a decrease of 18% compared to 2,717 in the preceding year. Order intake rose in Europe and North America while other markets showed lower order intake. During the quarter 3,080 buses were delivered (3,412) a decrease of 10% compared with the fourth quarter of 2007.

Lower operating income

During the fourth quarter net sales increased by 6% to SEK 5,481 M (5,173). Adjusted for changed exchange rates net sales increased by 2%. Operating income amounted to SEK 72 M (93) and the operating margin was 1.3% (1.8). The lower operating income was primarily an effect of changes in currency exchange rates and continued high activity within research and development.

Profitability program continues

Volvo Buses' global profitability program with focus on cost reductions continues with undiminished force and is now beginning to have positive effects. However, the global recession has resulted in a lower order intake which necessitates further cost and capacity reductions and a strong focus on cash flow.

In the beginning of 2009 Volvo Buses introduced the Volvo 9700 for line haul traffic in the North American market. The buses are manufactured in Mexico.

Volvo Buses' hybrid project took another step towards serial production, and currently there are field tests with six double-deckers in London and one bus in Gothenburg, Sweden.

A number of important orders were announced during the quarter, among them Volvo Buses' first order for hybrid buses, six Volvo 7700 Hybrid to Luxemburg.

Volvo Penta
– sharp decline in marine engine market

• Lower sales due to world market declines for marine engines
• Continuous strong development for industrial engine sales, + 8%
• Operating income negatively effected by downsizing costs

Total market

The total market for marine engines in Europe and North America declined sharply during the fourth quarter in comparison with the same period in the preceding year. In North America, the decline was most pronounced for gas engines, but demand for diesel engines was also weak.

Demand for industrial engines in Europe and many other markets, for instance China and the Middle East, continued to be relatively stable.

Net sales by market area, Volvo Penta

SEK M	Fourth quarter 2008	Fourth quarter 2007	Change, %	Year 2008	Year 2007	Change, %
Europe	**1,204**	1,640	(27)	**6,554**	6,798	(4)
North America	**330**	646	(49)	**1,947**	2,674	(27)
South America	**95**	91	4	**364**	274	33
Asia	**520**	391	33	**2,082**	1,624	28
Other markets	**105**	91	15	**486**	349	39
Total	**2,254**	**2,859**	**(21)**	**11,433**	**11,719**	**(2)**

Market shares

Volvo Penta has captured market share in industrial engines, which has contributed to a continued positive development for the industrial engine business during the quarter. Volvo Penta has maintained its strong market positions within the core marine segments, both for leisure boats and commercial boats. Inboard Performance System, IPS, the new drive system with forward-facing propellers is used by a growing number of the world's leading boat builders.

Financial development

Volvo Penta's net sales decreased by 21% to SEK 2,254 M (2,859) during the fourth quarter. Adjusted for currency movements sales decreased by 29%. Sales were distributed between the business segments as follows: Marine SEK 1,412 M (2,079) and Industrial SEK 842 M (780).

The operating loss amounted to SEK 46 M (Income: SEK 177 M). Profits were negatively affected by the decline in sales, under absorption of costs in manufacturing and by approximately SEK 100 M in one-time costs associated with adapting operations to lower demand. Operating margin amounted to a negative 2.0% (Positive 6.2%).

Adapting to lower demand

During the quarter, Volvo Penta gave notice of redundancy to 85 employees at the plant in Vara in order to adapt production levels to lower demand. In North America, similar adaptations have previously been made at the plant in Lexington, Tennessee.

In Gothenburg as well as at the American office in Chesapeake, Virginia the number of positions has been reduced encompassing permanent staff, consultants and temporary employees. A restructuring of parts of the marketing organization have been carried out, for instance in Scandinavia and South America.

Fully carried-out, the decided measures will reduce the total number of positions by 350. Costs for all adaptations have been charged to income during 2008.

Volvo Aero
– lower profitability

- Declining air traffic, resulting in growing surplus of aircraft
- Order delays affect volumes and margins
- Lower capacity utilization

Declining air passenger traffic

According to Airline Traffic Monthly, world airline passenger traffic decreased almost 8% in November, declining for the fourth consecutive month. Growth for the first eleven months 2008 was only 0.2% over the same period last year. All major markets declined in November. Overall load factor continued to drop in November, the sixth consecutive monthly decline in load factor.

The backlog for large commercial jets decreased slightly in the fourth quarter to 7,429 at the end of the year. Large commercial aircraft deliveries declined 4% to 858 aircraft during 2008. The decrease in deliveries was the result of an interruption in production due to a 57-day strike at Boeing.

Increasing sales but lower operating income

During the fourth quarter, Volvo Aero's net sales increased by 12% to SEK 2,239 M (1,992), mainly due to a higher US dollar rate. Adjusted for currency fluctuations net sales increased by 2%.

Operating income was SEK 141 M (196) and the operating margin 6.3% (9.8). The operating income was impacted positively by new spare parts and the strengthening of the US dollar. However, income was negatively affected by lower volumes and lower margins in the US after market business, delayed volume increases from Boeing and Airbus, resulting in lower capacity utilization in the component production plants.

In order to adjust to the downturn and expected lower volumes, Volvo Aero has made reductions of staff in Kongsberg, Norway, and Boca Raton, Florida, US, and in January, the company initiated negotiations regarding redundancy of 250 blue-collar employees in Trollhättan, Sweden and more than 100 white-collar positions through planned retirement and a reduced number of consultants. All in all, the reduction comprises about 420 employees.

Net sales by market area, Volvo Aero

	Fourth quarter		Change,	Year		Change,
SEK M	**2008**	2007	%	**2008**	2007	%
Europe	**1,009**	969	4	**3,497**	3,462	1
North America	**1,108**	914	21	**3,534**	3,723	(5)
South America	**16**	18	(11)	**58**	127	(54)
Asia	**54**	63	(14)	**234**	234	0
Other marketsr	**52**	28	86	**125**	100	25
Totalt	**2,239**	**1,992**	**12**	**7,448**	**7,646**	**(3)**

Volvo Aero will play an active role in Clean Sky

An agreement has been signed whereby Volvo Aero will play a vital role in Clean Sky, the largest EU project to date in the aerospace field. Volvo Aero has received a role in the subprojects regarding open-rotor engines, which could reduce fuel consumption by up to 20%.

Income statements Volvo Group

Fourth quarter	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
SEK M	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Net sales	**74,592**	82,346	**2,332**	1,972	**30**	239	**76,954**	84,556
Cost of sales	**(61,696)**	(63,900)	**(1,425)**	(1,168)	**(30)**	(239)	**(63,150)**	(65,306)
Gross income	**12,896**	**18,446**	**907**	**804**	**0**	**0**	**13,804**	**19,250**
Research and development expenses	**(4,251)**	(3,443)	**0**	0	**0**	0	**(4,251)**	(3,443)
Selling expenses	**(7,060)**	(7,700)	**(416)**	(348)	**0**	0	**(7,475)**	(8,048)
Administrative expenses	**(1,530)**	(1,916)	**(2)**	(16)	**0**	0	**(1,532)**	(1,932)
Other operating income and expenses	**(1,307)**	(8)	**(251)**	(62)	**0**	0	**(1,560)**	(71)
Income from investments in associated companies	**11**	3	**1**	0	**0**	0	**12**	3
Income from other investments	**3**	15	**0**	0	**0**	0	**3**	14
Operating income	**(1,237)**	**5,397**	**238**	**378**	**0**	**0**	**(999)**	**5,775**
Interest income and similar credits	**392**	326	**0**	0	**(26)**	(69)	**367**	257
Interest expenses and similar charges	**(784)**	(385)	**0**	0	**26**	69	**(758)**	(317)
Other financial income and expenses	**(1,121)**	(106)	**0**	0	**0**	0	**(1,121)**	(106)
Income after financial items	**(2,750)**	**5,232**	**238**	**378**	**0**	**0**	**(2,510)**	**5,609**
Income taxes	**1,133**	(1,450)	**29**	(66)	**0**	0	**1,162**	(1,515)
Income for the period*	**(1,617)**	**3,782**	**267**	**312**	**0**	**0**	**(1,348)**	**4,094**
*Attributable to:								
Equity holders of the parent company							**(1,361)**	4,059
Minority interests							**13**	35
							(1,348)	**4,094**
Basic earnings per share, SEK							**(0.67)**	2.00
Diluted earnings per share, SEK							**(0.67)**	2.00

Year	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
SEK M	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Net sales	**294,932**	276,795	**8,485**	7,705	**250**	905	**303,667**	285,405
Cost of sales	**(232,247)**	(214,160)	**(5,082)**	(4,535)	**(250)**	(905)	**(237,578)**	(219,600)
Gross income	**62,685**	**62,635**	**3,403**	**3,170**	**0**	**0**	**66,089**	**65,805**
Research and development expenses	**(14,348)**	(11,059)	**0**	0	**0**	0	**(14,348)**	(11,059)
Selling expenses	**(25,597)**	(24,671)	**(1,532)**	(1,397)	**0**	0	**(27,129)**	(26,068)
Administrative expenses	**(6,921)**	(7,092)	**(19)**	(40)	**0**	0	**(6,940)**	(7,133)
Other operating income and expenses	**(1,457)**	249	**(457)**	(86)	**0**	0	**(1,915)**	163
Income from investments in associated companies	**23**	428	**2**	2	**0**	0	**25**	430
Income from other investments	**69**	93	**0**	0	**0**	0	**69**	93
Operating income	**14,454**	**20,583**	**1,397**	**1,649**	**0**	**0**	**15,851**	**22,231**
Interest income and similar credits	**1,297**	1,105	**0**	0	**(126)**	(153)	**1,171**	952
Interest expenses and similar charges	**(2,061)**	(1,275)	**0**	0	**126**	153	**(1,935)**	(1,122)
Other financial income and expenses	**(1,078)**	(505)	**0**	0	**0**	0	**(1,078)**	(505)
Income after financial items	**12,612**	**19,908**	**1,397**	**1,649**	**0**	**0**	**14,010**	**21,557**
Income taxes	**(3,638)**	(6,027)	**(356)**	(502)	**0**	0	**(3,994)**	(6,528)
Income for the period*	**8,974**	**13,881**	**1,041**	**1,147**	**0**	**0**	**10,016**	**15,028**
*Attributable to:								
Equity holders of the parent company							**9,942**	14,932
Minority interests							**74**	96
							10,016	**15,028**
Basic earnings per share, SEK							**4.90**	7.37
Diluted earnings per share, SEK							**4.90**	7.37

Balance sheet Volvo Group

SEK M	Industrial operations Dec 31 2008	Industrial operations Dec 31 2007	Customer Finance Dec 31 2008	Customer Finance Dec 31 2007	Elim and reclassifications Dec 31 2008	Elim and reclassifications Dec 31 2007	Total Dec 31 2008	Total Dec 31 2007
Assets								
Non-current assets								
Intangible assets	**43,909**	36,441	**49**	67	**0**	0	**43,958**	36,508
Tangible assets								
Property, plant and equipment	**57,185**	47,132	**86**	78	**0**	0	**57,270**	47,210
Assets under operating leases	**16,967**	13,850	**330**	288	**8,132**	8,364	**25,429**	22,502
Financial assets								
Shares and participations	**1,935**	2,189	**18**	30	**0**	0	**1,953**	2,219
Long term customer financing receivables	**467**	444	**59,189**	47,870	**(9,224)**	(7,828)	**50,432**	40,486
Deferred tax assets	**10,976**	8,434	**204**	346	**0**	3	**11,180**	8,783
Other long-term receivables	**5,631**	5,601	**38**	39	**489**	(861)	**6,159**	4,779
Total non-current assets	**137,070**	**114,091**	**59,914**	**48,718**	**(603)**	**(322)**	**196,381**	**162,487**
Current assets								
Inventories	**54,084**	43,264	**961**	381	**0**	0	**55,045**	43,645
Short-term receivables								
Customer-financing receivables	**508**	789	**52,436**	42,695	**(4,887)**	(5,123)	**48,057**	38,361
Current tax assets	**1,749**	1,660	**61**	43	**0**	0	**1,810**	1,703
Other receivables	**48,286**	53,976	**1,902**	1,713	**(2,677)**	(11,272)	**47,512**	44,417
Marketable securities	**5,901**	16,488	**2**	2	**0**	0	**5,902**	16,490
Cash and cash equivalents	**16,674**	13,538	**2,245**	1,053	**(1,207)**	(47)	**17,712**	14,544
Total current assets	**127,202**	**129,715**	**57,607**	**45,887**	**(8,771)**	**(16,442)**	**176,038**	**159,160**
Total assets	**264,272**	**243,806**	**117,521**	**94,605**	**(9,374)**	**(16,764)**	**372,419**	**321,647**
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company	**74,416**	74,550	**9,594**	7,652	**0**	0	**84,010**	82,202
Minority interests	**630**	579	**0**	0	**0**	0	**630**	579
Total shareholders' equity	**75,046**	**75,129**	**9,594**	**7,652**	**0**	**0**	**84,640**	**82,781**
Non-current provisions								
Provisions for post-employment benefits	**11,677**	9,746	**28**	28	**0**	0	**11,705**	9,774
Provisions for deferred taxes	**6,557**	7,868	**1,703**	1,259	**0**	0	**8,260**	9,127
Other non-current provisions	**8,869**	7,067	**62**	95	**135**	139	**9,066**	7,301
Non-current liabilities	**43,062**	41,339	**53,155**	42,285	**(3,609)**	(11,895)	**92,608**	71,729
Current provisions	**11,589**	10,437	**83**	129	**78**	90	**11,750**	10,656
Current liabilities								
Loans	**56,178**	40,539	**6,501**	4,382	**(48)**	(49)	**62,631**	44,872
Trade payables	**50,622**	52,376	**404**	287	**0**	0	**51,025**	52,663
Current tax liabilities	**1,044**	0	**160**	451	**0**	0	**1,204**	451
Other current liabilities	**(372)**	(695)	**45,831**	38,037	**(5,930)**	(5,049)	**39,530**	32,293
Total shareholders' equity and liabilities	**264,272**	**243,806**	**117,521**	**94,605**	**(9,374)**	**(16,764)**	**372,419**	**321,647**
Contingent liabilities							**9,427**	8,153

Cash flow statement for the fourth quarter

Fourth quarter	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
SEK bn	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Operating activities								
Operating income	**(1.2)**	5.4	**0.2**	0.4	**0.0**	(0.1)	**(1.0)**	5.7
Depreciation and amortization	**3.2**	3.1	**0.0**	(0.1)	**0.2**	0.7	**3.4**	3.7
Other non-cash items	**0.1**	0.3	**0.2**	0.1	**0.0**	(0.2)	**0.3**	0.2
Change in working capital	**5.1**	8.9	**(4.4)**	(5.2)	**0.2**	0.4	**0.9**	4.1
Financial items and income taxes paid	**(1.2)**	(1.9)	**0.0**	(0.3)	**0.1**	0.4	**(1.1)**	(1.8)
Cash flow from operating activities	**6.0**	**15.8**	**(4.0)**	**(5.1)**	**0.5**	**1.2**	**2.5**	**11.9**
Investing activities								
Investments in fixed assets	**(4.3)**	(3.4)	**0.0**	(0.2)	**(0.1)**	0.1	**(4.4)**	(3.5)
Investment in leasing vehicles	**(0.1)**	(0.1)	**(0.1)**	(0.1)	**(1.6)**	(1.6)	**(1.8)**	(1.8)
Disposals of fixed assets and leasing vehicles	**0.2**	0.1	**0.0**	0.2	**0.8**	0.4	**1.0**	0.7
Operating cash flow	**1.8**	**12.4**	**(4.1)**	**(5.2)**	**(0.4)**	**0.1**	**(2.7)**	**7.3**
Investments and divestments of shares, net							**0.0**	0.0
Acquired and divested operations, net							**(0.2)**	(0.5)
Interest-bearing receivables incl marketable securites							**6.8**	(1.9)
Cash-flow after net investments							**3.9**	**4.9**
Financing activities								
Change in loans, net							**0.2**	(0.7)
Dividend to AB Volvo shareholders							**-**	–
Dividend to minority shareholders							**-**	(0.1)
Other							**0.1**	0.1
Change in cash and cash equivalents excl. translation differences							**4.2**	**4.2**
Translation difference on cash and cash equivalents							**0.9**	0.1
Change in cash and cash equivalents							**5.1**	**4.3**

Cash flow statement for the year

Year	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
SEK bn	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Operating activities								
Operating income	**14.5**	20.6	**1.4**	1.7	**0.0**	(0.1)	**15.9**	22.2
Depreciation and amortization	**11.8**	10.3	**0.1**	0.1	**1.6**	2.0	**13.5**	12.4
Other non-cash items	**(0.7)**	(0.4)	**0.4**	0.1	**0.1**	(0.2)	**(0.2)**	(0.5)
Change in working capital	**(10.9)**	(0.1)	**(12.8)**	(10.2)	**0.4**	0.4	**(23.3)**	(9.9)
Financial items and income taxes paid	**(5.0)**	(6.0)	**(0.2)**	(0.4)	**0.0**	0.5	**(5.2)**	(5.9)
Cash flow from operating activities	**9.7**	**24.4**	**(11.1)**	**(8.7)**	**2.1**	**2.6**	**(0.7)**	**18.3**
Investing activities								
Investments in fixed assets	**(12.6)**	(10.1)	**(0.1)**	0.0	**0.0**	0.0	**(12.7)**	(10.1)
Investment in leasing vehicles	**(0.4)**	(0.2)	**(0.2)**	(0.3)	**(4.8)**	(4.3)	**(5.4)**	(4.8)
Disposals of fixed assets and leasing vehicles	**0.6**	1.1	**0.1**	0.4	**2.2**	1.5	**2.9**	3.0
Operating cash flow	**(2.7)**	**15.2**	**(11.3)**	**(8.6)**	**(0.5)**	**(0.2)**	**(14.5)**	**6.4**
Investments and divestments of shares, net							**0.0**	0.4
Acquired and divested operations, net							**(1.3)**	(15.0)
Interest-bearing receivables incl marketable securites							**10.9**	3.6
Cash-flow after net investments							**(4.9)**	**(4.6)**
Financing activities								
Change in loans, net							**18.2**	28.7
Dividend to AB Volvo shareholders							**(11.1)**	(20.3)
Dividend to minority shareholders							**(0.1)**	(0.1)
Other							**0.1**	0.0
Change in cash and cash equivalents excl. translation differences							**2.2**	**3.8**
Translation difference on cash and cash equivalents							**1.0**	0.0
Change in cash and cash equivalents							**3.2**	**3.8**

Net financial position

	Industrial operations		Volvo Group	
SEK M	**Dec 31 2008**	Dec 31 2007	**Dec 31 2008**	Dec 31 2007
Long term customer finance receivables	**-**	–	**50,432**	40,486
Long term interest-bearing receivables	**149**	1,808	**694**	1,019
Short term customer finance receivables	**-**	–	**48,057**	38,361
Short term interest bearing receivables	**3,476**	9,773	**1,965**	1,380
Marketable securities	**5,901**	16,488	**5,902**	16,490
Cash and bank	**16,674**	13,538	**17,712**	14,544
Total financial assets	**26,200**	**41,607**	**124,762**	**112,280**
Interest-bearing liabilities	**46,749**	38,286	**145,727**	108,318
Net financial position excl post employment benefits	**(20,549)**	**3,321**	**(20,965)**	**(3,962)**
Provision for post employment benefits	**9,246**	7,626	**9,263**	7,643
Net financial position incl post employment benefits	**(29,795)**	**(4,305)**	**(30,228)**	**(3,681)**

Changes in net financial position Industrial operations

SEK bn	Fourth quarter 2008	Year 2008
Beginning of period	**(23.8)**	**(4.3)**
Cash flow from operating activities	6.0	9.7
Investments in fixed assets	(4.4)	(13.0)
Disposals	0.2	0.6
Operating cash-flow	**1.8**	**(2.7)**
Investments and divestments of shares, net	0.0	0.0
Acquired and divested operations, net	(0.2)	(1.3)
Capital injections to/from Customer Finance operations	0.0	(0.2)
Currency effect	(6.5)	(9.1)
Dividend paid to AB Volvo shareholders	–	(11.1)
Revaluation of loans	(0.9)	(0.9)
Other changes	(0.2)	(0.2)
Total change	**(6.0)**	**(25.5)**
Net financial position at end of period	**(29.8)**	**(29.8)**

Changes in Shareholders' equity

	Year	
SEK bn	**2008**	2007
Total equity at beginning of period	**82.8**	**87.2**
Shareholders' equity attributable to equity holders of the parent company at beginning of period	**82.2**	**86.9**
Translation differences	**6.2**	1.2
Translation differences on hedge instruments of net investments in foreign operations	**(0.4)**	(0.1)
Available-for-sale investments	**(0.5)**	(0.2)
Cash flow hedges	**(2.2)**	(0.3)
Net income recognized directly in equity	**3.1**	**0.6**
Income for the period	**9.9**	14.9
Total recognized income and expense for the period	**13.0**	**15.5**
Dividend to AB Volvo's shareholders	**(11.1)**	(20.3)
Share-based payments	**0.1**	0.2
Other changes	**(0.2)**	(0.1)
Shareholders' equity attributable to equity holders of the parent company at end of period	**84.0**	**82.2**
Minority interests at beginning of period	**0.6**	**0.3**
Translation differences	**0.0**	0.0
Net income recognized directly in equity	**0.0**	**0.0**
Income for the period	**0.1**	0.1
Total recognized income and expense for the period	**0.1**	**0.1**
Cash dividend	**(0.1)**	(0.1)
Minority regarding new acquisitions	**0.1**	0.3
Other changes	**(0.1)**	0.0
Minority interests at end of period	**0.6**	**0.6**
Total equity at end of period	**84.6**	**82.8**

Key ratios

Industrial operations

	Year 2008	Year 2007
Gross margin, %	**21.3**	22.6
Research and development expenses in % of net sales	**4.9**	4.0
Selling expenses in % of net sales	**8.7**	8.9
Administrative expenses in % of net sales	**2.3**	2.6
Operating margin, %	**4.9**	7.4
	Dec 31 2008	Dec 31 2007
Return on operating capital, %, 12 months rolling values	**16.3**	26.4
Net financial position at end of period, SEK billion	**(29.8)**	(4.3)
Net financial position in % of shareholders' equity at end of period	**(39.7)**	(5.7)
Shareholders' equity as percentage of total assets, end of period	**28.4**	30.8

Customer finance

	Dec 31 2008	Dec 31 2007
Return on shareholders' equity, %, 12 months rolling values	**12.6**	15.9
Equity ratio at end of period, %	**8.2**	8.1
Asset growth, % from preceding year end until end of period	**24.2**	18.5

Volvo Group

	Year 2008	Year 2007
Gross margin, %	**21.8**	23.1
Research and development expenses in % of net sales	**4.7**	3.9
Selling expenses in % of net sales	**8.9**	9.1
Administrative expenses in % of net sales	**2.3**	2.5
Operating margin, %	**5.2**	7.8
	Dec 31 2008	Dec 31 2007
Basic earnings per share, SEK, 12 months rolling values	**4.90**	7.37
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	**41.4**	40.6
Return on shareholders' equity, %, 12 months rolling values	**12.1**	18.1
Shareholders' equity as percentage of total assets, end of period	**22.7**	25.7

Share data

	Year 2008	Year 2007
Basic earnings per share, SEK	**4.90**	7.37
Diluted earnings per share, SEK	**4.90**	7.37
Number of shares outstanding, million	**2,027**	2,026
Average number of shares during period, million	**2,027**	2,025
Average diluted number of shares during period, million	**2,027**	2,026
Number of company shares, held by AB Volvo, million	**101**	103
Average number of company shares, held by AB Volvo, million	**101**	103

Quarterly figures

Industrial operations[1] SEK M unless otherwise stated	4/2007	1/2008	2/2008	3/2008	**4/2008**
Net sales	**82,346**	**74,532**	**78,514**	**67,294**	**74,592**
Cost of sales	(63,900)	(56,904)	(60,440)	(53,207)	**(61,696)**
Gross income	**18,446**	**17,628**	**18,074**	**14,087**	**12,896**
Research and development expenses	(3,443)	(3,334)	(3,335)	(3,428)	**(4,251)**
Selling expenses	(7,700)	(6,195)	(6,268)	(6,074)	**(7,060)**
Administrative expenses	(1,916)	(1,839)	(1,842)	(1,710	**(1,530)**
Other operating income and expenses	(8)	(172)	118	(96)	**(1,307)**
Income from investments in associated companies	3	5	9	(2)	**11**
Income from other investments	15	13	43	10	**3**
Operating income Industrial operations	**5,397**	**6,106**	**6,799**	**2,786**	**(1,237)**
Customer Finance					
Finance and lease income	1,972	1,994	1,981	2,178	**2,332**
Finance and lease expenses	(1,168)	(1,181)	(1,171)	(1,305)	**(1,425)**
Gross income	**804**	**813**	**810**	**873**	**907**
Selling and administrative expenses	(364)	(375)	(368)	(389)	**(418)**
Credit provision expenses	(56)	(61)	(59)	(124)	**(239)**
Other operating income and expenses	(6)	4	4	33	**(12)**
Operating income Customer Finance	**378**	**381**	**387**	**391**	**238**
Volvo Group					
Operating income	**5,775**	**6,487**	**7,186**	**3,177**	**(999)**
Interest income and similar credits	257	281	272	251	**367**
Interest expense and similar credits	(317)	(343)	(374)	(460)	**(758)**
Other financial income and costs	(106)	(284)	397	(70)	**(1,121)**
Income after financial items	**5,609**	**6,141**	**7,481**	**2,898**	**(2,510)**
Taxes	(1,515)	(1,926)	(2,332)	(898)	**1,162**
Income for the period*	**4,094**	**4,215**	**5,149**	**2,000**	**(1,348)**
* Attributable to					
Equity holders of AB Volvo	4,059	4,196	5,130	1,977	**(1,361)**
Minority interests	35	19	19	23	**13**
	4,094	**4,215**	**5,149**	**2,000**	**(1,348)**

Share data	4/2007	1/2008	2/2008	3/2008	**4/2008**
Earnings per share, SEK[1]	2.00	2.07	2.53	0.98	**(0.67)**
Number of shares outstanding, million	2,026	2,027	2,027	2,027	**2,027**
Average number of shares during period, million	2,026	2,026	2,026	2,027	**2,027**
Number of company shares, held by AB Volvo	103	101	101	101	**101**
Depreciation and amortization included above					
Industrial operations	2,925	2,623	2,719	2,737	**2,949**
Customer Finance	(18)	33	33	32	**(12)**
Classification Group versus segment Customer Finance[2]	758	663	622	650	**583**
Total	**3,665**	**3,319**	**3,374**	**3,419**	**3,520**

Key operating ratios, Industrial operations					
Gross margin, %	22.4	23.7	23.0	20.9	**17.3**
Research and development expenses in % of net sales	4.2	4.5	4.2	5.1	**5.7**
Selling expenses in % of net sales	9.4	8.3	8.0	9.0	**9.5**
Administrative expenses in % of net sales	2.3	2.5	2.3	2.5	**2.1**
Operating margin , %	6.6	8.2	8.7	4.1	**(1.7)**

1) Earnings per share are calculated as Income for the period (excl minority interests) divided by the weighted average number of shares outstanding during the period.
2) Reclassification of financial leases in segment Customer Finance to operational leases in the Group.

Quarterly figures

Net sales

SEK M	4/2007	1/2008	2/2008	3/2008	**4/2008**
Trucks	57,012	50,801	52,644	46,076	**53,714**
Construction Equipment	15,523	15,140	16,734	13,174	**11,031**
Buses	5,173	3,672	4,326	3,833	**5,481**
Volvo Penta	2,859	3,165	3,351	2,663	**2,254**
Volvo Aero	1,992	1,883	1,708	1,618	**2,239**
Eliminations and other	(213)	(129)	(249)	(70)	**(127)**
Industrial operations	**82,346**	**74,532**	**78,514**	**67,294**	**74,592**
Customer Finance	1,972	1,994	1,981	2,178	**2,332**
Reclassifications and eliminations	238	157	(70)	133	**30**
Volvo Group	**84,556**	**76,683**	**80,425**	**69,605**	**76,954**

Operating income

SEK M	4/2007	1/2008	2/2008	3/2008	**4/2008**
Trucks	4,144	4,432	4,825	2,653	**257**
Construction Equipment	1,035	1,301	1,629	134	**(1,256)**
Buses	93	(122)	46	(72)	**72**
Volvo Penta	177	318	458	198	**(46)**
Volvo Aero	196	136	4	78	**141**
Group headquarter functions and other	(248)	41	(163)	(205)	**(404)**
Industrial operations	**5,397**	**6,106**	**6,799**	**2,786**	**(1,237)**
Customer Finance	378	381	387	391	**238**
Volvo Group	**5,775**	**6,487**	**7,186**	**3,177**	**(999)**

Operating margin

%	4/2007	1/2008	2/2008	3/2008	**4/2008**
Trucks	7.3	8.7	9.2	5.8	**0.5**
Construction Equipment	6.7	8.6	9.7	1.0	**(11.4)**
Buses	1.8	(3.3)	1.1	(1.9)	**1.3**
Volvo Penta	6.2	10.0	13.7	7.4	**(2.0)**
Volvo Aero	9.8	7.2	0.2	4.8	**6.3**
Industrial operations	**6.6**	**8.2**	**8.7**	**4.1**	**(1.7)**
Volvo Group	**6.8**	**8.5**	**8.9**	**4.6**	**(1.3)**

Accounting principles

As of January 1, 2005, AB Volvo applies the International Financial Reporting Standards (IFRS) – formerly the IAS – as adopted by the EU, for the group consolidation. The accounting principles, which were applied during the preparation of this report, are described in Note 1 to the consolidated financial statements, which are included in the 2007 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 2.1 Reporting for legal entities. Application of RFR 2.1 entails that in interim reporting for legal entities, the parent company is to apply all IFRSs and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act, and taking into account the connection between accounting and taxation.

New accounting principles in 2008

In accordance with considerations presented in the Annual Report, Note 1, regarding new accounting principles for 2008, three new interpretations from IFRIC take effect as of 1 January 2008: IFRIC 11 *'IFRS 2 Group and Treasury Share Transactions';* IFRIC 12 *'Service Concession Arrangements'* and IFRIC 14 *'IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction'*. IFRIC 11 and 14 have not had any impact on the Group's financial statements. IFRIC 12 has not yet been approved by the EU and is therefore not applied in this report. The application of IFRIC 12 is not expected to have a significant impact on the Group's financial statements.

The amendment to IAS 39 and IFRS 7 effective from 1 July 2008, published and endorsed in October 2008, has not had any significant effect on the Group's financial statements.

Otherwise, accounting principles and methods of calculations have remained essentially unchanged from those applied in the 2007 Annual Report.

Operating income before depreciation and amortization (EBITDA)

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

Accounting for pensions

Volvo's obligation for defined-benefit plans are based on the actuarial assumptions that are determined close to the balance sheet date each year. Changes in the present value of obligations due to revised actuarial assumptions and experience adjustments are treated as actuarial gains and losses. Volvo applies the "corridor"-method for defined-benefit plans, which means that actuarial gains and losses are amortized over the employees' average remaining service period to the extent these exceed the corridor value for each plan.

At December 31, 2008, Volvo's obligation for defined benefit plans amount to SEK 41.2 billion (36.0) and fair value of plan assets SEK 22.1 billion (25.8). Unrecognized actuarial gains and losses including past service costs amount to SEK 9.8 billion (2.6). The net provision for post employment benefits is accordingly SEK 9.3 billion (7.6).

Discount rates used are: Sweden 4.50%; US 5,75-6.25%; France 5.25% and UK 5.75%. Inflation rates used are: Sweden 2.00%; US 2.50%; France 2.00% and UK 3.00%

For defined contribution plans premiums are expensed as incurred.

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 48-50 in the 2007 Annual Report for the Volvo Group. The Annual Report is available on the internet at www.volvogroup.com

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

The development of the financial markets during the third and fourth quarters has led to an intensification of Volvo's work with financial risks. The credit risks are continuously managed through active credit monitoring and there are regular controls that provisions are made on incurred losses for doubtful receivables in accordance with applicable accounting principles.

The present market conditions also limit the accessibility to credits and loan financing, which may negatively affect customers, suppliers, dealers as well as the Volvo Group. The companies in the Volvo Group and their suppliers work closely together to manage material flows by monitoring suppliers' financial stability, quality-control systems and production flexibility in order to avoid delivery disturbances. A sound balance between short- and long-term borrowing, as well as borrowing preparedness in the form of overdraft facilities, is intended to meet the long-term financing needs of the Volvo Group.

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

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

The reported amounts for contingent liabilities reflect Volvo's risk exposure. Total contingent liabilities at December 31, 2008, amounted to SEK 9.4 billion, an increase of SEK 1.2 billion compared to December 31, 2007. Included in the total is a contingent liability of SEK 0.6 billion pertaining to a claim on Volvo Powertrain to pay penalties following a demand by the US Environmental Protection Agency (EPA). The demand is a consequence of dissenting opinions on whether an agreement between EPA and Volvo Powertrain regarding lower emitting engines also should include engines sold by Volvo Penta.

The former labour agreement between Mack Trucks, Inc. and the United Auto Workers Union ("UAW") expired on September 30, 2007. Since that time, the parties have been operating under a mutually agreed upon extension of the previous agreement that can be terminated by either party on short notice. Negotiations on a new labor agreement are ongoing. Both Mack Trucks, Inc. and the UAW are parties to similar lawsuits filed in the U.S federal courts addressing the issue of retiree healthcare benefits. Mack Trucks' lawsuit, the first of the two lawsuits filed, seeks a declaration from the court that it is permitted to unilaterally amend the terms of the existing retiree health care plan. The lawsuit filed by the UAW in response to the Mack lawsuit, seeks a ruling from the court that the plan of benefits must remain unchanged. Mack is attempting to have the cases consolidated. At present, it is not possible to estimate the outcome of the negotiations or the pending lawsuits, but there is a risk that the outcome may have a significant negative effect on the consolidated operating income.

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas for possible impairment. The size of the overvalue differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment.

The annual goodwill tests performed for all business areas in the fourth quarter have not resulted in any write-down. A continued financial turmoil and volatility in interest and currency rates could lead to indications of impairment for some business areas in the forthcoming periods, which would require goodwill valuation tests to be performed for those areas as long as indications remain.

Corporate acquisitions and divestments

Acquisitions and divestments during the period

Volvo Group has during the fourth quarter 2008 made minor acquisitions and divestments that have not had a significant impact on the Group's financial statements.

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

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

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

The transaction has been approved by the requisite authorities and Volvo's 50% interest in the joint-venture company is consolidated according to proportional method in the Volvo Group from 1 August 2008. Short term, the transaction is expected to have only marginal effect on the Volvo Group's profitability, financial position and earnings per share.

Acquisitions after the end of the period

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

Parent company

Income Statement

SEK M	Fourth quarter 2008	Fourth quarter 2007	Year 2008	Year 2007
Net sales[1]	**167**	173	**790**	781
Cost of sales[1]	**(167)**	(173)	**(790)**	(781)
Gros income	**0**	**0**	**0**	**0**
Operating expenses[1]	**(82)**	(140)	**(650)**	(611)
Income from investments in Group companies	**14,608**	7,538	**15,494**	6,651
Income from investments in associated companies	**(16)**	7	**(59)**	(118)
Income from other investments	**-**	–	**30**	0
Operating income	**14,510**	**7,405**	**14,815**	**5,922**
Interest income and expenses	**(169)**	(214)	**(843)**	(514)
Other financial income and expenses	**35**	7	**97**	36
Income after financial items	**14,376**	**(7,198)**	**14,069**	**5,444**
Allocations	**2,530**	(1,230)	**2,530**	(1,230)
Income taxes	**(676)**	(1,713)	**226**	(1,022)
Income from the period	**16,230**	**4,255**	**16,825**	**3,192**

1) Of net sales in the fourth quarter, SEK 149 M (154) pertained to Group companies, while purchases from Group companies amounted to SEK 114 M (143).

Balance Sheets

SEK M	Dec 31 2008		Dec 31 2007	
Assets				
Non-current assets				
Intangible assets		**110**		0
Tangible assets		**16**		17
Finanacial assets				
Share and participations in Group companies	**46,122**		47,011	
Other shares and participations	**2,280**		772	
Other long-term receivables	**245**	**48,647**	210	47,993
Total non-current assets		**48,773**		**48,010**
Current assets				
Short-term receivables from Group companies		**9,561**		10,814
Other short-term receivables		**586**		749
Cash and bank accounts		**0**		10
Total current assets		**10,147**		**11,573**
Total assets		**58,920**		**59,583**
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity	**9,891**		9,891	
Unrestricted equity	**27,678**	**37,569**	22,254	32,145
Untaxed reserves		**704**		3,234
Provisions		**178**		202
Non-current liabilities				
Liabilities to Group companies		**7**		6
Current liabilities[1]		**20,462**		23,996
Total shareholders' equity and liabilities		**58,920**		**59,583**

1) Of which SEK 20,166 M (23,563) pertains to Group companies.

Income from investments in Group companies for the fourth quarter includes dividends amounting to SEK 13,992 M (7) and transfer price adjustments and Group contributions, net, of SEK 615 M (7, 666)..

As of January 31, 2008, AB Volvo divested the shares in the subsidiary Mack Trucks Inc to Volvo Holding USA AB for SEK 3,225 M corresponding to book value. Volvo Holding USA AB is a wholly-owned subsidiary in the Volvo group.

In the third quarter the shares in Volvo Korea Holding AB with a book value of SEK 2,655 M were transferred from VGFE BV whereupon the shares in VGFE BV were written down to zero. In the fourth quarter VGFE BV was liquidated.

Other shares and participations include the direct and indirect acquisition of VE Commercial Vehicles (VECV) for total amount of SEK 1,845 M. In the consolidated accounts of the Volvo group, VECV is reported as a joint venture and consolidated according to the proportional method. The indirect ownership is an effect of the acquisition of 8.1% of Eicher Motors Limited, which is the other venturer of VECV. These shares are not separately valued as they form a part of the total interest in VECV.

In 2008 revaluation of the ownership in the listed company Deutz AG has decreased the value by SEK 324 M, recognized in equity.

Investments in intangible and tangible assets amounted to SEK 116 M (–) and 0 M (1) respectively.

Financial net debt amounted to SEK 11,510 M at the end of the year (20,894).

Events after the balance sheet date

For events after the balance sheet date, see page 3 of this report.

No other significant events have occurred after the end of the fourth quarter 2008 that are expected to have a substantial effect on the Volvo Group.

Proposed ordinary dividend of SEK 2.00 per share

The Board of Directors proposes an ordinary dividend of SEK 2.00 per share, corresponding to 41% of AB Volvo's income for financial year 2008, which means a total of SEK 4,055 M is being transferred to AB Volvo's shareholders. The proposed dividend per share represents a decrease of 64% compared with the preceding year. The Board proposes April 6 as the record date for entitlement to receive dividends.

Göteborg February 6, 2009
AB Volvo (publ)

The Board of Directors

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

Deliveries

Delivered trucks	Fourth quarter 2008	Fourth quarter 2007	Change in %	Year 2008	Year 2007	Change in %
Trucks						
Europe	**24,845**	39,740	(37)	**121,847**	128,070	(5)
Western Europe	**20,929**	30,454	(31)	**95,969**	100,106	(4)
Eastern Europe	**3,916**	9,286	(58)	**25,878**	27,964	(7)
North America	**7,635**	11,222	(32)	**30,146**	33,280	(9)
South America	**4,749**	4,819	(1)	**18,092**	15,264	19
Asia	**16,635**	14,097	18	**60,725**	39,916	52
Middle East	**6,669**	3,819	75	**18,700**	11,109	68
Other Asia	**9,966**	10,278	(3)	**42,025**	28,807	46
Other markets	**5,664**	6,647	(15)	**20,341**	19,826	3
Total Trucks	**59,528**	**76,525**	**(22)**	**251,150**	**236,356**	**6**
Mack Trucks						
Europe	**-**	–	–	**8**	–	–
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**8**	–	–
North America	**3,032**	3,637	(17)	**12,157**	13,592	(11)
South America	**624**	1,075	(42)	**3,097**	3,183	(3)
Asia	**138**	66	109	**200**	243	(18)
Middle East	**126**	62	103	**179**	218	(18)
Other Asia	**12**	4	200	**21**	25	(16)
Other markets	**351**	483	(27)	**1,151**	1,603	(28)
Total Mack Trucks	**4,145**	**5,261**	**(21)**	**16,613**	**18,621**	**(11)**
Renault Trucks						
Europe	**11,646**	21,341	(45)	**63,643**	68,585	(7)
Western Europe	**10,659**	18,036	(41)	**54,944**	59,097	(7)
Eastern Europe	**987**	3,305	(70)	**8,699**	9,488	(8)
North America	**135**	154	(12)	**494**	517	(4)
South America	**259**	295	(12)	**1,172**	1,107	6
Asia	**1,579**	1,476	7	**5,252**	4,216	25
Middle East	**1,453**	1,384	5	**4,862**	3,854	26
Other Asia	**126**	92	37	**390**	362	8
Other markets	**1,752**	1,524	15	**5,918**	5,017	18
Total Renault Trucks	**15,371**	**24,790**	**(38)**	**76,479**	**79,442**	**(4)**
Volvo Trucks						
Europe	**13,197**	18,399	(28)	**58,187**	59,465	(2)
Western Europe	**10,270**	12,418	(17)	**41,025**	41,009	0
Eastern Europe	**2,927**	5,981	(51)	**17,162**	18,456	(7)
North America	**4,227**	6,164	(31)	**15,887**	16,692	(5)
South America	**3,650**	3,201	14	**12,890**	10,166	27
Asia	**5,125**	2,963	73	**13,440**	9,002	49
Middle East	**4,028**	1,655	143	**8,923**	4,801	86
Other Asia	**1,097**	1,308	(16)	**4,517**	4,201	8
Other markets	**1,836**	1,162	58	**5,548**	4,784	16
Total Volvo Trucks	**28,035**	**31,889**	**(12)**	**105,952**	**100,109**	**6**
Nissan Diesel [1]						
Europe	**2**	0	–	**9**	20	–
Western Europe	**0**	0	–	**0**	0	–
Eastern Europe	**2**	0	–	**9**	20	–
North America	**241**	1,267	(81)	**1,608**	2,479	–
South America	**216**	248	(13)	**933**	808	–
Asia	**8,609**	9,592	(10)	**39,089**	25,455	–
Middle East	**1,062**	718	48	**4,736**	2,236	–
Other Asia	**7,547**	8,874	(15)	**34,353**	24,219	–
Other markets	**1,725**	3,478	(50)	**7,724**	8,422	–
Total Nissan Diesel	**10,793**	**14,585**	**(26)**	**49,363**	**38,184**	**-**

1) Nissan Diesel was consolidated into the Volvo Group on April 1, 2007.

AB Volvo (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7.30 a.m. on February 6, 2009.

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

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

Delivered trucks	Fourth quarter 2008	Fourth quarter 2007	Change in %	Full year 2008	Full year 2007	Change in %
Eicher[1)]						
Europe	**-**	–	–	**-**	–	–
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**-**	–	–
North America	**-**	–	–	**-**	–	–
South America	**-**	–	–	**-**	–	–
Asia	**1,184**	0	–	**2,744**	0	–
Middle East	**0**	0	–	**0**	0	–
Other Asia	**1,184**	0	–	**2,744**	0	–
Other markets	**0**	0	–	**0**	0	–
Total Eicher	**1,184**	**0**	**-**	**2,744**	**0**	**-**

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

Delivered Buses	Fourth quarter 2008	Fourth quarter 2007	Change in %	Full year 2008	Full year 2007	Change in %
Buses						
Europe	**854**	1,291	(34)	**3,313**	3,748	(12)
Western Europe	**786**	1,206	(35)	**3,140**	3,377	(7)
Eastern Europe	**68**	85	(20)	**173**	371	(53)
North America	**605**	536	13	**1,884**	1,547	22
South America	**394**	639	(38)	**995**	1,318	(25)
Asia	**920**	781	18	**3,033**	2,757	10
Other markets	**307**	165	86	**712**	546	30
Total Buses	**3,080**	**3,412**	**(10)**	**9,937**	**9,916**	**0**

Annual general meeting

AB Volvo's annual general meeting will be held on April 1, 2009 in Göteborg.

Annual Report 2008

AB Volvo's Annual report on 2008 operations will be published the second week of March 2009, and will be available at www.volvo.com

Further publication dates

Report for the first three months 2009	April 24, 20099
Report for the first six months 2009	July 21, 2009
Report for the first nine months 2009	October 23, 2009

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