Volvo Group
Report on operations 2009

In the fourth quarter net sales decreased by 23% to SEK 59.8 billion (78.0). For the full year net sales decreased by 28% to SEK 218.4 billion (304.6)

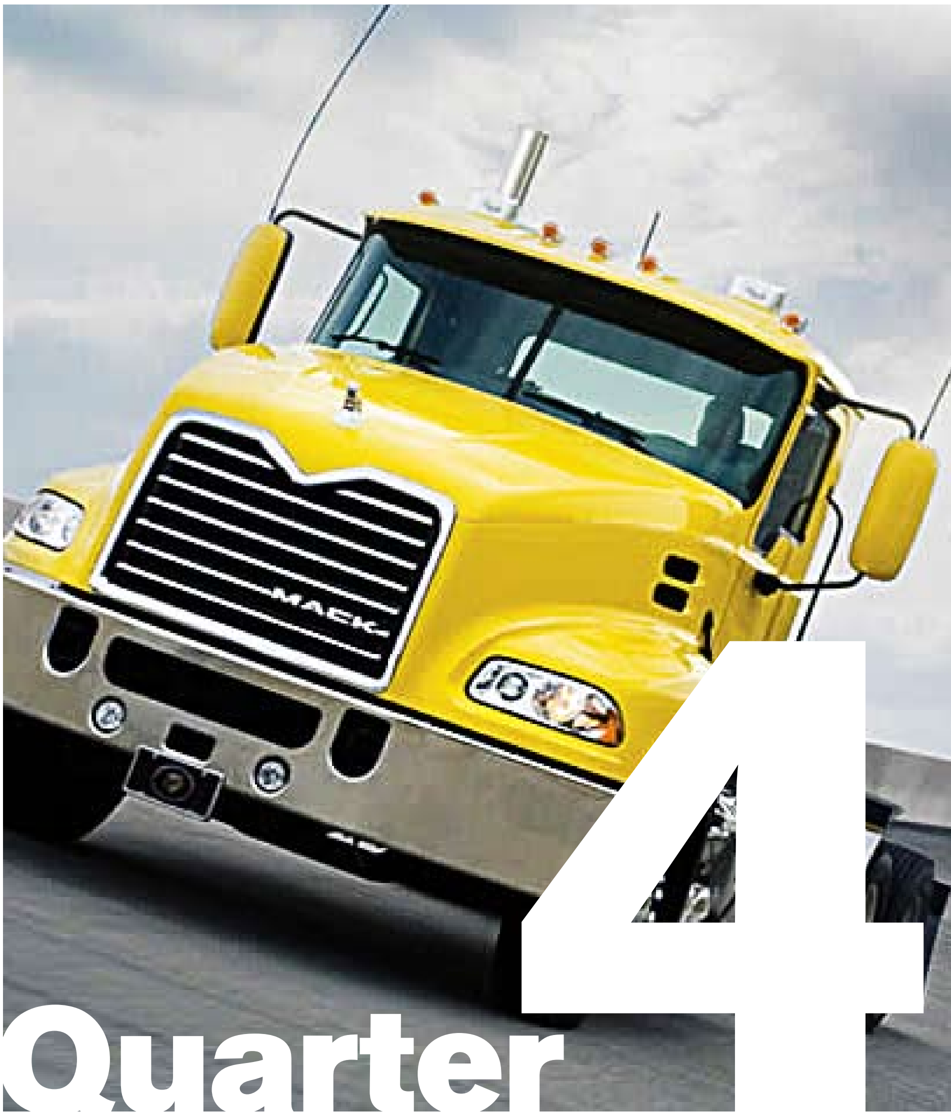
The fourth quarter operating loss amounted to SEK 2,316 M (Loss SEK 999 M) including restructuring and layoff-related costs, residual value write-downs and inventory write-downs of in total SEK 1.4 billion. The full year operating loss amounted to SEK 17.0 billion (Income SEK 15.9 billion)

In the fourth quarter basic and diluted earnings per share amounted to a negative SEK 0.99 (Negative SEK 0.67). Full-year earnings per share amounted to a negative SEK 7.26 (Positive SEK 4.90)

In the fourth quarter, operating cash flow in the Industrial Operations was positive in an amount of SEK 8.6 billion (1.8). Cash flow was positively impacted by SEK 5.6 billion from a reduction of inventories

During the quarter, net debt in the Industrial Operations was reduced by SEK 8.9 billion

The Board of Directors proposes that no dividend is distributed for the year 2009 (SEK 2.00 per share)



	Fourth quarter		Year	
	2009	2008	**2009**	2008
Net sales Volvo Group, SEK M	**59,798**	77,992	**218,361**	304,642
Operating income Volvo Group, SEK M	**(2,316)**	(999)	**(17,013)**	15,851
Operating income Industrial operations, SEK M	**(2,331)**	(1,237)	**(16,333)**	14,454
Operating income Customer Finance, SEK M	**15**	238	**(680)**	1,397
Operating margin Volvo Group, %	**(3.9)**	(1.3)	**(7.8)**	5.2
Income after financial items, SEK M	**(2,881)**	(2,510)	**(20,573)**	14,010
Income for the period, SEK M	**(1,985)**	(1,348)	**(14,685)**	10,016
Diluted earnings per share, SEK	**(0.99)**	(0.67)	**(7.26)**	4.90
Return on shareholders' equity,%			**(19.7)**	12.1

VOLVO

Content

Comments by the CEO
– successful inventory reduction and strong cash flow

In the fourth quarter, we continued to have substantial costs in connection with the Group's effort to adjust its cost structure to a considerably lower level of demand in the wake of the financial crisis, something that contributed to an operating loss of slightly more than SEK 2 billion in the fourth quarter. Our main focus during the quarter was on cash flow and I am happy to be able to state that we created a positive cash flow of SEK 8.6 billion, which is one of the best cash inflows ever for a single quarter.

As a result of the lower inventories, we began to gradually increase the pace of production during the quarter, since a larger proportion of orders received could be directed to production instead of inventory reduction. The intensified pace of production also resulted in our accounts payable beginning to increase, which, combined with the inventory reduction, contributed to reducing the Group's working capital by close to SEK 12 billion. The positive cash flow also meant that we succeeded in our aim of reducing the Group's net debt, which was reduced by almost SEK 9 billion in the quarter.

Signs of an improved market

In the fourth quarter, demand remained generally weak in our principal markets, although we can see signs of recovery in an increasing number of markets. Sales decreased by slightly more than 20% to SEK 60 billion compared with the fourth quarter of 2008. Despite the sharp decline in sales, the underlying operating loss was limited due to cost-reducing measures and improved productivity.

Although sales are significantly lower than a year ago, it is becoming increasingly clear that the state of the global economy is improving. In China and India in particular demand strengthened continuously during the year. Through the Volvo Group's acquisition in recent years of the Chinese construction equipment manufacturer Lingong, and the Indian joint-venture company with Eicher for the production of trucks and buses, we have an excellent position on which to build in these countries. Lingong is the fourth largest manufacturer of construction equipment in China, while Eicher is the second largest Indian manufacturer of medium-duty trucks. We are now investing in broadened product programs in these important growth countries. During the quarter, Lingong presented for the first time a range of excavators to enable it to participate in the rapidly growing excavator market in China. In India, a new generation of heavy trucks was launched under the Eicher brand in January 2010.

In Europe, we see recovery, with increased order bookings for trucks and construction equipment, although this is starting from very low levels. In North America, demand currently remains at a low level, with a continued weakness in the construction market. Our current assessment, which is in line with the rest of the industry, is that both the European and US markets for heavy trucks will start off weak and gradually improve during the year with total growth for full-year 2010 of approximately 10% in Europe and 20-30% in North America.

Since the Group's inventory of new products now is in line with current demand, the somewhat improved order bookings mean that we will gradually raise the production rates in our plants. However, since there is continued uncertainty regarding the strength of global economic recovery, the acceleration will be cautious.

As a result of cost-cutting measures, Volvo CE has reduced its losses despite reduced sales. Volvo CE succeeded during the quarter in further reducing its inventory of machines and has now achieved a balance with demand. Work to achieve a more cost efficient production structure is continuing and a decision was made during the quarter to close one of Volvo CE's plants in North America.

Overall, the global market for buses stabilized at a low level, but with a positive trend in South America and Asia. Volvo Buses continued to generate losses, but they have a good pace in order bookings and are capturing market shares.

For Volvo Penta, demand for marine and industrial engines remained at a low level, with the exception of North America where demand increased. As a result of reduced costs, Volvo Penta recorded a profit.

Volvo Aero's key aftermarket business declined considerably, which contributed to the business area recording an operating loss. In Financial Services, the trend from the third quarter continues, with a stabilization of the credit portfolio. Although credit provision expenses remain at an elevated level, Financial Services generated an operating income just above breakeven.

Launch of Group's cleanest engines to date

During the quarter, a very important step was taken for us and for the environment when we had our common Group engines approved by the US environmental authorities. The engines, which will be put into production at the beginning of 2010, have emission levels of nitrogen oxides and particles that are very close to zero. For example, the US engines' emissions of nitrogen oxides will decrease by more than 80% compared with the generation being replaced. The trucks with the new engines have received an excellent response in tests by customers, particularly for their low level of fuel consumption.

Nissan Diesel has changed its name to UD Trucks effective as of February. When new Japanese emission legislation is implemented later this year, we will take another key step in the integration of UD Trucks when we launch common Group engines in UD branded trucks.

2009 was a year of adaptation and adjustment

In 2009, we implemented a number of key measures to adapt the Group to a new, lower cost level. From a short-term perspective, these measures were both painful and costly, but they were necessary to ensure the Group's competitiveness in the long term. During the year, we incurred major costs for personnel cutbacks, inventory and residual value write-downs, healthcare costs, credit losses and so forth.

With the recovery of demand in several of our markets, we can focus on our customers at the same time as we will continue the work to reduce our costs in all parts of the Group. We will also work hard to achieve a significant increase in productivity as volumes gradually return to more normal levels.

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

As we have left 2009 behind us, I can say that, although demand remains at historically low levels, we have reduced our cost base significantly, we have reduced our inventory and lowered our capital tied-up, and that we are financially stable thanks to low refinancing requirements combined with good liquidity. We have also continued to invest in research and development to be able to launch competitive products in the next few years. Therefore I have a very positive view on the Group's possibilities to strengthen its positions on the world market.

Leif Johansson
President and CEO

Important events

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

In November 2009 it was announced that Volvo Trucks and Mack Trucks were the first truck manufacturers to have their engines certified by the U. S. Environmental Protection Agency and the California Air Resources Board as meeting 2010 diesel emissions standards, the most stringent in the world. On November 17, Talon Logistics, Inc., USA took delivery of its first EPA2010-certified trucks from Volvo Trucks in North America. In January 2010, Knight Transportation ordered 370 EPA2010-compliant Volvo VN's.

Volvo receives order for 12 hybrid buses to Norway

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

Louis Schweitzer new Chairman of AB Volvo

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

Important events reported earlier

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

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 23% to SEK 59,798 M during the fourth quarter of 2009, compared to SEK 77,992 M in the same quarter a year earlier. For the full year net sales decreased by 28% to SEK 218,361 M compared to SEK 304,642 M in 2008.

Operating income

The Volvo Group's operating loss amounted to SEK 2,316 M in the fourth quarter compared to an operating loss of SEK 999 M in the preceding year. The Industrial Operations' operating loss amounted to SEK 2,331 M (Loss SEK 1,237 M). The Volvo Group's Customer Finance operations reported an operating income of SEK 15 M (238). For detailed information on the development, see separate sections below.

Net financial items

Net interest expense in the fourth quarter was SEK 791 M compared to an expense of SEK 888 M in the third quarter of 2009. The decrease is primarily attributable to lower interest rates in the debt portfolio.

Income Statement Volvo Group

	Fourth quarter		Year	
SEK M	**2009**	2008	**2009**	2008
Net sales Volvo Group	**59,798**	**77,992**	**218,361**	**304,642**
Operating Income Volvo Group	**(2,316)**	**(999)**	**(17,013)**	**15,851**
Operating income Industrial operations	***(2,331)***	*(1,237)*	***(16,333)***	*14,454*
Operating income Customer Finance	***15***	*238*	***(680)***	*1,397*
Interest income and similar credits	**95**	367	**390**	1,171
Interest expense and similar credits	**(886)**	(758)	**(3,559)**	(1,935)
Other financial income and expenses	**225**	(1,120)	**(392)**	(1,077)
Income after financial items	**(2,881)**	**(2,510)**	**(20,573)**	**14,010**
Income Taxes	**897**	1,162	**5,889**	(3,994)
Income for the period	**(1,985)**	**(1,348)**	**(14,685)**	**10,016**

During the quarter, market valuation of derivatives used for hedging interest-rate exposure in the debt portfolio had a positive effect on Other financial income and expenses amounting to SEK 238 M compared to a negative impact of SEK 1,081 M in the fourth quarter of 2008.

Income taxes

The tax income in the fourth quarter amounted to SEK 897 M (Income: SEK 1,162 M).

Income for the period and earnings per share

The loss for the period amounted to SEK 1,985 M in the fourth quarter of 2009 compared to a loss for the period of SEK 1,348 M in the fourth quarter of 2008.

Basic and diluted earnings per share in the fourth quarter amounted to a negative SEK 0.99 (Negative SEK 0.67).

Volvo Group's Industrial Operations – operating loss but strong cash flow

In the fourth quarter, net sales for the Volvo Group's Industrial Operations decreased by 24% to SEK 57,441 M (75,564). Adjusted for changes in exchange rates and acquired and divested units net sales decreased by 23%. Compared to the fourth quarter of 2008, all markets declined with the exception of South America, which was on the same level as last year. However, Group sales increased by 12% and 25% respectively when compared to the second quarter and the seasonally weak third quarter of 2009.

In the fourth quarter of 2009, Trucks' net sales decreased by 30% to SEK 37,678 M (54,132), Construction Equipment's by 9% to SEK 10,159 M (11,219), Volvo Penta's by 18% to SEK 1,939 M (2,355) and Volvo Aero's by 18% to SEK 1,978 M (2,398). On the other hand Buses net sales increased by 4% to SEK 5,793 M (5,589).

Net sales by market area

SEK M	Fourt quarter 2009	Fourt quarter 2008	Change, %	Year 2009	Year 2008	Change, %	Share of industrial operations' net sales %
Western Europe	**21,881**	30,133	(27)	**84,452**	124,261	(32)	41
Eastern Europe	**2,785**	5,048	(45)	**9,632**	28,212	(66)	5
North America	**9,849**	12,916	(24)	**37,291**	47,746	(22)	18
South America	**5,660**	5,656	0	**16,610**	19,613	(15)	8
Asia	**13,006**	15,957	(18)	**44,842**	55,812	(20)	22
Other markets	**4,260**	5,854	(27)	**15,660**	20,192	(22)	8
Total Industrial operations	**57,441**	**75,564**	**(24)**	**208,487**	**295,836**	**(30)**	**100**

Income Statement Industrial operations

SEK M	Fourth quarter 2009	Fourth quarter 2008	Year 2009	Year 2008
Net sales	**57,441**	**75,564**	**208,487**	**295,836**
Cost of sales	**(48,314)**	(63,481)	**(179,578)**	(233,514)
Gross income	**9,127**	**12,083**	**28,909**	**62,322**
Gross margin, %	***15.9***	*16.0*	***13.9***	*21.1*
Research and development expenses	**(3,366)**	(4,251)	**(13,193)**	(14,348)
Selling expenses	**(5,704)**	(7,060)	**(23,752)**	(25,597)
Administrative expenses	**(1,372)**	(1,530)	**(5,838)**	(6,921)
Other operating income and expenses	**(1,011)**	(493)	**(2,432)**	(1,094)
Income from investments in associated companies	**16**	11	**(15)**	23
Income from other investments	**(21)**	3	**(13)**	69
Operating income	**(2,331)**	**(1,237)**	**(16,333)**	**14,454**
Operating margin, %	***(4.1)***	*(1.6)*	***(7.8)***	*4.9*
Operating income before depreciation and amortization (EBITDA)	**561**	1,712	**(3,951)**	25,482
EBITDA margin, %	***1.0***	*2.3*	***(1.9)***	*8.6*

Cost-cutting measures continue to reduce operating losses

In the fourth quarter of 2009, the operating loss for the Volvo Group's Industrial Operations amounted to SEK 2,331 M, a reduction compared to the operating loss of SEK 3,283 M in the third quarter. During the fourth quarter of 2008 the operating loss amounted to SEK 1,237 M. The operating margin for the Industrial Operations was a negative 4.1%, compared to a negative 7.1% during the third quarter of 2009 and a negative 1.6% during the fourth quarter of 2008.

The lower sales of trucks and construction equipment in particular continued to have a negative impact on operating income. Continued low capacity utilization in the industrial system resulted in an under absorption of costs equal to approximately SEK 2.2 billion in the quarter. The adjustment of the Groups cost structure to a new and lower demand level continued to incur cost and restructuring and layoff-related costs amounted to approximately SEK 700 M during the fourth quarter. Operating income was also negatively affected by write-downs of the inventory amounting to approximately SEK 300 M, impairment of assets held for sale amounting to SEK 217 M and provisions for residual-value commitments for trucks amounting to approximately SEK 200 M.

During the fourth quarter of 2009, operating income was positively affected by lower costs for raw materials and components, estimated at approximately SEK 800 M compared to the fourth quarter of 2008.

In the fourth quarter of 2009, research and development expenses declined by 21% to SEK 3,366 M (4,251). During the quarter SEK 752 M of development costs were capitalized while costs of SEK 643 M were amortized.

Selling expenses decreased by 19% and administrative expenses by 10% compared to the fourth quarter of 2008.

Strong cash flow in the fourth quarter

In the fourth quarter of 2009, operating cash flow from the Industrial Operations was positive in an amount of SEK 8.6 billion compared to a positive cash flow of SEK 1.8 billion in the fourth quarter of 2008. The positive cash flow is mainly a consequence of a SEK 11.7 billion reduction in working capital driven by a reduction in inventories of SEK 5.6 billion and an increase in trade payables, which had a positive cash flow effect of SEK 6.9 billion.

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

Increase in accounts receivable	(1.1)
Decrease in inventories	5.6
Increase in trade payables	6.9
Other	0.3
Total	**11.7**

Volvo Group's Customer Finance – continued stabilization

While the global economic downturn continues to impact customers' ability to honor their obligations, signs of recovery continued to be seen in many parts of the world during the fourth quarter. Overall, delinquency ratios improved while inventory levels and used equipment values appear to be stabilizing.

New financing volume in the fourth quarter of 2009 amounted to SEK 7.0 billion (11.9). Adjusted for changes in exchange rates, new business volume decreased by 41% compared to the fourth quarter of 2008 as a result of lower deliveries of Volvo Group products. In total, 6,522 new Volvo Group units (11,966) were financed during the quarter. In the markets where financing is offered, the average penetration rate in the fourth quarter was 22% (27). The penetration decline from the previous period is due in large part to a decrease of penetration rate and financing volumes in Eastern Europe.

The operating income in the fourth quarter amounted to SEK 15 M compared to SEK 238 M in the previous year and an operating loss of SEK 3 M in the third quarter of 2009. The variance compared to the previous year is driven mainly by higher credit provision expenses. Selling and administrative expenses adjusted for exchange rate fluctuations decreased by 6% from the fourth quarter of 2008. Despite the difficult economic conditions, several operations reported positive results throughout 2009. However, the losses incurred in Eastern Europe and Spain resulted in a consolidated loss for the full year 2009.

During the quarter, credit provision expenses amounted to SEK 466 M (239) while write-offs of SEK 593 M (211) were recorded as specific issues identified and reserved earlier in the year were liquidated. This resulted in a decrease in credit reserves from 1.76% at September 30, 2009 to 1.67% of the credit portfolio at December 31, 2009. At December 31, 2008 credit reserves amounted to 1.41% of the credit portfolio. The annualized write-off ratio through December 31, 2009 was 2.09% (0.52).

At December 31, 2009 total assets amounted to SEK 98.8 billion (117.6). The credit portfolio decreased by 15.6% net over the last twelve months, adjusted for exchange-rate movements.

Income Statement Customer Finance

	Fourth quarter		Year	
SEK M	**2009**	2008	**2009**	2008
Finance and lease income	**2,815**	2,982	**11,712**	11,073
Finance and lease expenses	**(1,925)**	(2,090)	**(8,427)**	(7,683)
Gross income	**890**	**892**	**3,285**	**3,390**
Selling and administrative expenses	**(388)**	(418)	**(1,608)**	(1,551)
Credit provision expenses	**(466)**	(239)	**(2,327)**	(483)
Other operating income and expenses	**(21)**	3	**(30)**	41
Operating income	**15**	**238**	**(680)**	**1,397**
Income taxes	**7**	30	**114**	(356)
Income for the period	**22**	**268**	**(566)**	**1,041**
Return on Equity, 12 month rolling values			***(6.2%)***	*12.6%*

Volvo Group financial position

The net financial debt in the Industrial Operations amounted to SEK 41.5 billion at December 31, 2009, a decrease by SEK 8.9 billion compared to the third quarter of 2009, and equal to 70.9% of shareholders' equity. Excluding provision for post-employment benefits the Industrial Operations net debt amounted to SEK 35.5 billion, which is equal to 60.7% of shareholders' equity.

The positive operating cash flow during the fourth quarter decreased the Industrial Operations net financial debt by SEK 8.6 billion.

During the fourth quarter SEK 3.7 billion (USD 525 M) of pension obligation in Mack Trucks' has been reclassified to a financial liability as a consequence of the Master Agreement between Mack Trucks and United Auto Workers (UAW). For more information, see section Accounting principles.

The Volvo Group's liquid funds, cash and cash equivalents and marketable securities combined, amounted to SEK 37.9 at December 31, 2009, of which SEK 1.2 billion are restricted for use by the Volvo Group and SEK 5.3 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 SEK 33.2 billion.

During the fourth quarter, currency increased the Volvo Group's total assets by SEK 5.8 billion.

The equity ratio in the Volvo Group amounted to 20.2% on December 31, 2009 compared to 22.7% at year-end 2008. At December 31, 2009 shareholder's equity in the Volvo Group amounted to SEK 67.0 billion.

Related-party transactions

Sales to associated companies amounted to SEK 529 M and purchases from associated companies amounted to SEK 91 M during 2009. On December 31, 2009, receivables from associated companies amounted to SEK 297 M and liabilities to associated companies to SEK 8 M. Sales to related-party Renault SA amounted to SEK 85 M and purchases from Renault SA to SEK 2,110 M during 2009. Receivables from Renault SA amounted to SEK 20 M and liabilities to Renault SA to SEK 457 M on December 31, 2009.

Number of employees

On December 31, 2009 the Volvo Group had 90,208 employees and 6,074 temporary employees and consultants, compared with 101,381 employees and 8,234 temporary employees and consultants at year-end 2008. The number of employees was reduced by 1,858 during the fourth quarter. At the same time the number of temporary employees and consultants increased by 471, primarily in response to increased production in certain markets.

In addition, in countries where this is possible, such as France, Belgium and Germany, the Volvo Group uses various forms of short-time work financed by governments, employees and the company, which significantly reduces the Group's personnel costs.

Business segment overview

Net sales

SEK M	Fourth quarter 2009	Fourth quarter 2008	Change, %	Change, %*	Year 2009	Year 2008
Trucks	**37,678**	54,132	(30)	(30)	**138,940**	203,642
Construction Equipment	**10,159**	11,219	(9)	(6)	**35,658**	56,277
Buses	**5,793**	5,589	4	6	**18,465**	17,350
Volvo Penta	**1,939**	2,355	(18)	(14)	**8,159**	11,518
Volvo Aero	**1,978**	2,398	(18)	(13)	**7,803**	7,625
Eliminations and other	**(105)**	(129)	–	–	**(538)**	(576)
Industrial operations	**57,441**	**75,564**	**(24)**	**(23)**	**208,487**	**295,836**
Customer Finance	**2,815**	2,982	(6)	–	**11,712**	11,073
Eliminations	**(458)**	(554)	–	–	**(1,838)**	(2,268)
Volvo Group	**59,798**	**77,992**	**(23)**	**(23)**	**218,361**	**304,642**

* Adjusted for exchange rates and acquired and divested units.

Operating income (loss)

SEK M	Fourth quarter 2009	Fourth quarter 2008	Year 2009	Year 2008
Trucks	**(1,316)**	257	**(10,805)**	12,167
Construction Equipment	**(564)**	(1,256)	**(4,005)**	1,808
Buses	**(46)**	72	**(350)**	(76)
Volvo Penta	**7**	(46)	**(230)**	928
Volvo Aero	**(169)**	141	**50**	359
Group headquarter functions and other	**(244)**	(405)	**(994)**	(732)
Industrial operations	**(2,331)**	**(1,237)**	**(16,333)**	**14,454**
Customer Finance	**15**	238	**(680)**	1,397
Volvo Group	**(2,316)**	**(999)**	**(17,013)**	**15,851**

Operating margin

%	Fourth quarter 2009	Fourth quarter 2008	Year 2009	Year 2008
Trucks	**(3.5)**	0.5	**(7.8)**	6.0
Construction Equipment	**(5.6)**	(11.2)	**(11.2)**	3.2
Buses	**(0.8)**	1.3	**(1.9)**	(0.4)
Volvo Penta	**0.4**	(2.0)	**(2.8)**	8.1
Volvo Aero	**(8.5)**	5.9	**0.6**	4.7
Industrial operations	**(4.1)**	**(1.6)**	**(7.8)**	**4.9**
Volvo Group	**(3.9)**	**(1.3)**	**(7.8)**	**5.2**

Overview of Industrial Operations

Trucks – losses reduced in the fourth quarter

- Sales decreased by 30% adjusted for currency
- Improving order intake
- 25% reduction of new trucks in inventory compared to the third quarter

Net sales by market area, Trucks

SEK M	Fourth quarter 2009	Fourth quarter 2008	Change, %	Year 2009	Year 2008	Change, %
Europe	**17,510**	26,516	(34)	**65,874**	111,120	(41)
North America	**5,646**	7,653	(26)	**21,563**	26,696	(19)
South America	**4,050**	4,170	(3)	**12,490**	14,732	(15)
Asia[1]	**7,360**	11,695	(37)	**26,943**	37,540	(28)
Other markets	**3,113**	4,098	(24)	**12,069**	13,554	(11)
Total	**37,678**	**54,132**	**(30)**	**138,940**	**203,642**	**(32)**

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

Net order intake per market

Number of trucks	Fourth quarter 2009	Fourth quarter 2008	Change, %	Year 2009	Year 2008	Change, %
Europe	**14,546**	(1,549)	–	39,209	46,784	(16)
North America	**4,661**	4,037	15	15,880	23,648	(33)
South America	**5,576**	1,087	413	15,589	14,100	11
Asia[1]	**10,227**	7,868	30	33,900	47,001	(28)
Other markets	**3,156**	2,235	41	12,391	17,547	(29)
Total	**38,166**	**13,678**	**179**	**116,969**	**149,080**	**(22)**

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

Stabilization in Europe and North America, recovery in South America and parts of Asia

The European truck market was characterized by weak demand in 2009. During the year, the total number of registrations in Europe 29 (EU, Norway and Switzerland) decreased by 49% to 164,000 heavy trucks (319,000).

The total market for heavy trucks (Class 8) in North America decreased by 38% during the year to 115,000 trucks compared to 185,000 trucks in the previous year.

In South America, the important Brazilian market recovered during the second half of 2009 and has also been positively impacted by subsidized financing and tax incentives. However, for the full year 2009 registrations in Brazil declined by 15% to 67,000 heavy trucks (78,600).

In India and China, market conditions improved in the second half of 2009 after a weak start of the year. During the first eleven months of 2009 the Chinese market for trucks over 14 tons increased by 9% to 580,000 trucks (533,400). In India however, registrations as of November declined by 31% to 108,300 trucks (156,100).

The Group's largest market in Asia is Japan, where the market for heavy trucks amounted to 18,700 vehicles (34,900), which was a decrease of 46%.

Order intake continues to improve

Net order intake rose by 19% during the fourth quarter of 2009 when compared with the third quarter of 2009 and by 179% compared to the fourth quarter of 2008. Most notably order intake improved in Europe and South America in the fourth quarter of 2009.

Net order intake in Europe was 14,546 trucks during the fourth quarter, which was a significant increase, compared with 8,189 orders in the third quarter and a negative order intake of 1,549 in the year-earlier period. In response to improved order intake and signs of improving demand in Europe, Volvo Trucks will recall some employees on a temporary-basis in its manufacturing operations. For 2010 the European market for heavy-duty trucks is expected to increase by about 10% compared to the 2009 level of 164,000 trucks.

Order intake in North America declined by 8% in comparison to the third quarter of 2009 however, compared to the fourth quarter of 2008 net orders increased by 15%. The North American market for heavy-duty trucks is expected to increase by some 20-30% from the 2009 level of 115,000 units.

Order intake in South America improved as a consequence of the buoyant Brazilian economy, tax incentives and subsidized financing. A large number of orders being signed at the Fenatran Trade Show in Sao Paulo.

Order intake in Asia reached 10,227 orders, which was unchanged compared with the third quarter 2009 but 30% higher than in the year-earlier period. The Japanese market for heavy-duty trucks is expected to increase by about 40% from a level of 18,700 vehicles in 2009.

Truck deliveries – increase of 38% compared to the third quarter

Compared to the third quarter, the delivery pace of the truck operations increased during the fourth quarter. However, compared to the fourth quarter of 2008 levels were low. In total, 38,168 trucks were delivered during the quarter, which was an increase of 38% compared to the third quarter of 2009, but a

36% decrease compared to 59,258 trucks in the fourth quarter of 2008. All markets experienced drops compared to last year. Compared to the seasonally weak third quarter of 2009, deliveries increased by 62% in Europe, 22% in Asia, 35% in North America and by 49% in South America.

Deliveries per market

Number of trucks	Fourth quarter 2009	Fourth quarter 2008	Change, %	Year 2009	Year 2008	Change, %
Europa	**13,517**	24,845	(46)	**49,145**	121,847	(60)
Nordamerika	**5,637**	7,635	(26)	**17,574**	30,146	(42)
Sydamerika	**4,360**	4,749	(8)	**12,587**	18,092	(30)
Asien[1]	**11,149**	16,635	(33)	**34,800**	60,725	(43)
Övriga marknader	**3,505**	5,664	(38)	**13,575**	20,341	(33)
Totalt	**38,168**	**59,528**	**(36)**	**127,681**	**251,150**	**(49)**

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

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

During the fourth quarter of 2009, the truck operation's net sales amounted to SEK 37,678 M, which was an increase of 24% compared to the third quarter but 30% lower than the fourth quarter of 2008. Adjusted for changes in exchange rates and acquired companies, net sales decreased by 30% compared to the fourth quarter of 2008.

The truck operations recorded an operating loss of SEK 1,316 M in the fourth quarter of 2009 compared with an operating loss of SEK 2,329 M in the third quarter and an operating income of SEK 257 M in the fourth quarter of 2008. The operating margin amounted to a negative 3.5%, compared with a negative 7.7% in the third quarter of 2009 and a positive 0.5% in the fourth quarter of 2008. Earnings were significantly improved compared to the third quarter of 2009 as a result of higher sales and lower costs. Compared to the fourth quarter of 2008, the operating loss was primarily an effect of significantly lower sales of new trucks. In the fourth quarter of 2009, operating income was negatively affected by write-downs on the inventory of aged trucks amounting to approximately SEK 100 M and provisions for residual value commitments amounting to approximately SEK 200 M. Operating income was also impacted by SEK 550 M in restructuring and layoff-related costs.

The efforts to reduce inventories were successful and the number of new trucks in inventory was reduced by a further 25% during the quarter and inventories are now in balance with current demand. Used truck inventories declined by 18% in the quarter.

Engines certified to new emission standards

In November 2009 Volvo Trucks and Mack Trucks were the first truck manufacturers to have their engines certified to the EPA2010 diesel emissions standards, the most stringent in the world. On November 17, Talon Logistics, Inc., USA took delivery of its first EPA2010-certified trucks from Volvo Trucks. In December, Knight Transportation ordered 370 EPA2010-compliant Volvo VN's. Volvo Trucks will begin deliveries of these trucks in April.

During the quarter, UD Trucks new engines were pre-approved according to the new Japanese emissions legislation which will take effect in September 2010.

In India, a new generation of heavy trucks was launched under the Eicher brand in January 2010.

Renault Trucks continues its light commercial vehicle cooperation with Renault with the launch of a new generation of the Renault Master, which will be launched in April 2010.

Construction Equipment – considerably reduced loss in the quarter

- Total market down 12% in the fourth quarter and 39% in 2009
- Sales down 9%, and operating losses more than halved
- Inventory now in balance with demand

Net sales by market area, Construction Equipment

SEK M	Fourth quarter 2009	Fourth quarter 2008	Change, %	Year 2009	Year 2008	Change, %
Europe	**3,379**	4,566	(26)	**12,987**	25,281	(49)
North America	**1,127**	2,058	(45)	**5,475**	10,195	(46)
South America	**915**	681	34	**2,578**	2,923	(12)
Asia	**4,127**	2,880	43	**12,957**	13,787	(6)
Other markets	**611**	1,034	(41)	**1,661**	4,091	(59)
Total	**10,159**	**11,219**	**(9)**	**35,658**	**56,277**	**(37)**

Total market development in the fourth quarter

Unit sales in %	Europe	North America	Asia	Other markets	**Totalt**
Heavy equipment	(35)	(36)	30	(45)	**(8)**
Compact equipment	0	(41)	18	(29)	**(11)**
Road machinery	(30)	(52)	0	(53)	**(42)**
Total	**(12)**	**(40)**	**24**	**(40)**	**(12)**

Decline in all major markets except China

Measured in units, the total world market for heavy, compact and road machinery equipment decreased by another 12% during the fourth quarter of 2009 compared to 2008. In Europe the total market was down 12% and North America decreased by 40%. On the other hand, Asia increased by 24%, strongly driven by China, up 82%. Other markets decreased by 40%.

For the full year 2009 the total global market for heavy equipment, compact equipment and road machinery declined by 39%. Volvo CE's sales in 2009 were down from 63,641 units to 38,783 units.

The total market conditions for 2010 are expected to remain soft in Europe and North America with a growth of 0–10% from historically very low levels. Asia is expected to grow between 10–20% with a growth in China of about 20%. Other markets are expected to grow 10–20%.

With the exception of China, Korea and Brazil, the stimulus packages for investment in infrastructure announced by several governments, has not yet had any significant positive impact on the construction equipment industry. In the very tough markets conditions Volvo CE has been able to defend the market shares in most of the markets thanks to a strong dealer network and world class products.

Sales and earnings hit by market downturn

Net sales in Construction Equipment declined by 9% to SEK 10,159 M (11,219) in the fourth quarter. Adjusted for exchange rates, net sales decreased by 6%. However, compared to the third quarter of 2009 net sales increased by 24%. The operating loss was reduced by 55% compared to the fourth quarter of 2008 and amounted to SEK 564 M (Loss SEK 1,256 M). In the third quarter of 2009, the operating loss amounted to SEK 787 M. The operating margin was negative 5.6% compared to a negative 11.2% in the fourth quarter of 2008 and a negative 9.6% in the third quarter of 2009. The decline in sales was strongly driven by the severe downturn in the global market for construction. The reduced loss was due to cost cutting activities implemented during 2009.

In order to adjust for the low demand Volvo CE continued with production cutbacks. Capacity utilization was at approximately 35% in the quarter. Operating income was also impacted by costs of SEK 100 M relating to a restructuring in North America and inventory write-downs of SEK 100 M.

The efforts to reduce dealer inventories continued to be successful and the number of units in inventory, excluding Lingong, was reduced by another 17% in the quarter. For the full year 2009 inventory was reduced by 47% and is now in balance with the present demand. The value of the order book on December 31 was 2% lower than a year earlier.

Events in quarter four

In a move to improve the competitiveness and overall industrial efficiency Volvo CE in December announced the consolidation of its North American industrial operations. As a result, the manufacturing facility in Asheville, USA will stop its activities by March 31 this year. The closing will affect 228 employees.

In order to help Volvo CE meet its objective of becoming a strong player in China, Volvo CE in December announced that it will introduce four new SDLG branded crawler excavators by the end of 2010. The new machines are to be built at the company's Lingong facilities in Linyi, China.

Buses
– good order intake for city buses

- Bus market stabilized on low level
- Product and market mix burden profitability

Bus market stabilizing on low level

The global bus market has stabilized on a low level with a positive development in South America and Asia. During 2009 the coach market fell by 35–60% depending on market, which, in spite of increased market shares, reduced Volvo Buses' sales of coaches. The city bus market did not decline as much, 0–25% depending on market. Government stimulus packages for the purchase of modern, environmentally friendly buses in Asia have held volumes up. The North American bus market is predicted to recover somewhat in 2010. In Europe a stable, low level is expected and in the rest of the world a positive development is forecasted.

Increased order intake

During the fourth quarter, order intake increased by 34% to 3,003 buses and chassis compared to 2,238 in the preceding year. Order intake improved in Mexico, South America, Europe and Asia.

During the quarter 3,272 buses were delivered (3,080), which was an increase of 6% from the preceding year. From a profitability standpoint the product and market mix continued to be unfavorable with significantly lower sales of coaches in North America and Europe and increased sales of city buses in India and China.

Net sales by market area, Buses

	Fourth quarter			Year		
SEK M	**2009**	2008	Change, %	**2009**	2008	Change, %
Europe	**2,014**	2,043	(1)	**7,707**	7,338	5
North America	**1,924**	1,742	10	**5,673**	5,367	6
South America	**566**	704	(20)	**1,235**	1,575	(22)
Asia	**967**	718	35	**2,749**	2,099	31
Other markets	**322**	382	(16)	**1,101**	971	13
Total	**5,793**	**5,589**	**4**	**18,465**	**17,350**	**6**

Operating loss in the quarter

During the fourth quarter, net sales increased by 4% to SEK 5,793M (5,589). Adjusted for currency movements, net sales increased by 6%. Compared to the third quarter of 2009, net sales increased by 45%.

The operating loss amounted to SEK 46 M compared to an operating loss of SEK 91 M in the third quarter of 2009 and an operating income of SEK 72 M in the fourth quarter of 2008. The operating margin was a negative 0.8% compared to a negative 2.3% in the third quarter of 2009 and a positive 1.3% in the fourth quarter of 2008. Profitability was negatively affected by the product and market mix and costs relating to production disturbances in Nova Bus in North America.

Continued cost cutting

The ongoing global programs to reduce costs and improve capital efficiency contributed to reducing the operating loss in the fourth quarter of 2009 compared to the third quarter of 2009. However, focus remains on lowering breakeven levels in every region to secure profitability.

In January, 2010 Norwegian Nettbuss ordered 12 Volvo 7700 hybrid buses for delivery in 2010. Nettbuss thereby became the first company in the Nordic region to implement the hybrid technology commercially.

Volvo Penta
– lower break-even level contributed to operating profit

• Low global deliveries of marine and industrial engines
• Improved order intake, order book 15% higher than previous year
• IPS for the Group's 13-liter engine launched with up to 1,200 hp

Net sales by market area, Volvo Penta

SEK M	Fourth quarter 2009	Fourth quarter 2008	Change, %	Year 2009	Year 2008	Change, %
Europe	**937**	1,263	(26)	**4,390**	6,604	(34)
North America	**284**	348	(18)	**1,100**	1,962	(44)
South America	**117**	98	19	**284**	367	(23)
Asia	**513**	539	(5)	**2,054**	2,098	(2)
Other markets	**88**	107	(18)	**331**	487	(32)
Total	**1,939**	**2,355**	**(18)**	**8,159**	**11,518**	**(29)**

Continued weak total market

Deliveries of marine and industrial engines continued to be weak globally during the last quarter of the year. In Europe, demand for marine engines has flattened out on a low level, while demand in North America increased somewhat. In Asia and the rest of the world, the total market was largely unchanged compared to the previous quarter.

Strengthened market shares

Volvo Penta has maintained or strengthened its market shares in most segments. With the extension of the IPS range, the drive system with forward-facing propellers, Volvo Penta is gradually capturing an increasing share of the market for motor boats from approximately 50 to 100 feet. A number of orders have been secured for various types of commercial vessels, which means that IPS is on the road to a breakthrough also in commercial shipping. The total volume in the order book was 15% higher on December 31 compared to the same date the preceding year.

Downsizing contributes to profit

During the fourth quarter Volvo Penta's net sales decreased by 18% to SEK 1,939 (2,355). Adjusted for currency fluctuations, net sales decreased by 14%. Sales were distributed between the business segments as follows: Marine SEK 1,223 M (1,487) and Industrial SEK 716 M (867). Compared to the third quarter of 2009 net sales were unchanged.

The operating income for the fourth quarter amounted to SEK 7 M, compared to an operating income of SEK 25 M in the third quarter of 2009 and a loss of SEK 46 M in the fourth quarter of 2008. Operating income was negatively affected by lower sales volumes, whereas the effects from downsizing measures contributed to the operating profit. The operating margin was 0.4% compared to 1.3% in the third quarter of 2009 and a negative 2.0% in the fourth quarter of 2008.

Product launches

In conjunction with this winter's boat shows Volvo Penta launches the third version of the successful IPS system. With new and larger drive units, the IPS system can now be fitted with the Group's 13-liter engine, D13, which translates to two, new power classes of 1,050 and 1,200 hp. With multiple installations of these systems, Volvo Penta can penetrate the market for boats all the way up to the +100 feet segment. Orders for the new IPS versions have already been received for both leisure and commercial boats.

Volvo Aero
– sales impacted by the downturn

- Air traffic starting to recover
- Decreasing sales of new spare parts
- Boeing Dreamliner maiden flight

Air traffic recovery

The recovery in air traffic continued in the fourth quarter of 2009. International passenger traffic was down 4.2% in the first eleven months of the year, but increased by 2.1% in November. Cargo traffic increased by 9.5% in November, a strong improvement compared to the previous months.

According to IATA, airline industry financial results began to show signs of improvement in the third quarter of 2009. IATA reports that financial results for almost 100 major airlines showed a small profit and an improvement over the third quarter of 2008. However, IATA still expects net losses of USD 11 billion in 2009.

Airbus and Boeing announced 573 gross orders in 2009 and reported 160 cancellations. The backlog for large commercial aircraft decreased from 6,915 aircraft at the end of the third quarter to 6,863 at the end of the year. The aircraft manufacturers delivered 979 aircraft, which is 14% higher compared to 2008.

Net sales by market area, Volvo Aero

	Fourth quarter			Year		
SEK M	**2009**	2008	Change, %	**2009**	2008	Change, %
Europe	**1,022**	1,083	(6)	**3,942**	3,580	10
North America	**890**	1,184	(25)	**3,508**	3,618	(3)
South America	**8**	17	(53)	**34**	59	(42)
Asia	**40**	59	(32)	**205**	240	(15)
Other markets	**18**	55	(67)	**114**	128	(11)
Total	**1,978**	**2,398**	**(18)**	**7,803**	**7,625**	**2**

Sales and earnings affected by the downturn

Sales during the fourth quarter decreased by 18% to SEK 1,978 M (2,398), mainly due to currency effects and lower sales within a number of engine programs. Adjusted for currency fluctuations, sales decreased by 13%. Compared to the third quarter of 2009 net sales increased by 12%. The important production and sales of new spare parts decreased with 26% during the quarter.

The operating loss amounted to SEK 169 M compared to an operating income of SEK 108 M in the third quarter of 2009 and an income SEK 141 M in the fourth quarter of 2008. The operating loss is mainly due to a sharp decline in sales in the aftermarket business. Operating margin was a negative 8.5% compared to 6,1% in the third quarter of 2009 and 5.9% in the fourth quarter of 2008.

Maiden flight for Boeing 787

On December 15, the first flight of the new Boeing 787 aircraft took place. Boeing has more than 850 firm orders for the 787. There are two engine options and Volvo Aero is involved in both. One is the Rolls-Royce Trent 1000, where Volvo Aero manufactures the largest component, the fan case.

The other engine option is the General Electric GEnx. Volvo Aero is a revenue sharing partner in the GEnx, responsible for designing, manufacturing and providing product support for three vital components and manufacturing a further three components. The GEnx will also power the Boeing 747-8 aircraft.

Income statements Volvo Group

Fourth quarter	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Net sales	**57,441**	**75,564**	**2,815**	**2,982**	**(458)**	**(554)**	**59,798**	**77,992**
Cost of sales	**(48,314)**	(63,481)	**(1,925)**	(2,090)	**458**	554	**(49,781)**	(65,017)
Gross income	**9,127**	**12,083**	**890**	**892**	**0**	**0**	**10,017**	**12,976**
Research and development expenses	**(3,366)**	(4,251)	**0**	0	**0**	0	**(3,366)**	(4,251)
Selling expenses	**(5,704)**	(7,060)	**(382)**	(416)	**0**	0	**(6,086)**	(7,476)
Administrative expenses	**(1,372)**	(1,530)	**(6)**	(2)	**0**	0	**(1,377)**	(1,532)
Other operating income and expenses	**(1,011)**	(493)	**(489)**	(237)	**0**	0	**(1,501)**	(732)
Income from investments in associated companies	**16**	11	**0**	1	**0**	0	**16**	12
Income from other investments	**(21)**	3	**1**	0	**0**	0	**(20)**	3
Operating income	**(2,331)**	**(1,237)**	**15**	**238**	**0**	**0**	**(2,316)**	**(999)**
Interest income and similar credits	**114**	392	**0**	0	**(19)**	(26)	**95**	367
Interest expenses and similar charges	**(904)**	(784)	**0**	0	**19**	26	**(886)**	(758)
Other financial income and expenses	**225**	(1,120)	**0**	0	**0**	0	**225**	(1,120)
Income after financial items	**(2,896)**	**(2,750)**	**15**	**238**	**0**	**0**	**(2,881)**	**(2,510)**
Income taxes	**890**	1,133	**7**	30	**0**	0	**897**	1,162
Income for the period*	**(2,006)**	**(1,617)**	**22**	**268**	**0**	**0**	**(1,985)**	**(1,348)**

* Attributable to:		
Equity holders of the parent company	**(1,998)**	(1,361)
Minority interests	**13**	13
	(1,985)	**(1,348)**
Basic earnings per share, SEK	**(0.99)**	(0.67)
Diluted earnings per share, SEK	**(0.99)**	(0.67)

Other comprehensive income		
Income for the period	**(1,985)**	(1,348)
Exchange differences on translation of foreign operations	**1,416**	5,571
Exchange differences on hedge instruments of net investment in foreign operations	**(44)**	(330)
Accumulated translation difference reversed to income	**0**	(108)
Available for sale investments	**(3)**	(135)
Cash flow hedges	**32**	(1,227)
Other comprehensive income, net of income taxes	**1,401**	3,771
Total comprehensive income for the period*	**(584)**	**2,423**
* Attributable to		
Equity holders of the parent company	**(588)**	2,400
Minority interests	**4**	23
	(584)	2,423

Income statements Volvo Group

Year	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Net sales	**208,487**	**295,836**	**11,712**	**11,073**	**(1,838)**	**(2,268)**	**218,361**	**304,642**
Cost of sales	**(179,578)**	(233,514)	**(8,427)**	(7,683)	**1,838**	2,268	**(186,167)**	(238,928)
Gross income	**28,909**	**62,322**	**3,285**	**3,390**	**0**	**0**	**32,194**	**65,713**
Research and development expenses	**(13,193)**	(14,348)	**0**	0	**0**	0	**(13,193)**	(14,348)
Selling expenses	**(23,752)**	(25,597)	**(1,582)**	(1,532)	**0**	0	**(25,334)**	(27,129)
Administrative expenses	**(5,838)**	(6,921)	**(25)**	(19)	**0**	0	**(5,863)**	(6,940)
Other operating income and expenses	**(2,432)**	(1,094)	**(2,365)**	(444)	**0**	0	**(4,798)**	(1,539)
Income from investments in associated companies	**(15)**	23	**1**	2	**0**	0	**(14)**	25
Income from other investments	**(13)**	69	**7**	0	**0**	0	**(6)**	69
Operating income	**(16,333)**	**14,454**	**(680)**	**1,397**	**0**	**0**	**(17,013)**	**15,851**
Interest income and similar credits	**477**	1,297	**0**	0	**(87)**	(126)	**390**	1 171
Interest expenses and similar charges	**(3,645)**	(2,061)	**0**	0	**87**	126	**(3,559)**	(1,935)
Other financial income and expenses	**(392)**	(1,077)	**0**	0	**0**	0	**(392)**	(1,077)
Income after financial items	**(19,893)**	**12,612**	**(680)**	**1,397**	**0**	**0**	**(20,573)**	**14,010**
Income taxes	**5,775**	(3,638)	**114**	(356)	**0**	0	**5,889**	(3,994)
Income for the period*	**(14,118)**	**8,974**	**(566)**	**1,041**	**0**	**0**	**(14,685)**	**10,016**
* Attributable to:								
Equity holders of the parent company							**(14,718)**	9,942
Minority interests							**33**	74
							(14,685)	**10,016**
Basic earnings per share, SEK							**(7.26)**	4.90
Diluted earnings per share, SEK							**(7.26)**	4.90

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

Balance Sheets Volvo Group

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

Cash flow statement

Fourth quarter	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK bn	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Operating activities								
Operating income	**(2.3)**	(1.2)	**0.0**	0.2	**0.0**	0.0	**(2.3)**	(1.0)
Depreciation and amortization	**2.9**	3.2	**0.6**	0.6	**0.0**	(0.4)	**3.5**	3.4
Other non-cash items	**0.8**	0.1	**0.4**	0.2	**0.1**	0.0	**1.3**	0.3
Change in working capital	**11.7**	5.1	**1.0**	(4.0)	**0.3**	(0.2)	**13.0**	0.9
Financial items and income taxes paid	**(1.6)**	(1.2)	**0.2**	0.0	**(0.1)**	0.1	**(1.5)**	(1.1)
Cash flow from operating activities	**11.5**	**6.0**	**2.2**	**(3.0)**	**0.3**	**(0.5)**	**14.0**	**2.5**
Investing activities								
Investments in fixed assets	**(3.0)**	(4.3)	**0.0**	0.0	**(0.2)**	(0.1)	**(3.2)**	(4.4)
Investment in leasing vehicles	**(0.1)**	(0.1)	**(1.1)**	(1.9)	**0.1**	0.2	**(1.1)**	(1.8)
Disposals of fixed assets and leasing vehicles	**0.2**	0.2	**0.8**	0.8	**0.0**	0.0	**1.0**	1.0
Operating cash flow	**8.6**	**1.8**	**1.9**	**(4.1)**	**0.2**	**(0.4)**	**10.7**	**(2.7)**
Investments and divestments of shares, net							**0.0**	0.0
Acquired and divested operations, net							**0.1**	(0.2)
Interest-bearing receivables incl marketable securites							**(1.9)**	6.8
Cash-flow after net investments							**8.9**	**3.9**
Financing activities								
Change in loans, net							**(6.8)**	0.2
Dividend to AB Volvo shareholders							**0.0**	0.0
Dividend to minority shareholders							**0.0**	0.0
Other							**(0.1)**	0.1
Change in cash and cash equivalents excl. translation differences							**2.0**	**4.2**
Translation difference on cash and cash equivalents							**0.3**	0.9
Change in cash and cash equivalents							**2.3**	**5.1**

Cash flow statement

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

Net financial position

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

Changes in net financial position, Industrial operations

SEK bn	Fourth quarter 2009	Year 2009
Beginning of period	**(50.4)**	**(29.8)**
Cash flow from operating activities	**11.5**	(1.6)
Investments in fixed assets	**(3.1)**	(10.5)
Disposals	**0.2**	0.7
Operating cash-flow	**8.6**	**(11.4)**
Investments and divestments of shares, net	**0.0**	0.0
Acquired and divested operations, net	**0.0**	0.2
Capital injections to/from Customer Finance operations	**0.6**	0.4
Currency effect	**(0.4)**	3.0
Dividend paid to AB Volvo shareholders	**0.0**	(4.1)
Revaluation of loans	**0.0**	0.9
Provision for UAW agreement	**0.0**	(0.9)
Other changes	**0.1**	0.2
Total change	**8.9**	**(11.7)**
Net financial position at end of period	**(41.5)**	**(41.5)**

Changes in shareholders' equity

	Year	
SEK bn	**2009**	2008
Total equity at beginning of period	**84.6**	**82.8**
Shareholders' equity attributable to equity holders of the parent company at beginning of period	**84.0**	**82.2**
Income for the period	**(14.7)**	9.9
Other comprehensive income	**1.2**	3.1
Total comprehensive income	**(13.5)**	**13.0**
Dividend to AB Volvo's shareholders	**(4.1)**	(11.1)
Share-based payments	**0.0**	0.1
Other changes	**0.0**	(0.2)
Shareholders' equity attributable to equity holders of the parent company at end of period	**66.4**	**84.0**
Minority interests at beginning of period	**0.6**	0.6
Income for the period	**0.0**	0.1
Other comprehensive income	**0.0**	0.0
Total comprehensive income	**0.0**	**0.1**
Cash dividend	**0.0**	(0.1)
Minority regarding new acquisitions	**0.0**	0.1
Other changes	**0.0**	(0.1)
Minority interests at end of period	**0.6**	**0.6**
Total equity at end of period	**67.0**	**84.6**

Key ratios

Industrial operations

	Year 2009	2008
Gross margin, %	**13.9**	21.1
Research and development expenses in % of net sales	**6.3**	4.8
Selling expenses in % of net sales	**11.4**	8.7
Administrative expenses in % of net sales	**2.8**	2.3
Operating margin, %	**(7.8)**	4.9

	Dec 31 2009	Dec 31 2008
Return on operating capital, %, 12 months rolling values	**(15.6)**	16.3
Net financial position at end of period, SEK billion	**(41.5)**	(29.8)
Net financial position in % of shareholders' equity at end of period	**(70.9)**	(39.7)
Shareholders' equity as percentage of total assets, end of period	**23.8**	28.4

Customer finance

	Dec 31 2009	Dec 31 2008
Return on shareholders' equity, %, 12 months rolling values	**(6.2)**	12.6
Equity ratio at end of period, %	**8.7**	8.2
Asset growth, % from preceding year end until end of period	**(16.0)**	24.2

Volvo Group

	Year 2009	2008
Gross margin, %	**14.7**	21.6
Research and development expenses in % of net sales	**6.0**	4.7
Selling expenses in % of net sales	**11.6**	8.9
Administrative expenses in % of net sales	**2.7**	2.3
Operating margin, %	**(7.8)**	5.2

	Dec 31 2009	Dec 31 2008
Basic earnings per share, SEK, 12 months rolling values	**(7.26)**	4.90
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	**32.8**	41.4
Return on shareholders' equity, %, 12 months rolling values	**(19.7)**	12.1
Shareholders' equity as percentage of total assets, end of period	**20.2**	22.7

Share data

	Year 2009	2008
Basic earnings per share, SEK	**(7.26)**	4.90
Diluted earnings per share, SEK	**(7.26)**	4.90
Number of shares outstanding, million	**2,027**	2,027
Average number of shares during period, million	**2,027**	2,027
Average diluted number of shares during period, million	**2,027**	2,027
Number of company shares, held by AB Volvo, million	**101**	101
Average number of company shares, held by AB Volvo, million	**101**	101

Quarterly figures

SEK M unless otherwise stated

Industrial operations	4/2008	1/2009	2/2009	3/2009	**4/2009**
Net sales	**75,564**	**53,448**	**51,512**	46,086	**57,441**
Cost of sales	(63,481)	(45,428)	(46, 519)	(39,317)	**(48,314)**
Gross income	**12,083**	**8,020**	**4,993**	**6,769**	**9,127**
Research and development expenses	(4,251)	(3,463)	(3,403)	(2,961)	**(3,366)**
Selling expenses	(7,060)	(6,423)	(6,074)	(5,551)	**(5,704)**
Administrative expenses	(1,530)	(1,727)	(1,554)	(1,185)	**(1,372)**
Other operating income and expenses	(493)	(527)	(551)	(343)	**(1,011)**
Income from investments in associated companies	11	(15)	(4)	(12)	**16**
Income from other investments	3	3	5	0	**(21)**
Operating income Industrial operations	**(1,237)**	**(4,132)**	**(6,587)**	**(3,283)**	**(2,331)**
Customer Finance					
Finance and lease income	2,982	3,156	2,959	2,781	**2 815**
Finance and lease expenses	(2,090)	(2,349)	(2,172)	(1,981)	**(1,925)**
Gross income	**892**	**807**	**787**	**800**	**890**
Selling and administrative expenses	(418)	(423)	(410)	(388)	**(388)**
Credit provision expenses	(239)	(780)	(663)	(418)	**(466)**
Other operating income and expenses	3	0	(11)	3	**(22)**
Operating income Customer Finance	**238**	**(396)**	**(296)**	**(3)**	**15**
Volvo Group					
Operating income	**(999)**	**(4,528)**	**(6,883)**	**(3,286)**	**(2,316)**
Interest income and similar credits	367	120	77	98	**95**
Interest expense and similar credits	(758)	(808)	(879)	(986)	**(886)**
Other financial income and costs	(1,120)	(627)	(36)	46	**225**
Income after financial items	**(2,510)**	**(5,843)**	**(7,721)**	**(4,129)**	**(2,881)**
Income taxes	1,162	1,620	2 158	1,214	**897**
Income for the period*	**(1,348)**	**(4,223)**	**(5,564)**	**(2,913)**	**(1,985)**
* Attributable to					
Equity holders of AB Volvo	(1,361)	(4,228)	(5,574)	**(2,918)**	**(1,998)**
Minority interests	13	5	10	5	**13**
	(1,348)	**(4,223)**	**(5,564)**	**(2,913)**	**(1,985)**

Share data					
Share data	(0.67)	(2.09)	(2.75)	(1.44)	**(0.99)**
Earnings per share, SEK 1)	2,027	2,027	2,027	2,027	**2,027**
Number of shares outstanding, million	2,027	2,027	2,027	2,027	**2,027**
Average number of shares during period, million	101	101	101	101	**101**

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

Depreciation and amortization included above					
Product and software development, amortization	797	823	803	753	**745**
Other intangible assets, amortization	127	127	118	110	**109**
Property, plant and equipment, depreciation	2,596	3,082	3,040	2,821	**2,696**
Total	**3,520**	**4,032**	**3,961**	**3,684**	**3,550**
Of which					
Industrial operations	2,949	3,239	3,226	3,025	**2,892**
Customer Finance	571	793	735	659	**658**
Total	**3,520**	**4,032**	**3,961**	**3,684**	**3,550**

Key operating ratios, Industrial operations					
Gross margin, %	16.0	15.0	9.7	14.7	**15.9**
Research and development expenses in % of net sales	5.6	6.5	6.6	6.4	**5.9**
Selling expenses in % of net sales	9.3	12.0	11.8	12.0	**9.9**
Administrative expenses in % of net sales	2.0	3.2	3.0	2.6	**2.4**
Operating margin , %	(1.6)	(7.7)	(12.8)	(7.1)	**(4.1)**

Quarterly figures

Net sales

SEK M	4/2008	1/2009	2/2009	3/2009	**4/2009**
Trucks	54,132	37,384	33,527	30,351	**37,678**
Construction Equipment	11,219	8,172	9,151	8,176	**10,159**
Buses	5,589	4,006	4,676	3,990	**5,793**
Volvo Penta	2,355	2,037	2,258	1,925	**1,939**
Volvo Aero	2,398	2,030	2,034	1,761	**1,978**
Eliminations and other	(129)	(182)	(134)	(117)	**(105)**
Industrial operations	**75,564**	**53,448**	**51,512**	**46,086**	**57,441**
Customer Finance	2,982	3,156	2,960	2,781	**2,815**
Eliminations	(554)	(483)	(513)	(384)	**(458)**
Volvo Group	**77,992**	**56,121**	**53,959**	**48,483**	**59,798**

Operating income

SEK M	4/2008	1/2009	2/2009	3/2009	**4/2009**
Trucks	257	(2,382)	(4,778)	(2,329)	**(1,316)**
Construction Equipment	(1,256)	(1,395)	(1,259)	(787)	**(564)**
Buses	72	(95)	(118)	(91)	**(46)**
Volvo Penta	(46)	(97)	(165)	25	**7**
Volvo Aero	141	83	28	108	**(169)**
Group headquarter functions and other	(405)	(247)	(293)	(210)	**(244)**
Industrial operations	**(1,237)**	**(4,132)**	**(6,587)**	**(3,283)**	**(2,331)**
Customer Finance	238	(396)	(296)	(3)	**15**
Volvo Group	**(999)**	**(4,528)**	**(6,883)**	**(3,286)**	**(2,316)**

Operating margin

%	4/2008	1/2009	2/2009	3/2009	**4/2009**
Trucks	0.5	(6.4)	(14.3)	(7.7)	**(3.5)**
Construction Equipment	(11.2)	(17.1)	(13.8)	(9.6)	**(5.6)**
Buses	1.3	(2.4)	(2.5)	(2.3)	**(0.8)**
Volvo Penta	(2.0)	(4.8)	(7.3)	1.3	**0.4**
Volvo Aero	5.9	4.1	1.4	6.1	**(8.5)**
Industrial operations	**(1.6)**	**(7.7)**	**(12.8)**	**(7.1)**	**(4.1)**
Volvo Group	**(1.3)**	**(8.1)**	**(12.8)**	**(6.8)**	**(3.9)**

Accounting principles

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

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

New accounting principles in 2009

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

IFRS 8 Operating segments

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

IAS 23 amendment Borrowing costs

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

IAS 1 amendment Presentation of financial statements

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

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

Operating income before depreciation and amortization (EBITDA)

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

Clarification of the connection between net debt and the balance sheet

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

Hedging of commercial currency exposure

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

Volvo has revised its hedging policy from the fourth quarter 2009 in order to only hedge firm flows going forward, whereof the major part are realised within 6 months. From the fourth quarter 2009, hedge accounting is not applied for new contracts. However, for the major part of the earlier initiated contracts hedge accounting is continuously applied until expiration of these contracts. For the remaining part of earlier initiated contracts the hedge reserve is frozen. As hedge accounting is not applied, unrealised gains and losses from fluctuations in the fair values of the contracts are reported in the income statement in the segment Group headquarter functions and other. This has negatively affected the Group's operating income by SEK 27 M during the fourth quarter. When the contracts have been realised the income effect is reported within the respective segments.

Assets held for sale in segment reporting

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

Reclassification of funding obligation

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

Depreciation period in aircraft engine projects

In connection with its participation in aircraft engine projects with other companies, Volvo Aero in certain cases pays an entrance fee, which is capitalized as an intangible asset. Volvo estimates the expected useful life for existing and future projects to be 30 years and therefore the depreciation period has been adjusted from today's 20 to 30 years as from 2010. Volvo estimates the effect during 2010 to be insignificant.

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

Risks and uncertainties

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

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

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

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

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

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

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

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

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

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities at December 31, 2009, amounted to SEK 9.6 billion, an increase of SEK 0.2 billion compared to December 31, 2008. Included in the total is a contingent liability of SEK 0.5 billion pertaining to a claim on Volvo Powertrain to pay penalties following a demand by the US Environmental Protection Agency (EPA). The demand is a consequence of dissenting opinions on whether an agreement between EPA and Volvo Powertrain regarding lower emitting engines also should include engines sold by Volvo Penta.

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

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

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

Corporate acquisitions and divestments

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

During the second quarter 2009, assets of SEK 3,140 M and liabilities of SEK 874 M were reclassified to assets and liabilities held for sale. In connection to the reclassification, Volvo wrote down assets by SEK 298 M to the corresponding estimated fair value less costs to sell. In connection with the divestiture of operations and real estates during the fourth quarter, a write-down of SEK 147 M was transferred to the segment Trucks from the segment Group headquarter functions and other. The divestments did not lead to any material adjustment of previous write-downs. During the fourth quarter, assets held for sale has been written down by SEK 217 M. Depending on the progress with the sale process, changes in the business environment, access to liquidity, market outlook etc, the fair value of remaining assets held for sale may change in the forthcoming periods or when the transactions are finalized. At the end of the fourth quarter assets and liabilities held for sale amount to SEK 1.692 M and SEK 272 M respectively. Reclassified assets and liabilities are pertaining to smaller operations and real estates.

Parent Company

Income statements

SEK M	Fourth quarter 2009	Fourth quarter 2008	Year 2009	Year 2008
Net sales[1]	**140**	**167**	**698**	**790**
Cost of sales[1]	**(140)**	(167)	**(698)**	(790)
Gross income	**0**	**0**	**0**	**0**
Operating expenses[1]	**(168)**	(82)	**(498)**	(650)
Income from investments in Group companies	**(13,402)**	14,608	**(6,584)**	15,494
Income from investments in associated companies	**(26)**	(16)	**4**	(59)
Income from other investments	**-**	–	**2**	30
Operating income	**(13,544)**	**14,510**	**(7,076)**	**14,815**
Interest income and expenses	**(159)**	(169)	**(392)**	(843)
Other financial income and expenses	**(14)**	35	**(8)**	97
Income after financial items	**(13,717)**	**14,376**	**(7,476)**	**14,069**
Allocations	**700**	2,530	**700**	2,530
Income taxes	**3,618**	(676)	**4,537**	226
Income from the period	**(9,399)**	**16,230**	**(2,239)**	**16,825**

1 Of net sales in the fourth quarter, SEK 112 M (149) pertained to Group companies, while purchases from Group companies amounted to SEK 89 M (114).

Balance sheets

SEK M		**Dec 31 2009**		Dec 31 2009
Assets				
Non-current assets				
Intangible assets		**96**		110
Tangible assets		**16**		16
Finanacial assets				
Share and participations in Group companies	**57,062**		46,122	
Other shares and participations	**2,363**		2,280	
Other long-term receivables	**4,712**	**64,137**	245	48,647
Total non-current assets		**64,249**		**48,773**
Current assets				
Short-term receivables from Group companies		**4,707**		9,561
Other short-term receivables		**247**		586
Cash and bank accounts		**0**		0
Total current assets		**4,954**		**10,147**
Total assets		**69,203**		**58,920**
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity	**9,891**		9,891	
Unrestricted equity	**21,462**	**31,353**	27,678	37,569
Untaxed reserves		**4**		704
Provisions		**136**		178
Non-current liabilities				
Liabilities to Group companies		**7**		7
Current liabilities[1]		**37,703**		20,462
Total shareholders' equity and liabilities		**69,203**		**58,920**

1 Of which SEK 37,370 M (20,166) pertains to Group companies.

Income from investments in Group companies for the fourth quarter includes dividends amounting to SEK 662 M (13,992) and transfer price adjustments and Group contributions, net, of SEK –14,064 M (615).

In 2009 shareholders´ contributions were made to Volvo Treasury AB, SEK 10,000 M, Volvo Information Technology AB, SEK 500 M and Volvo China Investment Co Ltd, SEK 355 M.

In 2009 revaluation of the ownership in the listed company Deutz AG has increased the value by SEK 74 M, recognized in equity.

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

Financial net debt amounted to SEK 18,922 M at the end of the year (11,510).

Events after the balance sheet date

In January an extensive devaluation was made in Venezuela. Volvo has assets in Venezuela and exchange rate losses will affect the Group results within the range of MUSD 20 – 55 during the first quarter of 2010 as a consequence of the devaluation. The major part will be recognized in the Finance net.

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

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

Dividend and incentive program

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

Even though the most serious effects of the financial crisis are behind us and some improvement can be seen, the situation is still unique in historical terms. The Board of Directors has therefore decided not to propose any long-term incentive program (LTI) for the Group's senior executives for 2010 to the Annual General Meeting (AGM). The Board will propose a new and potentially revised program for the AGM 2011 to decide upon. The LTI for the Group's senior executives did not result in any allotment for 2009.

Göteborg February 5, 2010

AB Volvo (publ)

The Board of Directors

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

Deliveries

Delivered trucks

	Fourth quarter			Year		
	2009	2008	Change in %	**2009**	2008	Change in %
Trucks						
Europe	**13,517**	24,845	(46)	**49,145**	121,847	(60)
Western Europe	**11,651**	20,929	(44)	**43,919**	95,969	(54)
Eastern Europe	**1,866**	3,916	(52)	**5,226**	25,878	(80)
North America	**5,637**	7,635	(26)	**17,574**	30,146	(42)
South America	**4,360**	4,749	(8)	**12,587**	18,092	(30)
Asia	**11,149**	16,635	(33)	**34,800**	60,725	(43)
Middle East	**1,534**	6,669	(77)	**5,582**	18,700	(70)
Other Asia	**9,615**	9,966	(4)	**29,218**	42,025	(30)
Other markets	**3,505**	5,664	(38)	**13,575**	20,341	(33)
Total Trucks	**38,168**	**59,528**	**(36)**	**127,681**	**251,150**	**(49)**
Mack Trucks						
Europe	**-**	–	–	**0**	8	(100)
Western Europe	**-**	–	–	**-**	–	–
Eastern Europe	**-**	–	–	**0**	8	(100)
North America	**2,626**	3,032	(13)	**8,235**	12,157	(32)
South America	**330**	624	(47)	**1,219**	3,097	(61)
Asia	**56**	138	(59)	**505**	200	153
Middle East	**56**	126	(56)	**505**	179	182
Other Asia	**0**	12	(100)	**0**	21	(100)
Other markets	**216**	351	(38)	**1,142**	1,151	(1)
Total Mack Trucks	**3,228**	**4,145**	**(22)**	**11,101**	**16,613**	**(33)**
Renault Trucks						
Europe	**8,051**	11,646	(31)	**29,396**	63,643	(54)
Western Europe	**7,401**	10,659	(31)	**27,364**	54,944	(50)
Eastern Europe	**650**	987	(34)	**2,032**	8,699	(77)
North America	**69**	135	(49)	**458**	494	(7)
South America	**223**	259	(14)	**574**	1,172	(51)
Asia	**559**	1,579	(65)	**1,794**	5,252	(66)
Middle East	**532**	1,453	(63)	**1,606**	4,862	(67)
Other Asia	**27**	126	(79)	**188**	390	(52)
Other markets	**1,542**	1,752	(12)	**5,263**	5,918	(11)
Total Renault Trucks	**10,444**	**15,371**	**(32)**	**37,485**	**76,479**	**(51)**
Volvo Trucks						
Europe	**5,468**	13,197	(59)	**19,749**	58,187	(66)
Western Europe	**4,250**	10,270	(59)	**16,555**	41,025	(60)
Eastern Europe	**1,218**	2,927	(58)	**3,194**	17,162	(81)
North America	**2,757**	4,227	(35)	**8,028**	15,887	(49)
South America	**3,688**	3,650	1	**10,349**	12,890	(20)
Asia	**1,685**	5,125	(67)	**5,573**	13,440	(59)
Middle East	**599**	4,028	(85)	**2,616**	8,923	(71)
Other Asia	**1,086**	1,097	(1)	**2,957**	4,517	(35)
Other markets	**797**	1,836	(57)	**3,712**	5,548	(33)
Total Volvo Trucks	**14,395**	**28,035**	**(49)**	**47,411**	**105,952**	**(55)**

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 5, 2010.

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.

	Fourth quarter			Year		
	2009	2008	Change in %	**2009**	2008	Change in %
UD Trucks						
Europe	**(2)**	2	–	**0**	9	(100)
Western Europe	**0**	0	–	**0**	0	–
Eastern Europe	**(2)**	2	–	**0**	9	(100)
North America	**185**	241	(23)	**853**	1,608	(47)
South America	**119**	216	(45)	**445**	933	(52)
Asia	**5,630**	8,609	(35)	**16,753**	39,089	(57)
Middle East	**347**	1,062	(67)	**855**	4,736	(82)
Other Asia	**5,283**	7,547	(30)	**15,898**	34,353	(54)
Other markets	**950**	1,725	(45)	**3,458**	7,724	(55)
Total UD Trucks	**6,882**	**10,793**	**(36)**	**21,509**	**49,363**	**(56)**

Eicher[1]						
Europe	**–**	–	–	**–**	–	–
Western Europe	**–**	–	–	**–**	–	–
Eastern Europe	**–**	–	–	**–**	–	–
North America	**–**	–	–	**–**	–	–
South America	**–**	–	–	**–**	–	–
Asia	**3,220**	1,184	172	**10,175**	2,744	271
Middle East	**0**	0	–	**0**	0	–
Other Asia	**3,220**	1,184	172	**10,175**	2,744	271
Other markets	**0**	0	–	**0**	0	–
Total Eicher	**3,220**	**1,184**	**172**	**10,175**	**2,744**	**271**

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			Year		
	2009	2008	Change in %	**2009**	2008	Change in %
Buses						
Europe	**800**	854	(6)	**3,164**	3,313	(4)
Western Europe	**784**	786	0	**2,896**	3,140	(8)
Eastern Europe	**16**	68	(76)	**268**	173	55
North America	**575**	605	(5)	**1,539**	1,884	(18)
South America	**328**	394	(17)	**690**	995	(31)
Asia	**1,383**	920	50	**3,839**	3,033	27
Other markets	**186**	307	(39)	**625**	712	(12)
Total Buses	**3,272**	**3,080**	**6**	**9,857**	**9,937**	**(1)**

Publication dates

Report for the first three months 2010	April 23, 2010
Report for the first six months 2010	July 22, 2010
Report for the first nine months 2010	October 22, 2010

The annual and quarterly reports are also published on www.volvogroup.com

Annual Report

AB Volvo's annual report on 2009 will be published the third week of March 2010 and will be available on www.volvogroup.com.

Annual General Meeting

AB Volvo's annual general meeting will be held on April 14, 2010 in Göteborg, Sweden.

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