

# Volvo Group

## Report on the fourth quarter and full-year 2010

In the fourth quarter, net sales increased by 23% to SEK 73.4 billion (59.8). Adjusted for currency movements, sales increased by 29%. For the full year, net sales increased by 21% to SEK 264.7 billion (218.4). Adjusted for currency movements, sales increased by 26%.

The fourth quarter operating income amounted to SEK 5,518 M (Loss SEK 2,316 M). Operating margin in the fourth quarter was 7.5% (Negative 3.9%). The full-year operating income amounted to SEK 18.0 billion (Loss SEK 17.0 billion).

In the fourth quarter, basic and diluted earnings per share amounted to SEK 1.59 (Negative SEK 0.99). Full-year earnings per share amounted to SEK 5.36 (Negative SEK 7.26).

In the fourth quarter, operating cash flow in the Industrial Operations was positive in an amount of SEK 15.1 billion (8.6).

During the quarter, net debt in the Industrial Operations was reduced by SEK 13.7 billion and amounted to 37.4% of shareholders' equity at year end.

The Board of Directors proposes an ordinary dividend of SEK 2.50 per share (0).



	Fourth quarter		Year	
	2010	2009	2010	2009
Net sales Volvo Group, SEK M	<b>73,398</b>	59,798	<b>264,749</b>	218,361
Operating income (loss) Volvo Group, SEK M	<b>5,518</b>	(2,316)	<b>18,000</b>	(17,013)
Operating income (loss)				
Industrial operations, SEK M	<b>5,420</b>	(2,331)	<b>17,834</b>	(16,333)
Operating income (loss)				
Customer Finance, SEK M	<b>98</b>	15	<b>167</b>	(680)
Operating margin Volvo Group, %	<b>7.5</b>	(3.9)	<b>6.8</b>	(7.8)
Income after financial items, SEK M	<b>4,494</b>	(2,881)	<b>15,514</b>	(20,573)
Income for the period, SEK M	<b>3,415</b>	(1,985)	<b>11,212</b>	(14,685)
Diluted earnings per share, SEK	<b>1.59</b>	(0.99)	<b>5.36</b>	(7.26)
Return on shareholders' equity and rolling 12 months,%			<b>16.0</b>	(19.7)

**VOLVO**

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## CEO's comments

### - strong fourth-quarter cash flow

During the fourth quarter of 2010, the Volvo Group continued to grow at a good pace with higher sales in all regions, improved profitability and a very strong cash flow. Year-on-year sales were up 23% to SEK 73.4 billion. Operating income improved to SEK 5.5 billion and the operating cash flow from Industrial operations amounted to SEK 15.1 billion. As a result of improved profitability and strong cash flow, net debt in the Industrial operations is now down to 37% of shareholders' equity, which is in accordance with our objective.

We ended 2010 strongly. The gradual improvement in Europe continues and North America is now definitely recovering, at the same time as the emerging economies in countries such as Brazil, China and India continue their strong growth. However, the trend in Japan remains weak.

The fourth-quarter operating income of SEK 5.5 billion is a considerable improvement compared with the loss of SEK 2.3 billion in 2009. The improvement in income is naturally attributable to us selling an increasing number of products and services, but it is also a result of a conscious effort to maintain our costs on a low level.

For the full-year, the Volvo Group's operating income totaled SEK 18.0 billion and the return on equity was 16%. As a consequence SEK 350 M has been provisioned for profit-sharing to our employees in a year that was marked by hard work and a high level of activity throughout the Group. The past two years have required rapid adaptations that we never would have managed without the extraordinary efforts of our employees.

For the full-year, Industrial operations generated an operating cash flow of SEK 19 billion. During the year, we successfully grew

sales in the Industrial operations by SEK 49 billion, while reducing working capital by SEK 4.6 billion.

Based on the much improved profitability and a significantly reduced debt level, the Board proposes to resume dividends with a pay-out of SEK 2.50 per share for the financial year of 2010.

#### Improved demand for trucks

The improvement in demand is clearly visible in our truck operations, where fourth-quarter order intake rose 63% compared with the preceding year at the same time as deliveries were up 49%. Net sales increased to SEK 48 billion and operating income improved to SEK 3.5 billion.

The favorable trend in order intake has led to a gradually increased manufacturing rate in most of our plants. During the quarter, this led to some temporary production disturbances impacting productivity when the entire industrial system, including our subcontractors, raised its manufacturing pace to a higher level. We expect productivity to gradually improve when we and our suppliers have stabilized production at the higher level.

The European market for heavy-duty trucks rose 8% to 179,000 vehicles in 2010, which was in line with our expectations. In 2011, we anticipate the European market for heavy-duty trucks to increase to approximately 220,000 vehicles.

The North American market for heavy-duty trucks grew by 20% in 2010 to 142,000 vehicles. It is primarily the market for highway trucks that is developing well, while demand for construction trucks is considerably weaker. In 2011, we expect the North American market for heavy-duty trucks to increase to approximately 220,000 vehicles.



The South American market, fueled by Brazil, continued to perform well, and our deliveries increased 71% during the year.

In our Asian operations, our Indian joint-venture company with Eicher set new delivery records late in the year as a result of the strong Indian market and increasing market shares. We have decided on key investments to increase our manufacturing capacity in India, which will further strengthen our position there, as well as the export of products to other markets.

Demand in Japan was weak in the fourth quarter and while we anticipate a slight improvement in 2011, demand will remain at a low level.

#### Strong growth and profitability for construction equipment

Construction Equipment's growth and profitability remained strong during the fourth quarter. Sales rose 44% to SEK 14.7 billion and the business area generated an operating income of SEK 1.8 billion. The operating margin was 12.0%, which is the highest margin to date for a fourth quarter. The construction-equipment markets in which we are active grew by slightly more than 30% in the fourth quarter and we expect all regions to continue expanding in 2011. In China, we have increased our market shares and are currently the third-largest manufacturer. The launch of the SDLG branded excavators from Lingong enables us to further advance our positions in this key growth segment.

Buses continued its positive profitability trend, which is mainly attributable to extensive efforts to enhance the efficiency of operations and reduce costs. Buses' sales were down 3%, however the operating margin rose to 3.9%.

Volvo Penta had an operating margin of 3.6% during the fourth quarter, impacted by the continued weak demand for marine engines.

Volvo Aero's operating income rose to SEK 282 M as a result of rising volumes and thus better capacity utilization, improved productivity and lower costs. Volvo Aero is well positioned through its involvement in many interesting engine programs that will enter production in the coming years.

In our customer financing operation, Volvo Financial Services, the gradual improvement in profit continues as our customers see improved business conditions. As a result of

the Volvo Group's increased sales of new products, we are now also noting renewed growth in our credit portfolio.

**Positive trend in the short and long term**

On the back of an improved order book, our focus is on trimming the industrial system to enhance productivity and capital efficiency. We are also intensifying our product-development activities ahead of several key product launches in the coming years.

As a result of the Volvo Group's improved profitability, good cash flow generation, reduced debt level and better market out-

look, as well as the investments that we have made and continue to make in our facilities and product development, I have confidence in the Group's performance, from both a short and long-term perspective.



Leif Johansson  
President and CEO

## Important events

### Volvo Group President and CEO Leif Johansson to resign in the summer of 2011

After almost 14 years as President and CEO of Volvo, Leif Johansson in December informed the Board of AB Volvo of his intention to resign in conjunction with his 60th birthday in the summer of 2011. In conjunc-

tion with his resignation Leif Johansson will also leave the Board of AB Volvo.

### The Volvo Group enters partnership with WWF to reduce CO<sup>2</sup>-emissions

The Volvo Group will be the world's first vehicle manufacturer to join the World Wide Fund for Nature's (WWF) Climate Savers Program.

As a WWF partner, the Volvo Group's truck companies undertake to reduce the CO<sup>2</sup>-emissions from vehicles manufactured between 2009 and 2014 by 13 million tons. Independent technical experts will oversee the results.

## Subsequent events

### Volvo part of investigation by European Commission

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

### Proposal for voluntary conversion of series A shares

In a letter to AB Volvo's Board of Directors ahead of the Annual General Meeting (AGM) on April 6 this year, AB Volvo's two largest shareholders – Renault S.A. and Industrivärden – have proposed an addendum to AB Volvo's articles of association that would permit voluntary conversion of series A to series B shares.

## Previously reported important events

- Annual General Meeting
- New trucks launched
- Investment in Indian facility for production of excavators
- Production of new medium-duty engine in India
- Volvo Aero to sell its US service business
- UD Trucks and Nissan Motor end collaboration on contract manufacturing of light-duty trucks

Detailed information about the events is available at [www.volvogroup.com](http://www.volvogroup.com)

Financial summary of the fourth quarter

## Volvo Group

### Net sales

The Volvo Group's net sales increased by 23% to SEK 73,398 M during the fourth quarter of 2010, compared to SEK 59,798 M in the same quarter a year earlier.

### Operating income

The Volvo Group's operating income amounted to SEK 5,518 M in the fourth quarter compared to an operating loss of SEK 2,316 M in the preceding year. The Industrial Operations' operating income amounted to SEK 5,420 M (Loss SEK 2,331 M). The Volvo Group's Customer Finance operations reported an operating income of SEK 98 M (15). For detailed information on the development, see separate sections below.

### Net financial items

Net interest expense in the fourth quarter was SEK 655 M compared to an expense of SEK 624 M in the third quarter of 2010.

During the fourth quarter the devaluation in Venezuela had a negative impact on Other financial income and expenses amounting to

### Income Statement Volvo Group

SEK M	Fourth quarter		Year	
	2010	2009	2010	2009
<b>Net sales Volvo Group</b>	<b>73,398</b>	<b>59,798</b>	<b>264,749</b>	<b>218,361</b>
<b>Operating Income (loss) Volvo Group</b>	<b>5,518</b>	<b>(2,316)</b>	<b>18,000</b>	<b>(17,013)</b>
<i>Operating income (loss) Industrial operations</i>	<i>5,420</i>	<i>(2,331)</i>	<i>17,834</i>	<i>(16,333)</i>
<i>Operating income (loss) Customer Finance</i>	<i>98</i>	<i>15</i>	<i>167</i>	<i>(680)</i>
Interest income and similar credits	112	95	442	390
Interest expense and similar credits	(767)	(886)	(3,142)	(3,559)
Other financial income and expenses	(370)	225	213	(392)
<b>Income after financial items</b>	<b>4,494</b>	<b>(2,881)</b>	<b>15,514</b>	<b>(20,573)</b>
Income taxes	(1,078)	897	(4,302)	5,889
<b>Income for the period</b>	<b>3,415</b>	<b>(1,985)</b>	<b>11,212</b>	<b>(14,685)</b>

SEK 157 M. During the quarter, market valuation of derivatives used for hedging interest-rate exposure in the debt portfolio had a negative effect on Other financial income and expenses amounting to SEK 117 M compared to a positive impact of SEK 238 M in the fourth quarter of 2009.

### Income taxes

The tax expense in the fourth quarter amounted to SEK 1,078 M (Income: SEK 897 M), corresponding to a tax rate of 24%.

### Income for the period and earnings per share

The income for the period amounted to SEK 3,415 M in the fourth quarter of 2010 compared to a loss for the period of SEK 1,985 M in the fourth quarter of 2009.

Basic and diluted earnings per share in the fourth quarter amounted to SEK 1.59 (Negative SEK 0.99).

# Volvo Group's Industrial Operations

## - good growth and improved earnings

In the fourth quarter, net sales for the Volvo Group's Industrial Operations increased by 25% to SEK 71,974 M (57,441). Adjusted for changes in exchange rates and acquired and divested units net sales increased by 32%. Compared to the fourth quarter of 2009, all markets grew significantly.

### Significant earnings improvement

In the fourth quarter of 2010, the operating income for the Volvo Group's Industrial Operations amounted to SEK 5,420 M, a significant improvement compared to the operating loss of SEK 2,331 M in the fourth quarter of 2009. The operating margin for the Industrial Operations was 7.5%, compared to a negative 4.1% during the fourth quarter of 2009.

The earnings recovery compared to the fourth quarter 2009 is largely driven by higher sales. Increased production levels improved capacity utilization in the industrial system and resulted in improved cost absorption, which also contributed to improved earnings.

Continued cost control preserved the lower expense level in the Group that was implemented during 2009. Despite a significant sales increase of 25% in the fourth quarter of 2010 compared to the previous year, the increase in research and development and selling and administrative expenses was limited to 3%. In the fourth quarter of 2010, research and development expenses were SEK 3,640 M, equal to 5.1% of revenues. Selling expenses were SEK 5,870 M, equal to 8.2% of sales, and administrative expenses were SEK 1,293 M, equal to 1.8% of sales.

During the fourth quarter of 2010, operating income was negatively affected by higher costs for raw materials and components, estimated at approximately SEK 600 M compared to the fourth quarter of 2009.

### Net sales by market area

SEK M	Fourth quarter			Year			Share of industrial operations' net sales, %
	2010	2009	Change %	2010	2009	Change %	
Western Europe	<b>25,037</b>	21,881	14	<b>87,241</b>	84,452	3	34
Eastern Europe	<b>4,121</b>	2,785	48	<b>12,570</b>	9,632	31	5
North America	<b>12,550</b>	9,849	27	<b>45,409</b>	37,291	22	18
South America	<b>7,701</b>	5,660	36	<b>27,876</b>	16,610	68	11
Asia	<b>17,339</b>	13,006	33	<b>65,072</b>	44,842	45	25
Other markets	<b>5,226</b>	4,260	23	<b>19,207</b>	15,660	23	7
<b>Total</b>							
<b>Industrial operations</b>	<b>71,974</b>	<b>57,441</b>	<b>25</b>	<b>257,375</b>	<b>208,487</b>	<b>23</b>	<b>100</b>

### Income Statement Industrial operations

SEK M	Fourth quarter		Year	
	2010	2009	2010	2009
<b>Net sales</b>	<b>71,974</b>	<b>57,441</b>	<b>257,375</b>	<b>208,487</b>
Cost of sales	<b>(55,820)</b>	(48,314)	<b>(197,480)</b>	(179,578)
<b>Gross income</b>	<b>16,154</b>	<b>9,127</b>	<b>59,895</b>	<b>28,909</b>
<i>Gross margin, %</i>	<i>22.4</i>	<i>15.9</i>	<i>23.3</i>	<i>13.9</i>
Research and development expenses	<b>(3,640)</b>	(3,366)	<b>(12,970)</b>	(13,193)
Selling expenses	<b>(5,870)</b>	(5,704)	<b>(22,649)</b>	(23,752)
Administrative expenses	<b>(1,293)</b>	(1,372)	<b>(5,640)</b>	(5,838)
Other operating income and expenses	<b>137</b>	(1,011)	<b>(659)</b>	(2,432)
Income from investments in associated companies	<b>(20)</b>	16	<b>(86)</b>	(15)
Income from other investments	<b>(49)</b>	(21)	<b>(57)</b>	(13)
<b>Operating income (loss)</b>	<b>5,420</b>	<b>(2,331)</b>	<b>17,834</b>	<b>(16,333)</b>
<i>Operating margin, %</i>	<i>7.5</i>	<i>(4.1)</i>	<i>6.9</i>	<i>(7.8)</i>
Operating income before depreciation and amortization (EBITDA)	<b>8,189</b>	561	<b>29,171</b>	(3,951)
<i>EBITDA margin, %</i>	<i>11.4</i>	<i>1.0</i>	<i>11.3</i>	<i>(1.9)</i>

During the quarter, operating income was impacted negatively by SEK 125 M as a result of provisions for the Volvo Group's global profit sharing program.

Compared to the third quarter of 2010, changes in currency exchange rates had a negative impact on operating income amounting to approximately SEK 700 M, including a negative effect of SEK 82 M from the devaluation in Venezuela.

The fourth quarter 2010 includes a negative impact from mark-to-market valuation on cash flow hedges equal to SEK 269 M, compared to a positive SEK 598 M in the third quarter of 2010. Changes in mark-to-market valuation of these derivatives are recorded in the business segment "Group headquarter functions and other".

### Strong cash generation

In the fourth quarter of 2010, operating cash flow from the Industrial Operations amounted to SEK 15.1 billion compared SEK 8.6 billion in the fourth quarter of 2009. The strong cash flow was generated through an operating income of SEK 5.4 billion and a reduction of working capital by SEK 12.2 billion. The reduction in working capital was achieved despite a significant sales increase during the quarter as inventories and accounts receivable decreased by SEK 1.2 billion altogether. Higher production levels as a consequence of increased sales also generated a higher level of trade payables, which increased by SEK 9.2 billion during the quarter.

## Volvo Group's Customer Finance - portfolio growth

December marked the fourth consecutive month of net growth in the customer finance portfolio when adjusted for exchange-rate movements. In addition to the continued growth in Asia-Pacific and Latin America, portfolio increases were also seen in North America and Western Europe during the quarter as these economies continued to recover and as customer credit profiles continued to improve.

Portfolio quality continued to improve in North America, Western Europe and Asia-Pacific during the quarter as overall levels of delinquencies, inventories of repossessed vehicles and default activity in these regions decreased. Eastern Europe, while still at high levels of delinquency, also showed good improvement in portfolio performance despite the relatively slower economic recovery in this part of the world.

Operating income in the fourth quarter amounted to SEK 98 M compared to SEK 15 M in the previous year. The improvement compared to the previous year is driven mainly by lower credit provisions.

During the quarter, credit provisions amounted to SEK 311 M (466) while write-offs of SEK 333 M (593) were recorded.

### Income Statement Customer Finance

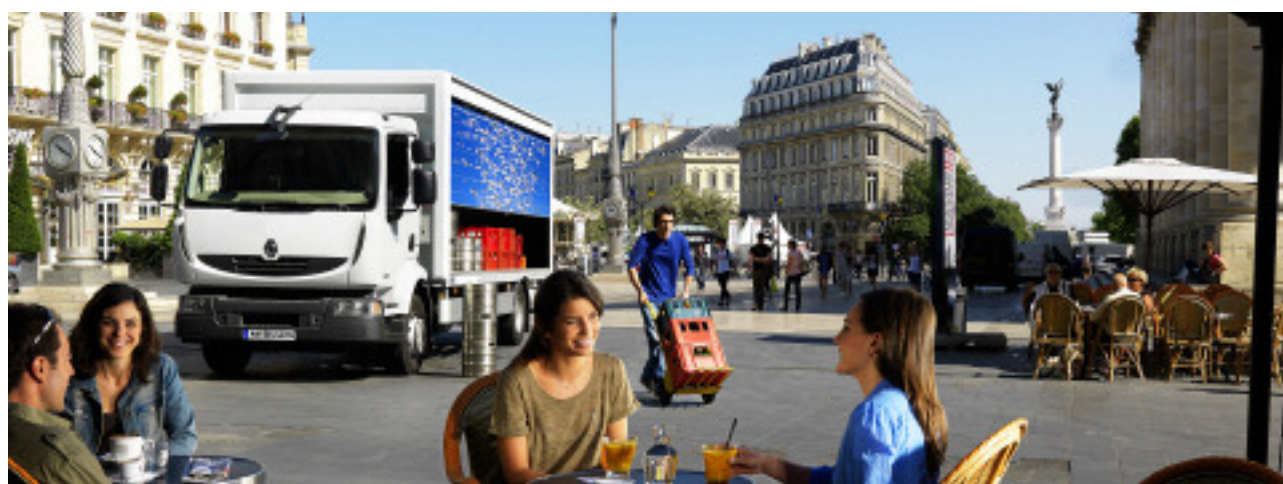
SEK M	Fourth quarter		Full Year	
	2010	2009	2010	2009
Finance and lease income	<b>1,951</b>	2,815	<b>9,031</b>	11,712
Finance and lease expenses	<b>(1,180)</b>	(1,925)	<b>(5,974)</b>	(8,427)
<b>Gross income</b>	<b>771</b>	<b>890</b>	<b>3,057</b>	<b>3,285</b>
Selling and administrative expenses	<b>(369)</b>	(388)	<b>(1,526)</b>	(1,608)
Credit provision expenses	<b>(311)</b>	(466)	<b>(1,438)</b>	(2,327)
Other operating income and expenses	<b>7</b>	(21)	<b>73</b>	(30)
<b>Operating income (loss)</b>	<b>98</b>	<b>15</b>	<b>167</b>	<b>(680)</b>
Income taxes	<b>(44)</b>	7	<b>(134)</b>	114
<b>Income for the period</b>	<b>54</b>	<b>22</b>	<b>32</b>	<b>(566)</b>
<i>Return on Equity, 12 month moving values</i>			<b>0.4%</b>	<b>(6.2)%</b>

This resulted in a decrease in credit reserves from 1.79% to 1.69% of the credit portfolio at September 30, 2010 and December 31, 2010, respectively. The annualized write-off ratio through December 31, 2010 was 1.65% (2.09).

New financing volume in the fourth quarter of 2010 amounted to SEK 10.7 billion (7.0). Adjusted for changes in exchange rates, new business volume increased by 59% compared to the fourth quarter of 2009 due to higher deliveries from the Industrial Operations as well as stronger finance penetration. In total, 11,439 new Volvo Group units (6,522) were financed

during the quarter. In the markets where financing is offered, the average penetration rate in the fourth quarter was 25% (22%).

At December 31, 2010 total assets amounted to SEK 89 billion (99). The credit portfolio decreased by 4.4% over the year, adjusted for exchange-rate movements. The syndication of assets in Brazil in the second quarter comprises 3.3 percentage points of this decrease. During the quarter, the portfolio increased by 4.2%, adjusted for exchange-rate movements, as new volume outpaced portfolio amortization for the period.





## Volvo Group financial position

Net financial debt in the Industrial Operations amounted to SEK 24.7 billion at December 31, 2010, a decrease of SEK 13.7 billion compared to the third quarter of 2010, and equal to 37.4% of shareholders' equity. Excluding the provision for post-employment benefits, the Industrial Operations net debt amounted to SEK 18.8 billion, which is equal to 28.5% of shareholders' equity.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined, amounted to SEK 32.7 billion at December 31, 2010. In addition to this, granted but unutilized credit facilities amounted to SEK 35.3 billion.

During the fourth quarter, currency movements increased the Volvo Group's total

assets by SEK 2 billion due to revaluation of net assets in foreign subsidiaries.

The equity ratio in the Volvo Group amounted to 23.3% on December 31, 2010 compared to 20.2% at year-end 2009. At December 31, 2010 shareholder's equity in the Volvo Group amounted to SEK 74.1 billion.

### Related-party transactions

Sales to associated companies amounted to SEK 1,082 M and purchases from associated companies amounted to SEK 50 M during 2010. On December 31, 2010, receivables from associated companies amounted to SEK 174 M and liabilities to associated companies to SEK 125 M. Sales to related-

party Renault s.a.s. amounted to SEK 52 M and purchases from Renault s.a.s to SEK 1,654 M during 2010. Receivables from Renault s.a.s. amounted to SEK 15 M and liabilities to Renault s.a.s. to SEK 291 M on December 31, 2010.

### Number of employees

On December 31, 2010 the Volvo Group had 90,409 employees and 14,851 temporary employees and consultants, compared with 89,178 employees and 7,104 temporary employees and consultants at year-end 2009. The increase in headcount relates largely to temporary employees and consultants within production, which gives the Group a considerable flexibility.

## Business segment overview

### Net sales

SEK M	Fourth quarter		Change, %	Change, %*	Year	
	2010	2009			2010	2009
Trucks	<b>48,041</b>	37,678	28	34	<b>167,305</b>	138,940
Construction Equipment	<b>14,657</b>	10,159	44	51	<b>53,810</b>	35,658
Buses	<b>5,602</b>	5,793	(3)	(1)	<b>20,516</b>	18,465
Volvo Penta	<b>2,031</b>	1,939	5	12	<b>8,716</b>	8,159
Volvo Aero	<b>1,850</b>	1,978	(6)	14	<b>7,708</b>	7,803
Eliminations and other	<b>(207)</b>	(105)	-	-	<b>(680)</b>	(538)
<b>Industrial operations</b>	<b>71,974</b>	<b>57,441</b>	<b>25</b>	<b>32</b>	<b>257,375</b>	<b>208,487</b>
Customer Finance	<b>1,951</b>	2,815	(31)	(28)	<b>9,031</b>	11,712
Eliminations	<b>(528)</b>	(458)	-	-	<b>(1,658)</b>	(1,838)
<b>Volvo Group</b>	<b>73,398</b>	<b>59,798</b>	<b>23</b>	<b>29</b>	<b>264,749</b>	<b>218,361</b>

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

### Operating income (loss)

SEK M	Fourth quarter		Year	
	2010	2009	2010	2009
Trucks	<b>3,490</b>	(1,316)	<b>10,112</b>	(10,805)
Construction Equipment	<b>1,758</b>	(564)	<b>6,180</b>	(4,005)
Buses	<b>221</b>	(46)	<b>780</b>	(350)
Volvo Penta	<b>73</b>	7	<b>578</b>	(230)
Volvo Aero	<b>282</b>	(169)	<b>286</b>	50
Group headquarter functions and other	<b>(404)</b>	(244)	<b>(102)</b>	(994)
<b>Industrial operations</b>	<b>5,420</b>	<b>(2,331)</b>	<b>17,834</b>	<b>(16,333)</b>
Customer Finance	<b>98</b>	15	<b>167</b>	(680)
<b>Volvo Group</b>	<b>5,518</b>	<b>(2,316)</b>	<b>18,000</b>	<b>(17,013)</b>

### Operating margin

%	Fourth quarter		Year	
	2010	2009	2010	2009
Trucks	<b>7.3</b>	(3.5)	<b>6.0</b>	(7.8)
Construction Equipment	<b>12.0</b>	(5.6)	<b>11.5</b>	(11.2)
Buses	<b>3.9</b>	(0.8)	<b>3.8</b>	(1.9)
Volvo Penta	<b>3.6</b>	0.4	<b>6.6</b>	(2.8)
Volvo Aero	<b>15.2</b>	(8.5)	<b>3.7</b>	0.6
<b>Industrial operations</b>	<b>7.5</b>	<b>(4.1)</b>	<b>6.9</b>	<b>(7.8)</b>
<b>Volvo Group</b>	<b>7.5</b>	<b>(3.9)</b>	<b>6.8</b>	<b>(7.8)</b>

## Overview of Industrial Operations

## Trucks

### - increased order intake and improved profitability

- Improved market outlook
- Continued increase in order intake
- Operating margin at 7.3%



#### Improving market conditions

In 2010, the total market for heavy-duty trucks in North America increased by 20% to 142,096 trucks, compared to 117,983 in the previous year. Demand in general continued on an upward trend, largely spurred by the need to replace the aging population of heavy-duty trucks. A notable exception was the construction segment of the market, where ongoing weakness remained a challenge. Both Mack Trucks and Volvo Trucks in North America continued to capitalize on the increasingly positive response of customers to the new SCR-equipped trucks. Volvo Trucks grew its 2010 U.S. Class 8 market share almost two full points to 9.6%. Mack Trucks, despite an extremely low market for the dump and mixer trucks that are core to its business, finished the year with a U.S. share of 8.6%, more than a half a point higher than in 2009. In 2011, the North American market for heavy-duty trucks is expected to reach a level of about 220,000 trucks. The previous forecast was a level above 200,000 trucks.

In 2010, the total number of registrations in Europe 29 (EU, Norway and Switzerland) increased by 8.4% to 179,185 heavy-duty trucks (165,269). The recovery of European truck demand is split into north vs. south and

#### Net sales by market area, Trucks

SEK M	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
Europe	<b>21,204</b>	17,510	21	<b>69,606</b>	65,874	6
North America	<b>7,849</b>	5,646	39	<b>26,901</b>	21,563	25
South America	<b>5,879</b>	4,050	45	<b>21,680</b>	12,490	74
Asia	<b>9,425</b>	7,360	28	<b>35,231</b>	26,943	31
Other markets	<b>3,684</b>	3,113	18	<b>13,888</b>	12,069	15
<b>Total</b>	<b>48,041</b>	<b>37,678</b>	<b>28</b>	<b>167,305</b>	<b>138,940</b>	<b>20</b>

#### Net order intake per market

Number of trucks	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
Europe	<b>26,014</b>	14,546	79	80,863	39,209	106
North America	<b>10,414</b>	4,661	123	29,849	15,880	88
South America	<b>7,369</b>	5,576	32	22,988	15,589	47
Asia	<b>14,617</b>	10,227	43	56,473	33,900	67
Other markets	<b>3,637</b>	3,156	15	15,101	12,391	22
<b>Total</b>	<b>62,051</b>	<b>38,166</b>	<b>63</b>	<b>205,274</b>	<b>116,969</b>	<b>75</b>

larger fleets vs. smaller fleets and owner/operators, where the former in general is stronger than the latter. The main drivers of demand are the northern and central parts of Europe, where markets such as Germany and Scandinavia have showed good progress. In general, demand is higher in the long haul segment, whereas activity in the construction segment remains low in many markets. Volvo Trucks increased its share of the European heavy-duty truck market from

13.2% in 2009 to 14.2% in 2010 while Renault Trucks market share declined from 10.6% to 10.2%. In 2011, the total market for heavy-duty trucks in Europe 29 is expected to increase to about 220,000 trucks. The previous forecast was a level above 200,000 trucks.

Demand in Russia has recovered strongly from low levels, and is set to show continued growth across all segments.

In South America, the Brazilian heavy-duty truck market continues to be strong, primarily driven by favorable macro economic development but also supported by incentives such as subsidized financing. The total market in Brazil increased by 64% to 109,760 heavy-duty trucks in 2010 (66,950). Volvo increased its share in the heavy-duty segment from 13.0% in 2009 to 14.8% in 2010.

In India, the market for heavy-duty trucks rose by 69% to 211,543 trucks (125,173) according to preliminary statistics. The Group's largest market in Asia is Japan, where the market for heavy-duty trucks was 24,453 vehicles in 2010 (18,889), which was an increase of 29%. UD Trucks' market share for 2010 was 22.2% compared to 23.3% in 2009. The total market for heavy-duty trucks in Japan is expected to grow by approximately 10% in 2011.

#### Order intake continued to improve

Net order intake continued to increase. During the fourth quarter order intake rose by 22% when compared with the third quarter of 2010 and by 63% compared to the fourth quarter of 2009. Most notably order intake improved in Europe where orders rose by 34% in comparison to the third quarter of 2010, and compared to the fourth quarter of 2009 net orders increased by 79%.

#### Deliveries per market

Number of trucks	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
Europe	<b>22,863</b>	13,517	69	<b>65,503</b>	49,145	33
North America	<b>8,770</b>	5,637	56	<b>24,282</b>	17,574	38
South America	<b>6,217</b>	4,360	43	<b>21,483</b>	12,587	71
Asia	<b>14,957</b>	11,149	34	<b>53,833</b>	34,800	55
Other markets	<b>4,015</b>	3,505	15	<b>14,888</b>	13,575	10
<b>Total</b>	<b>56,822</b>	<b>38,168</b>	<b>49</b>	<b>179,989</b>	<b>127,681</b>	<b>41</b>

In North America, net order intake improved by 11% compared with the third quarter of 2010 and by more than 100% compared to the fourth quarter of 2009.

In Asia, orders increased by 12% compared to the third quarter of 2010 and by 43% when compared to the fourth quarter of 2009.

Order intake in South America increased by 21% compared with the third quarter 2010. Compared to the fourth quarter a year ago net orders increased by 32%.

#### Truck deliveries - increase of 30% compared to the third quarter of 2010

In the fourth quarter of 2010, a total of 56,822 trucks were delivered, which was 13,209 trucks, 30%, more than in the third quarter of 2010, and a 49% increase when compared with the fourth quarter of 2009.

#### Favorable earnings trend - operating margin of 7.3%

During the fourth quarter of 2010, the truck operation's net sales amounted to SEK 48,041 M, which was 28% higher than the fourth quarter of 2009. Adjusted for changes in exchange rates net sales increased by 34% compared to the fourth quarter of 2009.

The truck operations posted an operating income of SEK 3,490 M in the fourth quarter of 2010 compared with an operating loss of SEK 1,316 M in the fourth quarter of 2009. The operating margin improved to 7.3%, compared with a negative 3.5% in the fourth quarter of 2009. Increased sales volumes, higher capacity utilization and continued strict control of operating expenses had a positive effect on earnings in the quarter.

# Construction Equipment

## - strong fourth quarter



- Total world market up 31% measured in units
- Volvo CE's net sales up 51% adjusted for currency
- Operating margin 12%

### Continued good market conditions in BRIC

Measured in units, the total world market for heavy, road machinery and compact equipment increased by 31% during the fourth quarter of 2010 compared to the same period last year, strongly driven by the BRIC countries which increased by 47%. In Europe the total market was up 4% and North America increased by 31%. Asia was up 39% strongly driven by China and India where the markets increased by 53% and 24% respectively. Other markets were up 40%, whereof Russia increased by 269%.

For the full year of 2010 the total world market increased by 44%.

Market conditions for 2011 are expected to continue to be positive. Europe is expected to grow by 5–15%, North America by 20–30%, Brazil, India and China by 5–15% whilst the market in Russia is expected to double in 2011. Other markets is expected to grow by around 5–15%.

### Another strong quarter

In the fourth quarter of 2010, net sales increased by 44% to SEK 14,657 M (10,159). Sales were positively impacted by strong momentum in Asia and South America. Adjusted for currency movements, net sales increased by 51%.

Operating income improved substantially to SEK 1,758 M (loss SEK 564 M) and the

### Net sales by market area, Construction Equipment

SEK M	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
Europe	<b>4,645</b>	3,379	37	<b>16,138</b>	12,987	24
North America	<b>1,617</b>	1,127	43	<b>6,267</b>	5,475	14
South America	<b>1,140</b>	915	25	<b>4,130</b>	2,578	60
Asia	<b>6,410</b>	4,127	55	<b>24,352</b>	12,957	88
Other markets	<b>845</b>	611	38	<b>2,923</b>	1,661	76
<b>Total</b>	<b>14,657</b>	<b>10,159</b>	<b>44</b>	<b>53,810</b>	<b>35,658</b>	<b>51</b>

### Total market development in the fourth quarter

Unit sales in %	Europe	North America	Asia	Other markets	Total
Heavy equipment	2	20	43	36	<b>34</b>
Compact equipment	3	33	34	40	<b>27</b>
Road machinery	47	54	36	38	<b>45</b>
<b>Total</b>	<b>4</b>	<b>31</b>	<b>39</b>	<b>40</b>	<b>31</b>

operating margin was 12%, which is the highest ever for a fourth quarter. The improvement in operating income was mainly driven by higher sales, internal cost reduction activities and improved cost absorption in the manufacturing system as well as increased productivity.

For the full year of 2010 Volvo CE increased unit sales by 70% and sold an all-time-high 66,000 machines. The value of the order book at December 31 was 45% higher than a year earlier.

### New products launched

At Bauma China in Shanghai in November, Volvo CE launched a new Volvo excavator, a

Volvo paver and a Volvo compactor for the Chinese market. Also a number of aftermarket products were launched. Volvo CE's other brand, SDLG, launched a range of four new excavators as well as new wheel loaders, pavers and road rollers.

Volvo CE is well positioned both in China and in the rest of Asia to capitalize on the huge market opportunity and growth potential and the dual brand approach offers a unique advantage to meet needs from a much wider customer base. Volvo CE will support this approach with products dedicated to the Chinese market using local knowledge and leveraging an expanded Asian manufacturing footprint.

# Buses

## - increased earnings despite flat sales



- Continued weakness in Europe and North America
- Improved profitability, operating margin at 3.9%
- 100% ownership of Volvo Buses India

### Split trend in the bus market

The global bus market displayed a split trend. Europe is characterized by continued weak demand, however, some positive signs were noted in the coach market. In North America, the coach market remained weak, but there are signs that the market has bottomed out. For city buses, the trend remained negative. The market in Mexico largely corresponded to the trend in the US, with low activity in general but major interest in the Bus Rapid Transit systems (BRT). In South America, demand rose in the market for city buses and coaches. The total bus market in Asia and Africa displayed a strong increase. It is primarily China and India that account for the largest increase.

### Improved order intake

Deliveries during the fourth quarter were on the same level as the year-earlier, 3,230 buses compared with 3,272 in 2009.

During the fourth quarter, order intake totaled 3,677 buses, compared with 3,003 buses in the year-earlier period, an increase of 22%. South America and Asia Pacific accounted for the largest increase. Included in the fourth quarter is an order from Perth, Australia for 650 buses over 10 years.

### Net sales by market area, Buses

SEK M	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
Europe	<b>1,581</b>	2,014	(21)	<b>6,242</b>	7,707	(19)
North America	<b>1,885</b>	1,924	(2)	<b>7,200</b>	5,673	27
South America	<b>582</b>	566	3	<b>1,737</b>	1,235	41
Asia	<b>947</b>	967	(2)	<b>3,299</b>	2,749	20
Other markets	<b>607</b>	322	89	<b>2,038</b>	1,101	85
<b>Total</b>	<b>5,602</b>	<b>5,793</b>	<b>(3)</b>	<b>20,516</b>	<b>18,465</b>	<b>11</b>

During the quarter, the largest order to date in India was signed, 100 coaches, which will be delivered in 2011. At the same time, Volvo Buses announced that it had acquired the remainder of the shares (30%) from the joint-venture partner, Azad Group, in India.

Volvo is the leading supplier of buses for the BRT systems in Latin America. During the quarter, Volvo Buses received orders for 463 bus chassis, of which 383 for the major BRT system in Curitiba, Brazil and 80 for articulated buses for Quito, Ecuador.

### Improved profitability

Net sales in the fourth quarter declined by 3% to SEK 5,602 M (5,793). Adjusted for currency fluctuations, net sales decreased by 1%.

Operating income amounted to SEK 221 M, compared with a loss of SEK 46 M in the fourth quarter of 2009. The operating margin was 3.9% compared with a negative 0.8% in the fourth quarter of 2009. The income improvement was primarily due to increased sales volume, improved market mix and cost savings.

### Continued focus on cost and capital and efficiency

Despite weak markets in North America and Europe, Volvo Buses reported improved profitability and capital efficiency as a result of its long-term, global improvement program. Furthermore, the concentration on profitable growth will be added to the improvement program, with a continued strong focus on cost and capital efficiency.

## Volvo Penta

### - continued sluggish demand for marine engines



- Strong world market for industrial engines, weaker for marine engines
- Marine downturn compensated by industrial, which is now 49% of sales
- Total order book 70% higher than the previous year

#### Total market

The global market for marine engines during the fourth quarter remained weak. Demand for leisure boats ranging in size from approximately 22 foot and upwards was generally unchanged for essentially the entire year as a result of the continuing cautious attitude among end customers.

Demand for industrial engines was significantly stronger and this trend applies to most major markets in Europe, Asia and South and North America.

#### Market trend

During the autumn, Volvo Penta secured several delivery agreements with leading European boat builders that are now offering Volvo Penta's IPS system as standard for an increasing number of boat models. In the industrial engine segment, Volvo Penta strengthened its market shares in Europe and North America by capturing new customers.

On December 31, 2010, volumes in the order book were 70% higher than in the year-earlier period.

#### Net sales by market area, Volvo Penta

SEK M	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
Europe	<b>1,013</b>	937	8	<b>4,507</b>	4,390	3
North America	<b>314</b>	284	11	<b>1,500</b>	1,100	36
South America	<b>101</b>	117	(14)	<b>335</b>	284	18
Asia	<b>514</b>	513	0	<b>2,008</b>	2,054	(2)
Other markets	<b>89</b>	88	1	<b>366</b>	331	11
<b>Total</b>	<b>2,031</b>	<b>1,939</b>	<b>5</b>	<b>8,716</b>	<b>8,159</b>	<b>7</b>

#### Financial trend

Volvo Penta's net sales in the fourth quarter totaled SEK 2,031 M (1,939), up 5%. Adjusted for currency fluctuations, net sales increased 12%. Sales were distributed between the two business segments according to the following: Marine SEK 1,038 M (1,223) and Industrial SEK 993 M (716). Industrial engines' portion of the total sales was 49% (37).

Operating income for the quarter amounted to SEK 73 M, compared with SEK 7 M in the year-earlier period. Operating income was negatively impacted by continued weak marine sales and the product mix with an increased share of industrial engines. Operating margin was 3.6% (0.4).

#### Technological cooperation

In December 2010, AB Volvo Penta signed an agreement with Japanese Yamaha Motors pertaining to technological cooperation for the development of electronic steering systems for boats. Through the cooperation agreement with Yamaha Motors, conditions will be created for technical synergies and additionally strengthen the customer offering to boatyards in the increasingly important electronic area.

The cooperation will initially be based on Volvo Penta's existing technology, but the companies aim to evaluate the possibility of cooperating in other areas as well.

## Volvo Aero

### - another quarter of good profitability



- Demand for air transport continues to increase
- Increased spare part sales
- Second consecutive quarter with double digit operating margin

#### Air passenger travel up more than 8%

International passenger air traffic increased by 8.2% in 2010 and air freight increased by 20.6%. The average passenger load factor was 78.4% for the year, 2.7 percentage points up from 2009. In December, IATA raised its airline industry profit forecast for 2010 from USD 8.9 billion to USD 15.1 billion due to stronger market growth.

Airbus and Boeing delivered 972 aircraft in 2010, which was a decline of 1% compared to 2009. The combined order intake totaled 1,269 aircraft, up 121% versus 2009. The order backlog increased by 2% to 6,995 aircraft at the end of 2010.

#### Lower costs and higher spare parts sales

For Volvo Aero sales during the fourth quarter decreased by 6% to SEK 1,850 M compared to SEK 1,978 M in the prior year. Adjusted for currency fluctuations and the divestment of Volvo Aero Services, sales

#### Net sales by market area, Volvo Aero

SEK M	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
Europe	860	1,022	(16)	3,768	3,942	(4)
North America	902	890	1	3,599	3,508	3
South America	7	8	(13)	27	34	(21)
Asia	54	40	35	233	205	14
Other markets	27	18	50	81	114	(29)
<b>Total</b>	<b>1,850</b>	<b>1,978</b>	<b>(6)</b>	<b>7,708</b>	<b>7,803</b>	<b>(1)</b>

during the fourth quarter increased by 14%. Sales of new spare parts showed signs of recovery and increased by 11% compared to last year after eight consecutive quarters of decline. Also, the introduction of the GEnx engine had a positive effect on sales in the fourth quarter.

Operating income increased to SEK 282 M (Loss SEK 169 M) due to lower costs and higher spare parts sales. Also the engine services operations showed improved profitability. Operating margin amounted to 15.2% (Neg. 8.5%).

#### Important contract regarding the Gripen fighter engine

FMV (The Swedish Defence Material Administration) and Volvo Aero have signed an agreement for Volvo Aero to provide maintenance, spare parts and product support to Gripen engines for five years in Sweden, Hungary and the Czech Republic. The agreement is expected to generate sales of approximately SEK 1.2 billion for Volvo Aero over a five year period.



## Income statements Volvo Group

Fourth quarter SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>Net sales</b>	<b>71,974</b>	<b>57,441</b>	<b>1,951</b>	<b>2,815</b>	<b>(528)</b>	<b>(458)</b>	<b>73,398</b>	<b>59,798</b>
Cost of sales	<b>(55,820)</b>	(48,314)	<b>(1,180)</b>	(1,925)	<b>528</b>	458	<b>(56,473)</b>	(49,781)
<b>Gross income</b>	<b>16,154</b>	<b>9,127</b>	<b>771</b>	<b>890</b>	<b>0</b>	<b>0</b>	<b>16,925</b>	<b>10,017</b>
Research and development expenses	<b>(3,640)</b>	(3,366)	<b>0</b>	0	<b>0</b>	0	<b>(3,640)</b>	(3,366)
Selling expenses	<b>(5,870)</b>	(5,704)	<b>(363)</b>	(382)	<b>0</b>	0	<b>(6,232)</b>	(6,086)
Administrative expenses	<b>(1,293)</b>	(1,372)	<b>(6)</b>	(6)	<b>0</b>	0	<b>(1,300)</b>	(1,377)
Other operating income and expenses	<b>137</b>	(1,011)	<b>(304)</b>	(489)	<b>0</b>	0	<b>(166)</b>	(1,501)
Income from investments in associated companies	<b>(20)</b>	16	<b>(1)</b>	0	<b>0</b>	0	<b>(20)</b>	16
Income from other investments	<b>(49)</b>	(21)	<b>0</b>	1	<b>0</b>	0	<b>(49)</b>	(20)
<b>Operating income (loss)</b>	<b>5,420</b>	<b>(2,331)</b>	<b>98</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>5,518</b>	<b>(2,316)</b>
Interest income and similar credits	<b>136</b>	114	<b>0</b>	0	<b>(24)</b>	(19)	<b>112</b>	95
Interest expenses and similar charges	<b>(791)</b>	(904)	<b>0</b>	0	<b>24</b>	19	<b>(767)</b>	(886)
Other financial income and expenses	<b>(370)</b>	225	<b>0</b>	0	<b>0</b>	0	<b>(370)</b>	225
<b>Income after financial items</b>	<b>4,395</b>	<b>(2,896)</b>	<b>98</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>4,494</b>	<b>(2,881)</b>
Income taxes	<b>(1,035)</b>	890	<b>(44)</b>	7	<b>0</b>	0	<b>(1,078)</b>	897
<b>Income for the period*</b>	<b>3,360</b>	<b>(2,006)</b>	<b>54</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>3,415</b>	<b>(1,985)</b>
* Attributable to:								
Equity holders of the parent company							<b>3,233</b>	(1,998)
Minority interests							<b>182</b>	13
							<b>3,415</b>	<b>(1,985)</b>
Basic earnings per share, SEK							<b>1.59</b>	(0.99)
Diluted earnings per share, SEK							<b>1.59</b>	(0.99)
<b>Other comprehensive income</b>								
<b>Income for the period</b>							<b>3,415</b>	(1,985)
Exchange differences on translation of foreign operations							<b>77</b>	1,416
Exchange differences on hedge instruments of net investment in foreign operations							<b>215</b>	(44)
Accumulated translation difference reversed to income							<b>(73)</b>	0
Available for sale investments							<b>68</b>	(3)
Cash flow hedges							<b>104</b>	32
<b>Other comprehensive income, net of income taxes</b>							<b>391</b>	1,401
<b>Total comprehensive income for the period*</b>							<b>3,806</b>	<b>(584)</b>
* Attributable to:								
Equity holders of the parent company							<b>3,619</b>	(588)
Minority interests							<b>187</b>	4
							<b>3,806</b>	<b>(584)</b>

## Income statements Volvo Group

Year	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2010	2009	2010	2009	2010	2009	2010	2009
SEK M								
<b>Net sales</b>	<b>257,375</b>	<b>208,487</b>	<b>9,031</b>	<b>11,712</b>	<b>(1,658)</b>	<b>(1,838)</b>	<b>264,749</b>	<b>218,361</b>
Cost of sales	(197,480)	(179,578)	(5,974)	(8,427)	1,658	1,838	(201,797)	(186,167)
<b>Gross income</b>	<b>59,895</b>	<b>28,909</b>	<b>3,057</b>	<b>3,285</b>	<b>0</b>	<b>0</b>	<b>62,952</b>	<b>32,194</b>
Research and development expenses	(12,970)	(13,193)	0	0	0	0	(12,970)	(13,193)
Selling expenses	(22,649)	(23,752)	(1,500)	(1,582)	0	0	(24,149)	(25,334)
Administrative expenses	(5,640)	(5,838)	(25)	(25)	0	0	(5,666)	(5,863)
Other operating income and expenses	(659)	(2,432)	(1,365)	(2,365)	0	0	(2,023)	(4,798)
Income from investments in associated companies	(86)	(15)	0	1	0	0	(86)	(14)
Income from other investments	(57)	(13)	0	7	0	0	(58)	(6)
<b>Operating income (loss)</b>	<b>17,834</b>	<b>(16,333)</b>	<b>167</b>	<b>(680)</b>	<b>0</b>	<b>0</b>	<b>18,000</b>	<b>(17,013)</b>
Interest income and similar credits	544	477	0	0	(102)	(87)	442	390
Interest expenses and similar charges	(3,244)	(3,645)	0	0	102	87	(3,142)	(3,559)
Other financial income and expenses	213	(392)	0	0	0	0	213	(392)
<b>Income after financial items</b>	<b>15,347</b>	<b>(19,893)</b>	<b>167</b>	<b>(680)</b>	<b>0</b>	<b>0</b>	<b>15,514</b>	<b>(20,573)</b>
Income taxes	(4,168)	5,775	(134)	114	0	0	(4,302)	5,889
<b>Income for the period*</b>	<b>11,179</b>	<b>(14,118)</b>	<b>32</b>	<b>(566)</b>	<b>0</b>	<b>0</b>	<b>11,212</b>	<b>(14,685)</b>
* Attributable to:								
Equity holders of the parent company							10,866	(14,718)
Minority interests							346	33
							<b>11,212</b>	<b>(14,685)</b>
Basic earnings per share, SEK							5.36	(7.26)
Diluted earnings per share, SEK							5.36	(7.26)
<b>Other comprehensive income</b>								
<b>Income for the period</b>							11,212	(14,685)
Exchange differences on translation of foreign operations							(3,891)	(1,246)
Exchange differences on hedge instruments of net investment in foreign operations							113	159
Accumulated translation difference reversed to income							(95)	(136)
Available for sale investments							148	86
Cash flow hedges							(156)	2,313
<b>Other comprehensive income, net of income taxes</b>							(3,881)	1,176
<b>Total comprehensive income for the period*</b>							<b>7,331</b>	<b>(13,509)</b>
* Attributable to:								
Equity holders of the parent company							7,016	(13,561)
Minority interests							315	52
							<b>7,331</b>	<b>(13,509)</b>

## Balance sheet Volvo Group

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	Dec 31 2010	Dec 31 2009	Dec 31 2010	Dec 31 2009	Dec 31 2010	Dec 31 2009	Dec 31 2010	Dec 31 2009
<b>Assets</b>								
<b>Non-current assets</b>								
Intangible assets	40,613	41,532	101	96	0	0	40,714	41,628
Tangible assets								
Property, plant and equipment	54,169	55,208	72	72	0	0	54,242	55,280
Assets under operating leases	13,217	13,539	10,055	10,955	(3,625)	(4,106)	19,647	20,388
Financial assets								
Shares and participations	2,080	2,025	18	19	0	0	2,098	2,044
Non-current customer-financing receivables	598	531	36,270	39,720	(843)	(538)	36,025	39,713
Deferred tax assets	12,019	12,277	291	318	0	0	12,310	12,595
Prepaid pensions	1,636	2,038	12	10	0	0	1,648	2,049
Non-current interest-bearing receivables	941	1,095	204	0	(379)	(510)	766	585
Other non-current receivables	3,401	3,033	41	42	(24)	(36)	3,418	3,038
<b>Total non-current assets</b>	<b>128,674</b>	<b>131,278</b>	<b>47,064</b>	<b>51,232</b>	<b>(4,871)</b>	<b>(5,190)</b>	<b>170,868</b>	<b>177,320</b>
<b>Current assets</b>								
Inventories	38,956	35,765	882	1,962	0	0	39,837	37,727
Current receivables								
Customer-financing receivables	830	836	36,897	42,443	(1,064)	(1,015)	36,663	42,264
Tax assets	1,045	1,362	90	161	0	0	1,135	1,523
Interest-bearing receivables	1,071	1,215	1,283	66	(2,012)	(872)	342	410
Internal funding	7,505	3,662	0	0	(7,505)	(3,662)	-	-
Accounts receivable	24,332	20,877	101	460	0	0	24,433	21,337
Other receivables	11,561	11,459	1,352	1,701	(1,056)	(1,077)	11,857	12,082
Non interest-bearing assets held for sale	136	1,684	0	0	0	0	136	1,684
Interest-bearing assets held for sale	0	8	0	0	0	0	0	8
Marketable securities	9,735	16,655	32	21	0	0	9,767	16,676
Cash and cash equivalents	21,756	20,749	1,545	726	(335)	(241)	22,966	21,234
<b>Total current assets</b>	<b>116,928</b>	<b>114,272</b>	<b>42,182</b>	<b>47,540</b>	<b>(11,970)</b>	<b>(6,867)</b>	<b>147,139</b>	<b>154,945</b>
<b>Total assets</b>	<b>245,602</b>	<b>245,550</b>	<b>89,246</b>	<b>98,772</b>	<b>(16,841)</b>	<b>(12,057)</b>	<b>318,007</b>	<b>332,265</b>
<b>Shareholders' equity and liabilities</b>								
Equity attributable to the equity holders of the parent company	65,090	57,856	8,020	8,549	0	0	73,110	66,405
Minority interests	1,011	629	0	0	0	0	1,011	629
<b>Total shareholders' equity</b>	<b>66,101</b>	<b>58,485</b>	<b>8,020</b>	<b>8,549</b>	<b>0</b>	<b>0</b>	<b>74,121</b>	<b>67,034</b>
Non-current provisions								
Provisions for post-employment benefits	7,478	8,021	32	30	0	0	7,510	8,051
Provisions for deferred taxes	3,026	1,858	1,496	1,780	0	0	4,522	3,638
Other provisions	5,785	6,277	150	80	1	2	5,936	6,360
Non-current liabilities								
Bond loans	38,767	49,191	0	0	0	0	38,767	49,191
Other loans	37,180	48,684	8,225	7,458	(78)	(107)	45,327	56,035
Internal funding	(26,971)	(30,908)	25,927	32,758	1,044	(1,849)	0	0
Other liabilities	11,172	11,762	389	479	(2,330)	(2,353)	9,231	9,888
Current provisions	8,429	9,321	105	164	1	2	8,534	9,487
Current liabilities								
Loans	32,101	44,196	8,299	8,305	(799)	(876)	39,601	51,626
Internal funding	(21,220)	(32,273)	33,643	36,457	(12,423)	(4,184)	0	0
Non interest-bearing liabilities held for sale	135	272	0	0	0	0	135	272
Trade payables	47,111	35,754	139	201	0	0	47,250	35,955
Tax liabilities	1,571	369	161	254	0	0	1,732	623
Other liabilities	34,937	34,541	2,660	2,257	(2,257)	(2,692)	35,341	34,105
<b>Total shareholders' equity and liabilities</b>	<b>245,602</b>	<b>245,550</b>	<b>89,246</b>	<b>98,772</b>	<b>(16,841)</b>	<b>(12,057)</b>	<b>318,007</b>	<b>332,265</b>
Contingent liabilities							11,003	9,607

## Cash flow statement

Fourth quarter SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>Operating activities</b>								
Operating income (loss)	5.4	(2.3)	0.1	0.0	0.0	0.0	5.5	(2.3)
Depreciation tangible assets	1.6	1.5	0.0	0.0	0.0	0.0	1.6	1.5
Amortization intangible assets	0.9	0.9	0.0	0.0	0.0	0.0	0.9	0.9
Depreciation leasing vehicles	0.4	0.5	0.6	0.6	0.0	0.0	1.0	1.1
Other non-cash items	(0.1)	0.8	0.2	0.4	0.2	0.1	0.3	1.3
Total change in working capital whereof	12.2	11.7	(3.0)	1.0	0.1	0.3	9.3	13.0
<i>Change in accounts receivable</i>	0.9	(1.1)	0.4	0.1	0.0	0.0	1.3	(1.0)
<i>Change in inventories</i>	0.3	5.6	0.1	(0.3)	0.1	0.0	0.5	5.3
<i>Change in trade payables</i>	9.2	6.9	0.0	0.0	(0.1)	0.1	9.1	7.0
<i>Other changes in working capital</i>	1.8	0.3	(3.5)	1.2	0.1	0.2	(1.6)	1.7
Net of interest and other financial items	(0.8)	(0.7)	0.0	0.0	(0.1)	0.0	(0.9)	(0.7)
Income taxes paid	(0.6)	(0.9)	(0.1)	0.2	0.0	(0.1)	(0.7)	(0.8)
<b>Cash flow from operating activities</b>	<b>19.0</b>	<b>11.5</b>	<b>(2.2)</b>	<b>2.2</b>	<b>0.2</b>	<b>0.3</b>	<b>17.0</b>	<b>14.0</b>
<b>Investing activities</b>								
Investments in tangible assets	(2.9)	(2.1)	0.0	0.0	(0.1)	(0.2)	(3.0)	(2.3)
Investments in intangible assets	(1.1)	(0.9)	0.0	0.0	0.1	0.0	(1.0)	(0.9)
Investment in leasing vehicles	(0.1)	(0.1)	(1.9)	(1.1)	0.0	0.1	(2.0)	(1.1)
Disposals of fixed assets and leasing vehicles	0.2	0.2	0.5	0.8	0.0	0.0	0.7	1.0
<b>Operating cash flow</b>	<b>15.1</b>	<b>8.6</b>	<b>(3.6)</b>	<b>1.9</b>	<b>0.2</b>	<b>0.2</b>	<b>11.7</b>	<b>10.7</b>
Investments and divestments of shares, net							0.0	0.0
Acquired and divested operations, net							0.0	0.1
Interest-bearing receivables incl marketable securities							3.0	(1.9)
<b>Cash-flow after net investments</b>							<b>14.7</b>	<b>8.9</b>
<b>Financing activities</b>								
Change in loans, net							(6.1)	(6.8)
Dividend to AB Volvo shareholders							0.0	0.0
Dividend to minority shareholders							0.0	0.0
Other							0.0	(0.1)
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>8.6</b>	<b>2.0</b>
Translation difference on cash and cash equivalents							0.2	0.3
<b>Change in cash and cash equivalents</b>							<b>8.8</b>	<b>2.3</b>

## Cash flow statement

Year SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>Operating activities</b>								
Operating income (loss)	17.8	(16.3)	0.2	(0.7)	0.0	0.0	18.0	(17.0)
Depreciation tangible assets	6.1	6.5	0.0	0.0	0.0	0.0	6.1	6.5
Amortization intangible assets	3.3	3.6	0.0	0.0	0.0	0.0	3.3	3.6
Depreciation leasing vehicles	2.0	2.3	2.4	2.8	0.0	0.0	4.4	5.1
Other non-cash items	0.1	2.3	1.3	2.0	0.2	0.1	1.6	4.4
Total change in working capital whereof	4.6	4.7	0.1	11.8	0.1	0.4	4.8	16.9
<i>Change in accounts receivable</i>	(4.0)	8.2	0.3	0.0	0.0	0.0	(3.7)	8.2
<i>Change in inventories</i>	(4.8)	16.3	0.8	(1.1)	0.1	0.0	(3.9)	15.2
<i>Change in trade payables</i>	13.1	(14.4)	0.0	(0.1)	(0.1)	0.1	13.0	(14.4)
<i>Other changes in working capital</i>	0.3	(5.4)	(1.0)	13.0	0.1	0.3	(0.6)	7.9
Net of interest and other financial items	(2.8)	(3.0)	0.0	0.0	(0.1)	0.0	(2.9)	(3.0)
Income taxes paid	(2.3)	(1.7)	(0.3)	0.1	0.0	0.0	(2.6)	(1.6)
<b>Cash flow from operating activities</b>	<b>28.8</b>	<b>(1.6)</b>	<b>3.7</b>	<b>16.0</b>	<b>0.2</b>	<b>0.5</b>	<b>32.7</b>	<b>14.9</b>
<b>Investing activities</b>								
Investments in tangible assets	(6.7)	(7.5)	(0.1)	0.0	0.0	(0.2)	(6.8)	(7.7)
Investments in intangible assets	(3.6)	(2.8)	0.0	0.0	0.0	0.0	(3.6)	(2.8)
Investment in leasing vehicles	(0.3)	(0.2)	(4.5)	(4.0)	0.0	0.0	(4.8)	(4.2)
Disposals of fixed assets and leasing vehicles	0.8	0.7	2.3	3.1	0.0	0.0	3.1	3.8
<b>Operating cash flow</b>	<b>19.0</b>	<b>(11.4)</b>	<b>1.4</b>	<b>15.1</b>	<b>0.2</b>	<b>0.3</b>	<b>20.6</b>	<b>4.0</b>
Investments and divestments of shares, net							(0.1)	0.0
Acquired and divested operations, net							0.6	0.2
Interest-bearing receivables incl marketable securities							6.8	(8.9)
<b>Cash-flow after net investments</b>							<b>27.9</b>	<b>(4.7)</b>
<b>Financing activities</b>								
Change in loans, net							(25.7)	12.6
Dividend to AB Volvo shareholders							0.0	(4.1)
Dividend to minority shareholders							(0.1)	0.0
Other							0.0	(0.1)
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>2.1</b>	<b>3.7</b>
Translation difference on cash and cash equivalents							(0.4)	(0.2)
<b>Change in cash and cash equivalents</b>							<b>1.7</b>	<b>3.5</b>

## Net financial position

SEK M	Industrial operations		Volvo Group	
	Dec 31 2010	Dec 31 2009	Dec 31 2010	Dec 31 2009
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	36,025	39,713
Non-current interest-bearing receivables	941	1,095	766	585
Current interest-bearing assets				
Customer-financing receivables	-	-	36,663	42,264
Interest-bearing receivables	1,071	1,215	342	410
Internal funding	7,505	3,662	-	-
Interest-bearing assets held for sale	0	8	0	8
Marketable securities	9,735	16,655	9,767	16,676
Cash and cash equivalents	21,756	20,749	22,966	21,234
<b>Total financial assets</b>	<b>41,008</b>	<b>43,384</b>	<b>106,529</b>	<b>120,890</b>
Non-current interest-bearing liabilities				
Bond loans	38,767	49,191	38,767	49,191
Other loans	37,180	48,684	45,327	56,035
Internal funding	(26,971)	(30,908)	-	-
Current interest-bearing liabilities				
Loans	32,101	44,196	39,601	51,626
Internal funding	(21,220)	(32,273)	-	-
<b>Total financial liabilities</b>	<b>59,857</b>	<b>78,890</b>	<b>123,695</b>	<b>156,852</b>
<b>Net financial position excl post-employment benefits</b>	<b>(18,849)</b>	<b>(35,506)</b>	<b>(17,166)</b>	<b>(35,962)</b>
Provisions for post-employment benefits, net	5,842	5,983	5,862	6,002
<b>Net financial position incl post-employment benefits</b>	<b>(24,691)</b>	<b>(41,489)</b>	<b>(23,028)</b>	<b>(41,964)</b>

## Changes in net financial position, Industrial operations

SEK bn	Fourth quarter 2010	Year 2010
<b>Beginning of period</b>	<b>(38.4)</b>	<b>(41.5)</b>
Cash flow from operating activities	19.0	28.8
Investments in fixed assets	(4.1)	(10.6)
Disposals	0.2	0.8
<b>Operating cash-flow</b>	<b>15.1</b>	<b>19.0</b>
Investments and divestments of shares, net	0.0	(0.1)
Acquired and divested operations, net	(0.4)	0.2
Capital injections to/from Customer Finance operations	0.0	(0.5)
Currency effect	(0.9)	(1.6)
Dividend paid to minority shareholders	0.0	(0.1)
Other changes	(0.1)	(0.1)
<b>Total change</b>	<b>13.7</b>	<b>16.8</b>
<b>Net financial position at end of period</b>	<b>(24.7)</b>	<b>(24.7)</b>

## Changes in shareholders' equity

SEK bn	Year	
	2010	2009
<b>Total equity at end of previous period</b>	<b>67.0</b>	<b>84.6</b>
Transition effect IFRS 3, capitalized transaction costs	(0.1)	-
<b>Total equity at beginning of period</b>	<b>66.9</b>	<b>84.6</b>
<b>Shareholders' equity attributable to equity holders of the parent company at beginning of period</b>	<b>66.4</b>	<b>84.0</b>
Income for the period	10.9	(14.7)
Other comprehensive income	(3.9)	1.2
<b>Total comprehensive income</b>	<b>7.0</b>	<b>(13.5)</b>
Dividend to AB Volvo's shareholders	0.0	(4.1)
Share-based payments	0.0	0.0
Transactions with minority interests	(0.2)	0.0
Other changes	0.0	0.0
<b>Shareholders' equity attributable to equity holders of the parent company at end of period</b>	<b>73.1</b>	<b>66.4</b>
<b>Minority interests at beginning of period</b>	<b>0.6</b>	<b>0.6</b>
Income for the period	0.3	0.0
Other comprehensive income	0.0	0.0
<b>Total comprehensive income</b>	<b>0.3</b>	<b>0.0</b>
Dividend	(0.4)	0.0
Capital contribution	0.4	0.0
Minority regarding acquisitions and divestments	0.1	0.0
Other changes	0.0	0.0
<b>Minority interests at end of period</b>	<b>1.0</b>	<b>0.6</b>
<b>Total equity at end of period</b>	<b>74.1</b>	<b>67.0</b>

## Key ratios

### Industrial operations

	Year	
	2010	2009
Gross margin, %	<b>23.3</b>	13.9
Research and development expenses in % of net sales	<b>5.0</b>	6.3
Selling expenses in % of net sales	<b>8.8</b>	11.4
Administrative expenses in % of net sales	<b>2.2</b>	2.8
Operating margin, %	<b>6.9</b>	(7.8)
	<b>31 dec 2010</b>	31 dec 2009
Return on operating capital, %, 12 months rolling values	<b>19.5</b>	(15.6)
Net financial position at end of period, SEK billion	<b>(24.7)</b>	(41.5)
Net financial position in % of shareholders' equity at end of period	<b>(37.4)</b>	(70.9)
Shareholders' equity as percentage of total assets, end of period	<b>26.9</b>	23.8

### Customer finance

	31 dec 2010	31 dec 2009
Return on shareholders' equity, %, 12 months rolling values	<b>0.4</b>	(6.2)
Equity ratio at end of period, %	<b>9.0</b>	8.7
Asset growth, % from preceding year end until end of period	<b>(9.6)</b>	(16.0)

### Volvo Group

	Year	
	2010	2009
Gross margin, %	<b>23.8</b>	14.7
Research and development expenses in % of net sales	<b>4.9</b>	6.0
Selling expenses in % of net sales	<b>9.1</b>	11.6
Administrative expenses in % of net sales	<b>2.1</b>	2.7
Operating margin, %	<b>6.8</b>	(7.8)
	<b>31 dec 2010</b>	31 dec 2009
Basic earnings per share, SEK, 12 months rolling values	<b>5.36</b>	(7.26)
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	<b>36.1</b>	32.8
Return on shareholders' equity, %, 12 months rolling values	<b>16.0</b>	(19.7)
Shareholders' equity as percentage of total assets, end of period	<b>23.3</b>	20.2

## Share data

	Year	
	2010	2009
Basic earnings per share, SEK	<b>5.36</b>	(7.26)
Diluted earnings per share, SEK	<b>5.36</b>	(7.26)
Number of shares outstanding, million	<b>2,027</b>	2,027
Average number of shares during period, million	<b>2,027</b>	2,027
Average diluted number of shares during period, million	<b>2,027</b>	2,027
Number of company shares, held by AB Volvo, million	<b>101</b>	101
Average number of company shares, held by AB Volvo, million	<b>101</b>	101



## Quarterly figures

SEK M unless otherwise stated

	4/2009	1/2010	2/2010	3/2010	4/2010
<b>Industrial operations</b>					
<b>Net sales</b>	<b>57,441</b>	<b>56,459</b>	<b>66,717</b>	<b>62,225</b>	<b>71,974</b>
Cost of sales	(48,314)	(43,579)	(51,066)	(47,015)	(55,820)
<b>Gross income</b>	<b>9,127</b>	<b>12,880</b>	<b>15,651</b>	<b>15,210</b>	<b>16,154</b>
Research and development expenses	(3,366)	(3,004)	(3,201)	(3,125)	(3,640)
Selling expenses	(5,704)	(5,476)	(5,783)	(5,520)	(5,870)
Administrative expenses	(1,372)	(1,622)	(1,430)	(1,295)	(1,293)
Other operating income and expenses	(1,011)	26	(445)	(377)	137
Income from investments in associated companies	16	(19)	(37)	(10)	(20)
Income from other investments	(21)	0	7	(15)	(49)
<b>Operating income Industrial operations</b>	<b>(2,331)</b>	<b>2,785</b>	<b>4,763</b>	<b>4,866</b>	<b>5,420</b>
<b>Customer Finance</b>					
Finance and lease income	2,815	2,508	2,426	2,146	1,951
Finance and lease expenses	(1,925)	(1,737)	(1,670)	(1,387)	(1,180)
<b>Gross income</b>	<b>890</b>	<b>771</b>	<b>756</b>	<b>759</b>	<b>771</b>
Selling and administrative expenses	(388)	(385)	(388)	(384)	(369)
Credit provision expenses	(466)	(374)	(414)	(339)	(311)
Other operating income and expenses	(22)	2	53	12	7
<b>Operating income Customer Finance</b>	<b>15</b>	<b>14</b>	<b>7</b>	<b>48</b>	<b>98</b>
<b>Volvo Group</b>					
<b>Operating income (loss)</b>	<b>(2,316)</b>	<b>2,799</b>	<b>4,770</b>	<b>4,913</b>	<b>5,518</b>
Interest income and similar credits	95	103	112	115	112
Interest expense and similar charges	(886)	(821)	(815)	(739)	(767)
Other financial income and expenses	225	147	475	(39)	(370)
<b>Income after financial items</b>	<b>(2,881)</b>	<b>2,228</b>	<b>4,541</b>	<b>4,251</b>	<b>4,494</b>
Income taxes	897	(508)	(1,315)	(1,401)	(1,078)
<b>Income for the period*</b>	<b>(1,985)</b>	<b>1,720</b>	<b>3,226</b>	<b>2,851</b>	<b>3,415</b>
* Attributable to					
Equity holders of AB Volvo	(1,998)	1,681	3,145	2,807	3,233
Minority interests	13	39	81	44	182
	<b>(1,985)</b>	<b>1,720</b>	<b>3,226</b>	<b>2,851</b>	<b>3,415</b>

### Key operating ratios, Industrial operations

Gross margin, %	15.9	22.8	23.5	24.4	22.4
Research and development expenses in % of net sales	5.9	5.3	4.8	5.0	5.1
Selling expenses in % of net sales	9.9	9.7	8.7	8.9	8.2
Administrative expenses in % of net sales	2.4	2.9	2.1	2.1	1.8
Operating margin, %	(4.1)	4.9	7.1	7.8	7.5

### Depreciation and amortization, included above

Product and Software development, amortization	745	716	706	709	727
Other intangible assets, amortization	109	105	111	119	112
Tangible assets, depreciation	2,696	2,576	2,663	2,703	2,545
<b>Total</b>	<b>3,550</b>	<b>3,397</b>	<b>3,480</b>	<b>3,531</b>	<b>3,384</b>
Of which					
Industrial operations	2,892	2,782	2,858	2,928	2,769
Customer Finance	658	615	622	603	615
<b>Total</b>	<b>3,550</b>	<b>3,397</b>	<b>3,480</b>	<b>3,531</b>	<b>3,384</b>

### Research and development expenses

Capitalization	752	713	464	621	771
Amortization	(643)	(588)	(569)	(575)	(614)
<b>Net capitalization of research and development expenses</b>	<b>109</b>	<b>125</b>	<b>(105)</b>	<b>46</b>	<b>157</b>

## Quarterly figures

Share data	4/2009	1/2010	2/2010	3/2010	4/2010
Earnings per share, SEK*	(0.99)	0.83	1.55	1.38	<b>1.59</b>
Number of shares outstanding, million	2,027	2,027	2,027	2,027	<b>2,027</b>
Average number of shares during period, million	2,027	2,027	2,027	2,027	<b>2,027</b>
Number of company shares, held by AB Volvo, million	101	101	101	101	<b>101</b>

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

Net sales	4/2009	1/2010	2/2010	3/2010	4/2010
SEK M					
Trucks	37,678	36,488	41,589	41,187	<b>48,041</b>
Construction Equipment	10,159	11,148	15,295	12,710	<b>14,657</b>
Buses	5,793	5,067	5,253	4,594	<b>5,602</b>
Volvo Penta	1,939	1,977	2,631	2,077	<b>2,031</b>
Volvo Aero	1,978	1,910	2,133	1,815	<b>1,850</b>
Eliminations and other	(105)	(131)	(184)	(158)	<b>(207)</b>
<b>Industrial operations</b>	<b>57,441</b>	<b>56,459</b>	<b>66,717</b>	<b>62,225</b>	<b>71,974</b>
Customer Finance	2,815	2,508	2,426	2,146	<b>1,951</b>
Eliminations	(458)	(350)	(378)	(402)	<b>(528)</b>
<b>Volvo Group</b>	<b>59,798</b>	<b>58,617</b>	<b>68,765</b>	<b>63,969</b>	<b>73,398</b>

Operating income (loss)	4/2009	1/2010	2/2010	3/2010	4/2010
SEK M					
Trucks	(1,316)	1,444	2,478	2,700	<b>3,490</b>
Construction Equipment	(564)	1,006	2,086	1,330	<b>1,758</b>
Buses	(46)	145	259	155	<b>221</b>
Volvo Penta	7	121	312	72	<b>73</b>
Volvo Aero	(169)	152	(372)	224	<b>282</b>
Group headquarter functions and other	(244)	(83)	0	385	<b>(404)</b>
<b>Industrial operations</b>	<b>(2,331)</b>	<b>2,785</b>	<b>4,763</b>	<b>4,866</b>	<b>5,420</b>
Customer Finance	15	14	7	48	<b>98</b>
<b>Volvo Group</b>	<b>(2,316)</b>	<b>2,799</b>	<b>4,770</b>	<b>4,913</b>	<b>5,518</b>

Operating margin	4/2009	1/2010	2/2010	3/2010	4/2010
%					
Trucks	(3.5)	4.0	6.0	6.6	<b>7.3</b>
Construction Equipment	(5.6)	9.0	13.6	10.5	<b>12.0</b>
Buses	(0.8)	2.9	4.9	3.4	<b>3.9</b>
Volvo Penta	0.4	6.1	11.9	3.5	<b>3.6</b>
Volvo Aero	(8.5)	8.0	(17.4)	12.3	<b>15.2</b>
<b>Industrial operations</b>	<b>(4.1)</b>	<b>4.9</b>	<b>7.1</b>	<b>7.8</b>	<b>7.5</b>
<b>Volvo Group</b>	<b>(3.9)</b>	<b>4.8</b>	<b>6.9</b>	<b>7.7</b>	<b>7.5</b>

## Accounting principles

As from January 1, 2005, AB Volvo applies the International Financial Reporting Standards (IFRS) as adopted by the EU, for the group consolidation. The accounting principles, which were applied during the preparation of this report, are described in Note 1 to the consolidated financial statements, which is included in the 2009 Annual Report for the Volvo Group. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Annual Accounts Act.

The financial reporting of the parent company has been prepared in accordance with the Annual Accounts Act and RFR 2 Reporting for legal entities. Application of RFR 2 entails that in interim reporting for legal entities, the parent company is to apply all IFRSs and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act, and taking into account the connection between accounting and taxation.

### **New accounting principles in 2010**

In accordance with considerations presented in the Annual Report, Note 3, regarding new accounting principles for 2010, a number of new standards and IFRIC interpretations became effective January 1, 2010.

### *Revised IFRS 3 Business combinations*

The standard became effective on July 1, 2009 and applies to fiscal years beginning on or after that date. The standard entails changes to the reporting of future acquisitions regarding for example the accounting of transaction costs, any contingent considerations and step acquisitions. Further information regarding the financial impact is available in note 3 to the consolidated financial statements, included in the 2009 Annual Report for the Volvo Group.

### *IAS 27 amendment Consolidated and separate financial statements*

The standard became effective on July 1, 2009, as a consequence of the revised IFRS 3, and applies to fiscal years beginning on or after that date. The amendment brings about changes in IAS 27 regarding for example how to report changes to the ownership in cases where the parent company retains or loses the control of the owned entity. The Group applies the amendment as of January 1, 2010. The application will prospectively affect the accounting for business combinations made from the application date.

Other new amendments to standards and IFRIC interpretations applied by the Volvo Group from January 1, 2010, have no significant effect on the financial statements of the Group, in accordance with what has been communicated in Note 3 of the Annual Report.

Otherwise, accounting principles and methods of calculations have remained essentially unchanged from those applied in the 2009 Annual Report.

### **Hedging of commercial currency flows**

Volvo only hedges firm flows whereof the major part is realized within 6 months. Hedge accounting is not applied and unrealized gains and losses from fluctuations in the fair values of the contracts are reported in the income statement in the segment Group headquarter functions and other. This has negatively affected the Group's operating income by SEK 269 M during the fourth quarter. When the contracts have been realised the income effect will be reported within the respective segments.

As from January 1, 2011 unrealized changes in fair value of commercial derivatives related to a receivable or payable will be reported in the respective business area. All other unrealized changes in fair value of commercial derivatives will henceforth be reported in the income statement in the segment Group headquarter functions and others.

## 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 34-36 in the 2009 Annual Report for the Volvo Group. The Annual Report is available on the internet at [www.volvogroup.com](http://www.volvogroup.com). Short-term risks, when applicable, are also described in the respective report per business area of this report.

An increase in demand could potentially result in delivery disturbances due to suppliers' financial instability or shortage of resources.

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

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

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities at December 31, 2010, amounted to SEK 11.0 billion, an increase of SEK 1.4 billion compared to December 31, 2009. 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 U.S. 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 elimi-

nate Mack's commitments for providing healthcare to retired employees. The trust must be approved by the U.S. District Court for the Eastern District of Pennsylvania. The approval is now expected during the first half of 2011. The Volvo Group will fund the trust with USD 525 M, payable over 5 years. 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 on 30 November 2009 filed a claim at the Pathumthani Provincial Court of First Instance, Thailand, against AB Volvo and three of its employees, claiming damages of approximately SEK 2.3 billion. AB Volvo considers that the claim is of no merit. Further information is available in note 29 to the consolidated financial statements, included in the 2009 Annual Report for the Volvo Group.

Volvo Trucks' and Renault Trucks' UK subsidiaries have, together with a number of other international truck companies, become the subject of an investigation initiated by the OFT (Office of Fair Trading), the British competition authority. Volvo Trucks' and Renault Trucks' British subsidiaries have received letters from the OFT as part of the investigation and will cooperate fully with the OFT during the course of the investigation.

In January 2011 Volvo Group and a number of other companies in the truck industry have become part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. Volvo Group will cooperate fully with the Commission during the course of the investigative work.

## Corporate acquisitions and divestments

At the end of the fourth quarter total assets and liabilities held for sale amount to SEK 136 M and SEK 135 M respectively corresponding to the entity classified as assets and liabilities held for sale during the third quarter. Depending on the progress with the sale process, the fair value of assets held for sale may change in the forthcoming periods or when the transactions are finalized.

As previously reported, the divestment of Volvo Aero's U.S. subsidiary, Volvo Aero Services, was completed in the beginning of October. The divestment has during the fourth quarter positively affected operating income for segment Volvo Aero by an insignificant amount.

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

### **Acquisitions after the end of the period**

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

## Parent Company

### Income statements

SEK M	Fourth quarter		Year	
	2010	2009	2010	2009
<b>Net sales<sup>1</sup></b>	<b>98</b>	<b>140</b>	<b>564</b>	<b>698</b>
Cost of sales <sup>1</sup>	(98)	(140)	(564)	(698)
<b>Gross income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Operating expenses <sup>1</sup>	(191)	(168)	(644)	(498)
Income from investments in Group companies	8,478	(13,402)	13,252	(6,584)
Income from investments in associated companies	(23)	26	(94)	4
Income from other investments	1	-	3	2
<b>Operating income (loss)</b>	<b>8,265</b>	<b>(13,544)</b>	<b>12,517</b>	<b>(7,076)</b>
Interest income and expenses	(315)	(159)	(893)	(392)
Other financial income and expenses	(9)	(14)	(65)	(8)
<b>Income after financial items</b>	<b>7,941</b>	<b>(13,717)</b>	<b>11,559</b>	<b>(7,476)</b>
Allocations	0	700	0	700
Income taxes	(1,701)	3,618	(1,231)	4,537
<b>Income for the period</b>	<b>6,240</b>	<b>(9,399)</b>	<b>10,328</b>	<b>(2,239)</b>

1 Of net sales in the fourth quarter, SEK 90 M (112) pertains to Group companies, while purchases from Group companies amount to SEK 121 M (89).

### Other comprehensive income

<b>Income for the period</b>	<b>6,240</b>	<b>(9,399)</b>	<b>10,328</b>	<b>(2,239)</b>
Available-for-sale investments	56	(4)	172	74
<b>Other comprehensive income, net of income taxes</b>	<b>56</b>	<b>(4)</b>	<b>172</b>	<b>74</b>
<b>Total comprehensive income for the period</b>	<b>6,296</b>	<b>(9,403)</b>	<b>10,500</b>	<b>(2,165)</b>

### Balance sheet

SEK M	31 dec 2010	31 dec 2009
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	103	96
Tangible assets	16	16
Financial assets		
Shares and participations in Group companies	59,429	57,062
Other shares and participations	2,498	2,363
Deferred tax assets	3,657	65,584
4,712	64,137	
<b>Total non-current assets</b>	<b>65,703</b>	<b>64,249</b>
<b>Current assets</b>		
Short-term receivables from Group companies	12,226	4,707
Other short-term receivables	261	247
Cash and bank accounts	0	0
<b>Total current assets</b>	<b>12,487</b>	<b>4,954</b>
<b>Total assets</b>	<b>78,190</b>	<b>69,203</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	31,962	41,853
21,462	31,353	
Untaxed reserves	4	4
Provisions	134	136
Non-current liabilities <sup>1</sup>	17	7
Current liabilities <sup>2</sup>	36,182	37,703
<b>Total shareholders' equity and liabilities</b>	<b>78,190</b>	<b>69,203</b>

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

2 Of which SEK 35,835 M (37,370) pertains to Group companies.

Income from investments in Group companies for the fourth quarter includes dividends amounting to SEK 1,801 M (662), transfer price adjustments and Group contributions, net, of SEK 6,696 M (-14,064) and write-downs of shareholdings of SEK 19 M (-).

In 2010 a shareholders' contribution was made to Komersiella Fordon Europa AB with SEK 1,801 M.

In 2010 revaluation of the ownership in the listed company Deutz AG has increased the value by SEK 172 M, recognized in other comprehensive income.

Investments in intangible and tangible assets amounted to SEK 22 M (-) and SEK 1 M (0) respectively.

Financial net debt amounted to SEK 30,376 M at the end of the year (18,922).

### Events after the balance sheet date

For events after the balance sheet date, see page 5 of this report.

No other significant events have occurred after the end of the fourth quarter 2010 that are expected to have a substantial effect on the Volvo Group.

### Proposed ordinary dividend of SEK 2.50 per share

Based on the much improved profitability and a significantly reduced debt level, the Board proposes to resume dividends with a pay-out of SEK 2.50 per share for the financial year of 2010, which means a total of SEK 5.069 M is being transferred to AB Volvo's shareholders. No dividend was paid for the preceding year. The Board proposes April 11, 2011 as the record date for entitlement to receive dividends.

### Long-term share-based incentive program for executives

The Board will propose to the Annual General Meeting a performance-based long-term share-based incentive program for maximum 300 of the Volvo Group's top executives. The program will require that the participants invest part of their own salary in Volvo shares. Details about the program will be announced in connection with the Notice to the Annual General Meeting.

Göteborg February 4, 2011

AB Volvo (publ)

The Board of Directors

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

## Deliveries

### Delivered Trucks

	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
<b>Trucks</b>						
Europe	<b>22,863</b>	13,517	69	<b>65,503</b>	49,145	33
Western Europe	<b>19,290</b>	11,651	66	<b>56,215</b>	43,919	28
Eastern Europe	<b>3,573</b>	1,866	91	<b>9,288</b>	5,226	78
North America	<b>8,770</b>	5,637	56	<b>24,282</b>	17,574	38
South America	<b>6,217</b>	4,360	43	<b>21,483</b>	12,587	71
Asia	<b>14,957</b>	11,149	34	<b>53,833</b>	34,800	55
Middle East	<b>3,061</b>	1,534	100	<b>10,263</b>	5,582	84
Other Asia	<b>11,896</b>	9,615	24	<b>43,570</b>	29,218	49
Other markets	<b>4,015</b>	3,505	15	<b>14,888</b>	13,575	10
<b>Total Trucks</b>	<b>56,822</b>	<b>38,168</b>	<b>49</b>	<b>179,989</b>	<b>127,681</b>	<b>41</b>
Light duty (< 7 tons)	<b>7,598</b>	6,608	15	<b>25,811</b>	23,354	11
Medium duty (7-16 tons)	<b>8,183</b>	6,906	18	<b>30,657</b>	21,653	42
Heavy duty (>16 tons)	<b>41,042</b>	24,654	66	<b>123,522</b>	82,675	49
<b>Total Trucks</b>	<b>56,822</b>	<b>38,168</b>	<b>49</b>	<b>179,989</b>	<b>127,681</b>	<b>41</b>
<b>Mack Trucks</b>						
Europe	<b>1</b>	-	-	<b>1</b>	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	<b>1</b>	-	-	<b>1</b>	-	-
North America	<b>3,569</b>	2,626	36	<b>10,469</b>	8,235	27
South America	<b>526</b>	330	59	<b>1,888</b>	1,219	55
Asia	<b>12</b>	56	(79)	<b>47</b>	505	(91)
Middle East	<b>12</b>	56	(79)	<b>43</b>	505	(91)
Other Asia	-	-	-	<b>4</b>	-	-
Other markets	<b>356</b>	216	65	<b>1,060</b>	1,142	(7)
<b>Total Mack Trucks</b>	<b>4,464</b>	<b>3,228</b>	<b>38</b>	<b>13,465</b>	<b>11,101</b>	<b>21</b>
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	-	1	-	<b>2</b>	1	100
Heavy duty (>16 tons)	<b>4,464</b>	3,227	38	<b>13,463</b>	11,100	21
<b>Total Mack Trucks</b>	<b>4,464</b>	<b>3,228</b>	<b>38</b>	<b>13,465</b>	<b>11,101</b>	<b>21</b>
<b>Renault Trucks</b>						
Europe	<b>12,072</b>	8,051	50	<b>35,867</b>	29,396	22
Western Europe	<b>11,104</b>	7,401	50	<b>33,206</b>	27,364	21
Eastern Europe	<b>968</b>	650	49	<b>2,661</b>	2,032	31
North America	<b>17</b>	69	(75)	<b>54</b>	458	(88)
South America	<b>279</b>	223	25	<b>656</b>	574	14
Asia	<b>1,303</b>	559	133	<b>3,448</b>	1,794	92
Middle East	<b>1,073</b>	532	102	<b>2,987</b>	1,606	86
Other Asia	<b>230</b>	27	752	<b>461</b>	188	145
Other markets	<b>1,533</b>	1,542	(1)	<b>5,563</b>	5,263	6
<b>Total Renault Trucks</b>	<b>15,204</b>	<b>10,444</b>	<b>46</b>	<b>45,588</b>	<b>37,485</b>	<b>22</b>
Light duty (< 7 tons)	<b>4,330</b>	3,680	18	<b>14,140</b>	13,993	1
Medium duty (7-16 tons)	<b>1,833</b>	1,704	8	<b>7,385</b>	5,556	33
Heavy duty (>16 tons)	<b>9,041</b>	5,060	79	<b>24,063</b>	17,936	34
<b>Total Renault Trucks</b>	<b>15,204</b>	<b>10,444</b>	<b>46</b>	<b>45,588</b>	<b>37,485</b>	<b>22</b>

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 4, 2011.

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.

## Deliveries

### Delivered Trucks

	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
<b>Volvo Trucks</b>						
Europe	<b>10,790</b>	5,468	97	<b>29,635</b>	19,749	50
Western Europe	<b>8,186</b>	4,250	93	<b>23,009</b>	16,555	39
Eastern Europe	<b>2,604</b>	1,218	114	<b>6,626</b>	3,194	107
North America	<b>4,912</b>	2,757	78	<b>12,749</b>	8,028	59
South America	<b>5,304</b>	3,688	44	<b>18,639</b>	10,349	80
Asia	<b>3,067</b>	1,685	82	<b>10,071</b>	5,573	81
Middle East	<b>1,700</b>	599	184	<b>6,050</b>	2,616	131
Other Asia	<b>1,367</b>	1,086	26	<b>4,021</b>	2,957	36
Other markets	<b>1,074</b>	797	35	<b>4,135</b>	3,712	11
<b>Total Volvo Trucks</b>	<b>25,147</b>	<b>14,395</b>	<b>75</b>	<b>75,229</b>	<b>47,411</b>	<b>59</b>
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	<b>456</b>	496	(8)	<b>1,758</b>	1,556	13
Heavy duty (>16 tons)	<b>24,691</b>	13,899	78	<b>73,471</b>	45,855	60
<b>Total Volvo Trucks</b>	<b>25,147</b>	<b>14,395</b>	<b>75</b>	<b>75,229</b>	<b>47,411</b>	<b>59</b>
<b>UD Trucks</b>						
Europe	-	(2)	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	(2)	-	-	-	-
North America	<b>272</b>	185	47	<b>1,010</b>	853	18
South America	<b>108</b>	119	(9)	<b>300</b>	445	(33)
Asia	<b>5,982</b>	5,630	6	<b>23,908</b>	16,753	43
Middle East	<b>276</b>	347	(20)	<b>1,183</b>	855	38
Other Asia	<b>5,706</b>	5,283	8	<b>22,725</b>	15,898	43
Other markets	<b>1,052</b>	950	11	<b>4,130</b>	3,458	19
<b>Total UD Trucks</b>	<b>7,414</b>	<b>6,882</b>	<b>8</b>	<b>29,348</b>	<b>21,509</b>	<b>36</b>
Light duty (< 7 tons)	<b>2,649</b>	2,545	4	<b>9,657</b>	8,248	17
Medium duty (7-16 tons)	<b>2,588</b>	2,203	17	<b>9,572</b>	6,651	44
Heavy duty (>16 tons)	<b>2,177</b>	2,134	2	<b>10,119</b>	6,610	53
<b>Total UD Trucks</b>	<b>7,414</b>	<b>6,882</b>	<b>8</b>	<b>29,348</b>	<b>21,509</b>	<b>36</b>
<b>Eicher<sup>1</sup></b>						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
South America	-	-	-	-	-	-
Asia	<b>4,594</b>	3,220	43	<b>16,359</b>	10,175	61
Middle East	-	-	-	-	-	-
Other Asia	<b>4,594</b>	3,220	43	<b>16,359</b>	10,175	61
Other markets	-	-	-	-	-	-
<b>Total Eicher</b>	<b>4,594</b>	<b>3,220</b>	<b>43</b>	<b>16,359</b>	<b>10,175</b>	<b>61</b>
Light duty (< 7 tons)	<b>619</b>	383	61	<b>2,014</b>	1,113	81
Medium duty (7-16 tons)	<b>3,306</b>	2,502	32	<b>11,940</b>	7,889	51
Heavy duty (>16 tons)	<b>670</b>	335	100	<b>2,406</b>	1,174	105
<b>Total Eicher</b>	<b>4,594</b>	<b>3,220</b>	<b>43</b>	<b>16,359</b>	<b>10,175</b>	<b>61</b>

1 50% of the joint venture together with Eicher Motor Limited is consolidated in the Volvo Group.



**Delivered Buses**

	Fourth quarter		Change in %	Year		Change in %
	2010	2009		2010	2009	
<b>Buses</b>						
Europe	<b>729</b>	800	(9)	<b>2,395</b>	3,164	(24)
Western Europe	<b>697</b>	784	(11)	<b>2,336</b>	2,896	(19)
Eastern Europe	<b>32</b>	16	100	<b>59</b>	268	(78)
North America	<b>619</b>	575	8	<b>2,092</b>	1,539	36
South America	<b>477</b>	328	45	<b>1,174</b>	690	70
Asia	<b>1,072</b>	1,383	(22)	<b>3,477</b>	3,839	(9)
Other markets	<b>333</b>	186	79	<b>1,091</b>	625	75
<b>Total Buses</b>	<b>3,230</b>	<b>3,272</b>	<b>(1)</b>	<b>10,229</b>	<b>9,857</b>	<b>4</b>

### Publication dates

Annual Report 2010	March, 2011
Annual General Meeting in Gothenburg	April 6, 2011
Report for the first three months 2011	April 27, 2011
Report for the first six months 2011	July 22, 2011
Report for the first nine months 2011	October 21, 2011

The annual and quarterly reports are also published on [www.volvogroup.com](http://www.volvogroup.com)

### Annual Report

AB Volvo's annual report on 2010 will be published the third week of March 2011 and will be available on [www.volvogroup.com](http://www.volvogroup.com).

### Annual General Meeting

AB Volvo's annual general meeting will be held on April 6, 2011 in Göteborg, Sweden.

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# VOLVO

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