Volvo Group

Nine months ended September 30, 2008

The third quarter:

Net sales increased by 2% to SEK 69.6 billion (68.4) in the third quarter

In the third quarter, operating income declined by 37% to SEK 3,177 M (5,010)

In the third quarter, basic and diluted earnings per share declined by 36% to SEK 0.98 (1.54)

Operating cash flow in Industrial Operations was negative in amount of SEK 6.1 billion (neg. 0.4)

Significant impact from increased costs for raw materials and components

Increased research and development efforts ahead of new emission regulations and for hybrid projects

Slowdown in demand and restructuring costs

Volvo Group	Third quarter 2008	Third quarter 2007	First nine months 2008	First nine months 2007	Change, %
Net sales Volvo Group, SEK M	**69,604**	68,367	**226,713**	200,849	13
Operating income Volvo Group, SEK M	**3,177**	5,010	**16,850**	16,457	2
Operating income Industrial Operations, SEK M	**2,786**	4,555	**15,691**	15,186	3
Operating income Customer Finance, SEK M	**391**	454	**1,159**	1,270	–9
Operating margin Volvo Group, %	**4.6**	7.3	**7.4**	8.2	—
Income after financial items, SEK M	**2,898**	4,571	**16,520**	15,948	4
Income for the period, SEK M	**2,000**	3,149	**11,364**	10,935	4
Diluted earnings per share, SEK	**0.98**	1.54	**5.58**	5.37	
Return on shareholders' equity, rolling 12 months, %			**18.9**	17.3	

VOLVO

Content

Comments by the CEO – a difficult quarter

After a first and second quarter with record sales and record income, sales growth decelerated much more rapidly than expected during the third quarter, as visible in the reported earnings. The downturn in the economy has been significantly exacerbated by the global financial crisis. The important European market has declined significantly, while North America and Japan continue to show weak demand. In addition, we are seeing indications that the economic climate is also weakening in other parts of the world. Because of the deceleration being so rapid, we haven't been able to reduce our costs at the same pace, but currently hard work is being performed around the Group in order to adjust operations to the present market situation and to counter the effects of increases in the cost of materials.

In Europe, customers are continuing to adopt a wait-and-see attitude to the ordering of new vehicles and equipment. Moreover, they have increasingly opted to cancel already placed orders. For our part, we have made sure to diligently go through and cleanse out orders in order to secure the quality in our order books. The same number of orders that have been received in Europe during the quarter have been removed from the order books, which contributed to a virtual standstill in net order bookings. Due to this situation, it has become necessary for us to adapt our production rates and costs to the lower demand trends prevailing in our markets. Although the personnel cutbacks that we have decided on are painful, they are essential because the economic climate has become much harsher.

In North America, demand for trucks remains weak, at the same time as the markets for construction equipment and boat engines have declined additionally. To enhance the efficiency of our North American truck operations, we are planning to relocate Mack's Head Office, including such functions as product planning, product development and purchasing, to Greensboro, North Carolina, where most of the Group's truck operations in North America are already located. We are also concentrating production of Mack trucks to one plant.

To enhance competitiveness and profitability within road machinery in North America, we will close the factory in Goderich, Canada and concentrate manufacturing to the plant in Shippensburg.

Sharp deceleration – lower profitability

During the quarter, the Volvo Group's sales totaled SEK 69.6 billion. Sales declined in Western Europe and North America but increased in Eastern Europe, Asia and South America.

Operating profit declined 37% to SEK 3.2 billion. Cost inflation pertaining to raw materials and components had a sharply adverse impact on earnings. The upward pressure on prices that we started to note during the second quarter had a full impact in the third quarter. Earnings were also charged with costs for the restructuring of road machinery in North America and increased costs for research and development in preparation for new emission legislation scheduled for introduction in several markets in the next few years. We are also investing resources in the development of new generations of hybrid vehicles. These are key initiatives in efforts to boost our future competitiveness.

Cash flow was negative during the quarter, mainly as a consequence of decreased trade payables, but also because of lower operating income and excessive inventory build-up. Work to reduce inventories is a very highly prioritized area.

Adaptation to lower demand

Deliveries from the Group's truck operations decreased by 5% for comparable units during the quarter, order bookings declined sharply and operating profit declined to SEK 2.7 billion. We are currently implementing structural measures and adapting production rates in an effort to reduce costs and increase efficiency. In view of the weakened business trend in Europe, we expect the truck market to grow by 0-5% in 2008. In North America, the market is expected to decline by about 10% this year, compared with 2007.

On August 1, 50% of the joint venture with Eicher Motor in India was consolidated in the Volvo Group. As a result of this partnership, new opportunities will be opened in the Indian trucks market, which is highly attractive from a long-term perspective. We also see opportunities to eventually export trucks from India to other markets in Asia and Africa, among other regions.

Of the Group's business areas, Construction Equipment, for which steel is an important input material, was affected most severely by the increase in raw material prices, which resulted in reduced profitability. In North America demand weakened further and in Europe the downturn rapidly spread from the compact machines to the larger machines.

Buses reports weak earnings, but is implementing important measures within the framework of its global profitability program, in which restructuring of the European manufacturing system is a key feature. At Volvo Penta, the market for marine motors for leisure boats continued to decline, while industrial motors experienced a better trend. Volvo Aero's earnings improved compared with the second quarter, as an effect of healthy development within its components business.

Our customer financing operation within Volvo Financial Services showed healthy profitability in the third quarter. We have a conservative approach to customer financing, and our credit losses remained low during the third quarter.

Strong finances

The Volvo Group's financial position is strong. The need for refinancing of industrial operations is very limited in the next few years. In our customer financing business, we need to turn to the credit market to finance customers who choose to raise loans for purchasing new products. We haven't had to reject loan applications from credit-worthy customers. We have secured financing to cover the lending that we expect to grant to customers during the remainder of 2008.

We are in a situation in which demand is declining in an increasing number of our markets. In times of recession, we face increasingly tougher demands. To ensure that the Volvo Group will emerge from the imminent recession with a stronger market position, we will have to quickly adapt our production even though it's painful and affects many co-workers. We must lower our overhead costs, increase our cash flow and, not least continue to work hard and in a determined manner.

Leif Johansson
President and CEO

Important events

Volvo CE to move motor grader business as part of North American consolidation plan

Volvo Construction Equipment (Volvo CE) will move its North American motor grader activities currently located in Goderich, Ontario, Canada, to the company's facility in Shippensburg, Pennsylvania, USA. Volvo CE incurred a restructuring cost of SEK 300 M which was recorded in the third quarter of 2008.

Volvo Group moves ahead in hybrids

The Volvo Group is now introducing the fourth-generation hybrid solution on a broad front in buses, trucks and construction equipment. The Group's hybrid solution for heavy vehicles is completely different from anything that has existed in the market to date. As a result of the combined volumes and resources, the Group has succeeded in developing a more standardized platform solution, which is a prerequisite for the hybrid technology's ability to have a widespread commercial impact in the market for heavy vehicles.

At the IAA trade show in Hannover in September, Volvo Buses showcased the market's first commercially viable hybrid bus, the Volvo 7700 Hybrid with up to 30% lower fuel consumption and hybrid components from Volvo.

Mack and Volvo Trucks launch North American optimization plan

Mack Trucks and Volvo Trucks North America have jointly formulated a plan for increasing the efficiency of their North American operations. The plan includes the relocation of Mack's head office from Allentown, Pennsylvania, to Greensboro in North Carolina, and a concentration of Mack's truck production to the plant in Macungie, Pennsylvania. Out of USD 60 M in restructuring costs, USD 5 M (SEK 30 M) impacted the third quarter. The majority of the remaining cost is expected to be recorded in the fourth quarter of 2008.

Previously reported important events

- Strike at New River Valley plant in the US
- Volvo Buses plans to close plant in Tampere, Finland
- AB Volvo reaches settlements with American authorities regarding Oil-for-food
- Annual General Meeting of AB Volvo
- Europe's first hybrid refuse truck presented
- Final agreement with Indian vehicle manufacturer Eicher Motors
- Volvo Buses to sell body plant in Turku, Finland
- Volvo Group entered into a SEK 6.2 billion loan agreement
- Volvo Aero entered into two major engine programs

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

Financial summary of the third quarter

Volvo Group

Net sales

The Volvo Group's net sales increased by 2% to SEK 69,604 M during the third quarter of 2008, compared with SEK 68,367 M in the corresponding quarter a year earlier.

Operating income

The Volvo Group's operating income declined by 37% to SEK 3,177 M in the third quarter (5,010). The Industrial Operations' operating income declined by 39% to SEK 2,786 M, compared to SEK 4,555 M in the preceding year. Operating income for the Volvo Group's Customer Finance declined by 14% to SEK 391 M (454). For detailed information on the development, see separate sections below.

Income Statement Volvo Group

SEK M	Third quarter 2008	Third quarter 2007	Change, %	First nine months 2008	First nine months 2007	Change, %
Net sales Volvo Group	**69,604**	**68,367**	**2**	**226,713**	**200,849**	**13**
Operating Income Volvo Group	**3,177**	**5,010**	**(37)**	**16,850**	**16,457**	**2**
Operating income Industrial Operations	***2,786***	*4,555*	*(39)*	***15,691***	*15,186*	*3*
Operating income Customer Finance	***391***	*454*	*(14)*	***1,159***	*1,270*	*(9)*
Interest income and similar credits	**251**	206	22	**804**	695	16
Interest expense and similar credits	**(460)**	(325)	42	**(1,177)**	(805)	46
Other financial income and expenses	**(70)**	(320)	–	**43**	(399)	–
Income after financial items	**2,898**	**4,571**	**(37)**	**16,520**	**15,948**	**4**
Taxes	**(898)**	(1,422)	(37)	**(5,156)**	(5,013)	3
Income for the period	**2,000**	**3,149**	**(36)**	**11,364**	**10,935**	**4**

Net financial items

Net interest expense in the third quarter was SEK 209 M, compared with an expense of SEK 119 M for the same period in the preceding year. The increased interest expense is among others attributable to an increased debt level.

During the quarter, market valuation of derivatives used for the customer financing portfolio had a negative effect on Other financial income and expenses in an amount of SEK 116 M compared to a negative impact of SEK 269 M in the third quarter of 2007. The negative impact is mainly due to long term interest rates decreasing in all major funding currencies during the quarter.

Income taxes

The tax cost in the third quarter amounted to SEK 898 M (1,422). The tax rate during the quarter was 31% (31%).

Income for the period and earnings per share

Income for the period amounted to SEK 2,000 M (3,149) in the third quarter of 2008. Income declined primarily as a result of lower operating income.

Basic earnings per share in the third quarter amounted to SEK 0.98 (1.54). Assuming that the current incentive program is fully exercised earnings per share after full dilution was SEK 0.98 (1.54).

Volvo Group's Industrial Operations – lower profit level

In the third quarter, net sales for the Volvo Group's Industrial Operations increased by 2% to SEK 67,294 M (66,253). Adjusted for changes in exchange rates and acquired and divested units net sales increased by 4%.

The positive development continued in Eastern Europe, South America and Other markets mainly due to good organic growth. On the other hand, sales declined in the Group's major markets Western Europe and North America. In Europe the downturn has been more rapid than previously expected, aggravated by the financial crisis. Demand decreased further in North America, even in comparison to the already weak demand of previous quarters.

In the third quarter, Trucks' net sales increased by 2% to SEK 46,076 M (45,349), Construction Equipment's by 2% to SEK 13,174 M (12,962), Buses' by 7% to SEK 3,833 M (3,587). On the other hand, Volvo Penta's net sales declined by 1% to SEK 2,663 M (2,703) and Volvo Aero's by 12% to SEK 1,618 M (1,848).

Net sales by market area

SEK M	Third quarter 2008	Third quarter 2007	Change, %	First nine months 2008	First nine months 2007	Change, %	Share of industrial operations' net sales, %
Western Europe	**26,039**	27,168	(4)	**94,157**	88,227	7	43
Eastern Europe	**7,270**	6,012	21	**23,171**	18,231	27	11
North America	**10,593**	11,995	(12)	**34,841**	36,432	(4)	16
South America	**5,325**	3,935	35	**13,961**	10,634	31	6
Asia	**13,036**	12,629	3	**39,867**	28,773	39	18
Other markets	**5,031**	4,514	11	**14,343**	12,152	18	7
Total Industrial Operations	**67,294**	**66,253**	**2**	**220,340**	**194,449**	**13**	**100**

Income Statement, Industrial Operations

SEK M	Third quarter 2008	Third quarter 2007	Change, %	First nine months 2008	First nine months 2007	Change, %
Net sales	**67,294**	**66,253**	**2**	**220,340**	**194,449**	**13**
Cost of sales	**(53,207)**	(51,379)	4	**(170,551)**	(150,260)	14
Gross income	**14,087**	**14,874**	**(5)**	**49,789**	**44,189**	**13**
Gross margin, %	***20.9***	*22.5*		***22.6***	*22.7*	
Research and development expenses	**(3,428)**	(2,603)	32	**(10,097)**	(7,616)	33
Selling expenses	**(6,074)**	(6,206)	(2)	**(18,537)**	(16,971)	9
Administrative expenses	**(1,710)**	(1,649)	4	**(5,391)**	(5,176)	4
Other operating income and expenses	**(96)**	82	–	**(150)**	257	–
Income from investments in associated companies	**(2)**	27	–	**12**	425	(97)
Income from other investments	**10**	30	(67)	**66**	78	(15)
Operating income, Industrial Operations	**2,786**	**4,555**	**(39)**	**15,691**	**15,186**	**3**
Operating margin, %	***4.1***	*6.9*		***7.1***	*7.8*	
Operating income before depreciation and amortization (EBITDA)	**5,523**	6,847	(19)	**23,770**	21,984	8
EBITDA margin, %	***8.2***	*10.3*	–	***10.8***	*11.3*	–

Operating income decreased

In the third quarter of 2008, operating income for the Volvo Group's Industrial Operations amounted to SEK 2,786 M, which was a decline of 39% compared to the third quarter of 2007 when it was SEK 4,555 M. The operating margin for the Industrial Operations amounted to 4.1% (6.9).

In North America profitability decreased considerably due to weaker demand and a lower level of deliveries of trucks and construction equipment in combination with low capacity utilization and low productivity in the industrial system. Profitability was also impacted by charges associated with the restructuring of the North American truck business and the decision to close the motor grader factory in Canada and move the production to a plant in USA. Out of the announced USD 60 M in restructuring costs for the North American truck business, SEK 30 M (USD 5 M) impacted the third quarter. The majority of the remaining cost is expected to be recorded in the fourth quarter of 2008. The decision to close the factory in Goderich, Canada affected operating income negatively by SEK 300 M.

During the third quarter there was a significant negative impact from cost inflation relating to higher costs for raw materials and components, estimated at approximately SEK 1 billion compared with the third quarter of 2007, of which the majority impacted Construction Equipment. The increased purchasing costs haven't been fully compensated by increased prices on the Group's products, primarily for construction equipment. In spite of raw material market prices beginning to decrease during the third quarter, the Group's cost for raw materials and components is expected to remain on a high level the next quarter.

As a consequence of rapidly weakening demand primarily in Europe, deliveries of products decreased in the third quarter. In order to adjust to market demand, production rates have been reduced with lower capacity utilization as a result. Staffing levels in Europe are being reviewed and operating expenses reduced to meet lower demand.

In the third quarter of 2008, research and development expenses amounted to SEK 3,428 M (2,603). The cost increase of SEK 825 M, is primarily a consequence of increased spending ahead of upcoming emission regulations in Europe, USA and Japan in 2009 and 2010 as well as spending on projects for the launch of diesel-electric hybrids the next few years. The net of capitalization and amortization had a negative impact of SEK 234 M, compared with a negative impact of SEK 175 M in the third quarter of 2007.

The operating income includes a gain of SEK 234 M from the sale of the Volvo Group's Indian truck sales operations and service network for trucks and buses to the newly established VE Commercial Vehicle, which is a joint venture with Eicher Motor Limited.

The combined effect of changed exchange rates had a positive effect on operating income of approximately SEK 150 M in the third quarter of 2008, compared with the same period in 2007.

The third quarter of 2007 was negatively affected by SEK 100 M from lower deliveries of excavators due to a labor dispute in South Korea.

Negative operating cash flow due to decreased trade payables and inventory build-up

In the third quarter of 2008, operating cash flow from the industrial operations was negative in an amount of SEK 6.1 billion compared to a negative SEK 0.4 billion in the third quarter of 2007. The decrease is attributable to lower operating income, higher investments in fixed assets and increased working capital. The increase is mainly a consequence of lower trade payables, which is a natural effect due to the vacation period in the third quarter but also a consequence of the fact that planned production rates are lower in the fourth quarter. The increased working capital is also an effect of higher inventory levels.

Volvo Group's Customer Finance
– increasing relevance

Total new financing volume in the third quarter of 2008 amounted to SEK 10.9 billion (9.8). In total, 11,715 new Volvo Group units (10,727) were financed during the quarter. In the markets where financing is offered, the average penetration rate in the third quarter was 28% (27).

At September 30, 2008 total assets in Customer Finance amounted to SEK 106 billion (85). Excluding receivables recorded in connection with the acquisition of Nissan Diesel, the credit portfolio grew by 16.1% (9.2) over the last 12 months, adjusted for exchange-rate movements. The credit portfolio is matched against borrowing in terms of tenure, rate and currency.

Operating income in the third quarter amounted to SEK 391 M (454). Return on shareholders' equity for the rolling 12 months was 13.9% (14.1). The equity ratio at the end of the third quarter was 8.2% (8.5).

Write-offs in the third quarter amounted to SEK 140 M (36). The annualized write-off ratio through September 30, 2008 was 0.43% (0.27), while the total credit reserves were 1.38% of the credit portfolio (1.75).

Income statement, Customer Finance

SEK M	Third quarter 2008	Third quarter 2007	Change, %	First nine months 2008	First nine months 2007	Change, %
Finance and lease income	**2,178**	2,034	7	**6,153**	5,733	7
Finance and lease expenses	**(1,305)**	(1,228)	6	**(3,657)**	(3,368)	9
Gross income	**873**	**807**	**8**	**2,496**	**2,366**	**6**
Selling and administrative expenses	**(389)**	(360)	8	**(1,133)**	(1,074)	5
Credit provision expenses	**(124)**	(5)	0	**(244)**	(69)	0
Other operating income and expenses	**33**	13	0	**40**	48	0
Operating income	**391**	**454**	**(14)**	**1,159**	**1,270**	**(9)**
Income taxes	**(139)**	(132)	6	**(386)**	(435)	(11)
Income for the period	**253**	**323**	**(22)**	**774**	**835**	**(7)**
Return on Equity, 12 month moving values			*13.9%*	*14.1%*	–	

Providing vital customer services during the downturn

The turmoil in the financial markets is challenging, but Volvo Financial Services (VFS) continues to provide vital financial services to Volvo Group customers and dealers throughout the world, focusing on strong credit discipline and a close working relationship with dealers, customers and the other business areas in the Volvo Group.

At the same time, the organization is prepared to take advantage of some of the opportunities that arise in this part of the business cycle. As evidenced by the strong volume and good penetration levels, VFS has been successful in a number of markets. VFS is providing financing to a larger portion of the Group's customers while improving operational processes and maintaining credit standards.

During the third quarter, VFS continued to execute on its geographic growth strategy by commencing customer financing activities in Chile and Hungary. On the organic growth front, VFS reported strong third quarter new business volume of SEK 10.9 billion, and achieved a quarterly penetration level of 28%.

The economic environment in North America continued to be difficult during the third quarter and some European markets are experiencing similar difficulties. The global financial crisis and the resultant restricted liquidity have exacerbated the downturn in a number of markets creating both challenges and opportunities for VFS. With this backdrop the VFS organization is heavily focused on downturn management activities. In North America and, more recently, Europe, delinquencies, repossessions and write-offs have increased, but are still at manageable levels, largely due to the continual focus on credit quality and operational excellence.

Volvo Group financial position

The Volvo Group's Industrial Operations net financial debt amounted to SEK 23.8 billion at September 30, 2008, an increase of SEK 19.5 billion compared to the year-end of 2007, and equal to 32.4% of shareholders' equity. The increase is a result of the dividend paid to the Shareholders' during the second quarter and the negative operating cash flow during 2008.

During the third quarter the Volvo Group's total inventories increased by SEK 4.3 billion and the customer financing receivables increased by SEK 5.8 billion. The Volvo Group's intangible assets increased during the third quarter by SEK 3.6 billion partly as an effect of the consolidation of VE Commercial Vehicles. Marketable securities decreased by SEK 2.8 billion and currency had a positive effect on the Volvo Group's total assets amounting to SEK 16.1 billion compared to the end of the second quarter of 2008.

At the end of the third quarter, the equity ratio in the Industrial Operations was 29.5% (29.0) and in the Volvo Group 23.6% (24.0). At September 30, 2008 shareholders' equity in the Group amounted to SEK 82.3 billion.

Related-party transactions

Sales to associated companies amounted to SEK 881 M and purchasing from associated companies amounted to SEK 93 M during the first nine months of 2008. On September 30, 2008, receivables from associated companies amounted to SEK 180 M and liabilities to associated companies to SEK 48 M. Sales to related-party Renault SA amounted to SEK 85 M and purchasing from Renault SA to SEK 2,305 M during the first nine months of 2008. Receivables from Renault SA amounted to SEK 32 M and liabilities to Renault SA to SEK 370 M at September 30, 2008.

Number of employees

On September 30, 2008, the Volvo Group had 103,402 employees, compared with 101,698 at year-end 2007. The consolidation of the joint venture company together with Eicher Motor Limited added some 1,800 employees.

Business segment overview

Net sales SEK M	Third quarter 2008	 2007	Change, %	Change, %[1]	First nine months 2008	 2007	12 month rolling value	Jan–Dec 2007
Trucks	**46,076**	45,349	2	3	**149,521**	130,879	206,534	187,892
Construction Equipment	**13,174**	12,962	2	7	**45,048**	38,110	60,571	53,633
Buses	**3,833**	3,587	7	9	**11,831**	11,435	17,004	16,608
Volvo Penta	**2,663**	2,703	(1)	0	**9,179**	8,860	12,038	11,719
Volvo Aero	**1,618**	1,848	(12)	(2)	**5,209**	5,654	7,201	7,646
Eliminations and other	**(70)**	(196)	–	–	**(448)**	(489)	(662)	(703)
Industrial Operations	**67,294**	**66,253**	**2**	**4**	**220,340**	**194,449**	**302,686**	**276,795**
Customer Finance	**2,178**	2,034	7	0	**6,153**	5,733	8,125	7,705
Reclassifications and eliminations	**133**	80	–	–	**220**	667	458	905
Volvo Group	**69,604**	**68,367**	**2**	**-**	**226,713**	**200,849**	**311,269**	**285,405**

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

Operating income (loss) SEK M	Third quarter 2008	 2007	Change, %	First nine months 2008	 2007	12 month rolling value	Jan–Dec 2007
Trucks	**2,653**	3,507	(24)	**11,910**	11,049	16,054	15,193
Construction Equipment	**134**	839	(84)	**3,064**	3,183	4,099	4,218
Buses	**(72)**	(74)	(3)	**(148)**	138	(55)	231
Volvo Penta	**198**	259	(24)	**974**	996	1,151	1,173
Volvo Aero	**78**	148	(47)	**218**	333	414	529
Group headquarter functions and other	**(205)**	(125)	–	**(327)**	(514)	(574)	(761)
Industrial Operations	**2,786**	**4,555**	**(39)**	**15,691**	**15,186**	**21,089**	**20,583**
Customer Finance	**391**	454	(14)	**1,159**	1,270	1,538	1,649
Volvo Group	**3,177**	**5,010**	**(37)**	**16,850**	**16,457**	**22,624**	**22,231**

Operating margin %	Third quarter 2008	 2007	First nine months 2008	 2007	12 month rolling value	Jan–Dec 2007
Trucks	**5.8**	7.7	**8.0**	8.4	7.8	8.1
Construction Equipment	**1.0**	6.5	**6.8**	8.4	6.8	7.9
Buses	**(1.9)**	(2.1)	**(1.3)**	1.2	(0.3)	1.4
Volvo Penta	**7.4**	9.6	**10.6**	11.2	9.6	10.0
Volvo Aero	**4.8**	8.0	**4.2**	5.9	5.7	6.9
Industrial Operations	**4.1**	**6.9**	**7.1**	**7.8**	**7.0**	**7.4**
Volvo Group	**4.6**	**7.3**	**7.4**	**8.2**	**7.3**	**7.8**

Overview of Industrial Operations

Trucks
– lower profitability

- Significant slowdown in demand in Europe
- Operating income down 24%, driven by North America
- Production system and overhead costs being adjusted to lower demand

Decelerating truck markets

After a strong first half of 2008 with registrations of trucks on very high levels in Europe, the market has decelerated through the course of the third quarter of 2008. As of August, the total number of registrations in Europe 29 (EU, Norway and Switzerland) increased by 7% to 230,956 heavy trucks (215,014). Registrations increased in France, the UK, Italy and the Netherlands while they were flat in Germany and declined in Spain. Registrations in the new member states showed an increase of 2%.

Through September 2008, the total market for heavy trucks (Class 8) in North America declined by 13% to 140,288 trucks compared with 161,311 trucks in the same period 2007. The decrease is a consequence of the weak US economy, high fuel prices and a drop-off in the housing construction sector.

In South America demand has been favorable and in Brazil the market as of September grew by 49% to 61,392 heavy trucks (41,224). As of August, the Chinese market for trucks over 14 tons grew by 34% to 453,376 trucks (339,329). In India the market is now slowing down, although registrations increased by 1% to 129,170 trucks (127,715) as of August. The Japanese market for heavy trucks amounted to 27,514 vehicles (33,658), which was a decrease of 18%.

Net sales by market area, Trucks

	Third quarter		Change,	First nine months		Change,
SEK M	**2008**	2007	%	**2008**	2007	%
Europe	**23,895**	23,394	2	**83,825**	76,369	10
North America	**5,941**	6,583	(10)	**19,004**	19,684	(3)
South America	**3,942**	2,874	37	**10,559**	7,933	33
Asia	**8,645**	9,035	(4)	**25,847**	17,643	47
Other markets	**3,653**	3,463	5	**10,286**	9,250	11
Total	**46,076**	**45,349**	**2**	**149,521**	**130,879**	**14**

Net order intake per market[1]

	Third quarter		Change,	First nine months		Change,
Number of trucks	**2008**	2007	%	**2008**	2007	%
Europe	**115**	41,970	(100)	**48,333**	133,584	(64)
North America	**7,578**	7,486	1	**19,611**	16,187	21
South America	**5,096**	3,578	42	**13,639**	12,752	7
Asia	**14,607**	12,863	13	**43,067**	37,574	15
Other markets	**4,676**	5,675	(18)	**19,823**	17,647	12
Total	**32,072**	**71,572**	**(55)**	**144,488**	**217,744**	**(34)**

1) 50% of the joint venture together with Eicher Motor Limited was consolidated in the Volvo Group on August 1, 2008. An order intake of 1,812 trucks during August and September is included in market area Asia. Nissan Diesel was consolidated into the Volvo Group on April 1, 2007

Considerably weaker demand in Europe

The downturn in demand in Europe has been more severe than previously expected. The financial turmoil and credit tightening has led to a very cautious approach among customers when it comes to deciding on investing in new trucks. During the quarter, gross order intake in Europe amounted to approximately 20,000 trucks, consisting of both new customer orders and some changed orders. The explanation to why the net order intake only amounted to 115 trucks is that a review of the order book was carried out in close cooperation with customers. The review resulted in that approximately the same number of orders that were received during the quarter was taken out of the order book. This cleaning out of the order book has opened up production slots that in some cases have been filled by orders from customers in regions such as the Middle East and some parts of Asia where delivery times have been long. The lead time for trucks manufactured in the European industrial system is back to normal levels.

Against the backdrop of the high registration numbers during the first eight months of 2008 and present delivery rates from the industry, the total European market (Europe 29) for heavy trucks is expected to grow by 0–5% during 2008 compared with 2007. The previous forecast was a growth of 10%. To forecast the market demand in Europe in 2009 is difficult given the uncertain economic development and the financial turmoil, but the Volvo Group's truck operations is at present time in the process of adapting the industrial system to meet a significant decline in Europe.

Order bookings in North America continued to be on a low level due to the ongoing sluggishness of the US economy, high fuel prices, softness in housing construction and the financial turmoil. Altogether, the heavy truck market in North America is now expected to decline by approximately 10% in 2008 compared to 2007. The previous forecast was for a market on the same level as in 2007. The North American market is expected to start recovering from present levels, primarily driven by replacement demand. However, the timing of a recovery is difficult to predict as customers currently are putting off investments in new trucks due to the financial turmoil and the uncertainty about the development in the American economy.

The total Japanese market for medium duty and heavy duty trucks is expected to decline by about 15% during 2008 from the level of 89,000 trucks during 2007. The previous forecast was a decline of 10–15%.

Truck deliveries decreased slightly

The overall delivery pace of the truck operations decreased during the third quarter of 2008. In total, 56,243 trucks were delivered during the quarter, which is 2% lower compared with 57,151 trucks in the same quarter of the preceding year. Adjusted for the consolidation of the joint venture VE Commercial Vehicles deliveries decreased by 5%.

Deliveries decreased by 8% in Europe and by 12% in North America. The slower rate of deliveries in these markets was almost offset by continued increases in South America and Asia, where deliveries were up by 27% and 11% respectively.

Maintained sales but lower profitability

During the third quarter of 2008, the truck operation's net sales amounted to SEK 46,076 M, which was an increase of 2% compared with SEK 45,349 M during the third quarter of 2007. Adjusted for changes in exchange rates and acquired companies, net sales increased by 3%.

Deliveries per market

	Third quarter		Change,	First nine months		Change,
Number of trucks	**2008**	2007	%	**2008**	2007	%
Europe	**24,155**	26,391	(8)	**97,002**	88,330	10
North America	**6,572**	7,494	(12)	**22,511**	22,058	2
South America	**4,890**	3,854	27	**13,343**	10,445	28
Asia[1]	**15,736**	14,160	11	**44,355**	25,819	72
Other markets	**4,890**	5,252	(7)	**14,677**	13,179	11
Total	**56,243**	**57,151**	**(2)**	**191,888**	**159,831**	**20**

1) 50% of the joint venture together with Eicher Motor Limited was consolidated in the Volvo Group on August 1, 2008. Deliveries of 1,825 trucks during August and September are included in market area Asia.

Operating income declined by 24% to SEK 2,653 M (3,507) and the operating margin declined to 5.8% (7.7). The lower operating income is an effect of lower deliveries, negative market mix, cost inflation on raw materials and components as well as increased research and development costs ahead of new emission standards. Out of the announced USD 60 M in restructuring costs for the truck business in North America, SEK 30 M (USD 5 M) impacted the third quarter. The majority of the remaining cost is expected to be recorded in the fourth quarter of 2008.

Adjustment of production levels in Europe and restructuring in North America

In October, Volvo Trucks decided to reduce production in Europe to adapt to lower demand in Europe. As a consequence, 1,400 employees at the plants in Ghent, Belgium and in Göteborg and Umeå, Sweden have been given notice of redundancy. A cost-reduction plan will also be implemented in order to meet the lower sales levels and increasing raw material costs.

During the third quarter, Volvo Trucks started production of the new generation Volvo FH and Volvo FM.

During the quarter, Renault Trucks gradually reduced the number of temporary workers and adjusted production capacity to the lower demand in Europe. Assembly of Renault Trucks began at Karsan in Turkey for sale in Turkey and neighboring countries.

Renault Trucks has started field tests with the hybrid truck Renault Premium Distribution Hybrys Tech. In October a refuse version began tests in Lyon, France. Renault Trucks has also unveiled two concept trucks for city and intercity distribution, including an all-electric Renault Maxity and a Renault Premium Optifuel concept with new aerodynamic features enabling significantly lower fuel consumption.

In August, Mack and Volvo Trucks launched a North American optimization plan that includes the relocation of Mack's head office and all support functions including product planning, product development and purchasing from Allentown, Pennsylvania to Greensboro, North Carolina and a concentration of Mack's truck production to the plant in Macungie, Pennsylvania.

Nissan Diesel continues to focus on several integration projects and product development projects ahead of the new emission regulations in 2010.

The newly created joint venture for production of trucks and buses together with Eicher Motor Limited in India commenced on August 1, 2008. Currently an extensive 100-day program is underway to set the strategic direction of the joint venture and to develop implementation plans.

Construction Equipment – lower order intake and sharp decline in profit

- Sales up 2%
- Operating income affected by increased steel prices and a restructuring charge of SEK 300 M
- Markets continue to fall

Markets in Europe and North America continue to decline

The total world market for heavy, compact and road machinery equipment decreased 9% during the third quarter of 2008 compared to the same period last year. Demand in Europe and North America fell as a consequence of lower activity primarily within residential construction and increased hesitancy among customers in the wake of the financial turmoil. There are increasing signs of demand weakening also in markets outside Europe and North America. To mitigate the effects of the weakening demand, Volvo CE is now quickly lowering production rates and during September and October has been forced to give notice of redundancy to employees in Sweden among other countries. Volvo CE is also implementing actions to reduce operating expenses.

The total world market conditions are considerably softer than in 2007. The European market is expected to decline by 15–20% in 2008 compared to last year. The previous forecast was that the market was going to decline by 5–10%. North America is expected to decline by 20% which is the same as the forecast in the second quarter. The rest of the world is expected to grow by 15–20% compared to the previous forecast of 20%.

Sharp decline in profits

Net sales in Construction Equipment rose by 2% to SEK 13,174 M (12,962) in the third quarter. Adjusted for changes in the exchange rates and acquired and divested units, net sales rose by 7%.

Operating income declined to SEK 134 M (839) and the operating margin was 1.0% (6.5). The decline in operating income was driven by significant cost inflation on primarily steel, which hasn't fully been compensated by price increases on the company's products, negative currency impact and a restructuring cost of SEK 300 M for the move of the motor grader business. The third quarter of 2007 was negatively affected by SEK 100 M from lower deliveries of excavators due to a labor dispute in South Korea.

The value of the order book at September 30, 2008 was 44% lower than the same date the previous year, excluding Lingong and the acquired road machinery business.

Motor grader production to be moved to Shippensburg

Volvo CE has decided to move its North American motor grader activities currently located in Goderich, Canada, to the company's facility in Shippensburg, USA. The decision to consolidate the industrial operations for road machinery was taken to improve the competitiveness and profitability, and it will also reduce the exposure to exchange rate fluctuations. The move, which will affect 500 employees in total, will be concluded no later than 2010.

On September 15, 2008 it was announced that Olof Persson will take up the position as president of Volvo Construction Equipment as of November 1, 2008. He succeeds Tony Helsham, who will be responsible for the development of soft products within the Volvo Group. Olof Persson, currently President of Volvo Aero, has been with Volvo since 2006.

During the third quarter, Volvo CE showcased a new series of heavy-duty tracked feller bunchers that will be launched in early 2009. Over the past several years, Volvo CE has become a major manufacturer of forestry-based solutions for a variety of applications.

Net sales by market area, Construction Equipment

SEK M	Third quarter 2008	Third quarter 2007	Change, %	First nine months 2008	First nine months 2007	Change, %
Europe	**5,820**	5,976	(3)	**20,709**	17,468	19
North America	**2,166**	2,912	(26)	**8,135**	8,748	(7)
South America	**927**	588	58	**2,241**	1,471	52
Asia	**3,205**	2,745	17	**10,904**	8,398	30
Other markets	**1,056**	741	43	**3,059**	2,025	51
Total	**13,174**	**12,962**	**2**	**45,048**	**38,110**	**18**

Total market development in the third quarter

Unit sales in %	Europe	North America	Asia	Other markets	**Total**
Heavy equipment	(19)	(20)	7	20	**(1)**
Compact equipment	(31)	(19)	(8)	20	**(17)**
Road machinery	(14)	(1)	2	17	**10**
Total	**(24)**	**(17)**	**(6)**	**20**	**(9)**

Buses – launched fourth generation hybrid technology bus

- Increased order intake for city buses
- Closure of Tampere and divestiture of Turku factory
- Hybrids launched for field tests in London, England and Göteborg, Sweden

Greatly differing demand between coaches and city buses

The market for coaches in Europe is declining as the sharp downturn in the economy has caused increased uncertainty among operators and dealers. The city bus market is more buoyant as the interest for environmentally adapted vehicles and hybrids continues to increase.

In North America, the coach market is still on a low level while there is still good demand for city buses. In Mexico the coach market has recuperated from the beginning of the year and compared to last year shows an increase through August, where prebuying ahead of new emission standards in 2009 is one factor behind the increase. The activity level within Bus Rapid Transit systems in Mexico is high and is expected to increase during 2008.

The total South American bus market continues to be strong, however with signs of weakening in Brazil.

During the first half of 2008 sales of buses increased in Asia, where China records the biggest increase, mainly driven by city buses. In South Africa and the Middle East the activity level has increased compared to last year.

Net sales by market area, Buses

	Third quarter		Change,	First nine months		Change,
SEK M	**2008**	2007	%	**2008**	2007	%
Europe	**1,551**	1,748	(11)	**5,326**	5,402	(1)
North America	**1,243**	901	38	**3,646**	3,174	15
South America	**369**	376	(2)	**876**	956	(8)
Asia	**469**	373	26	**1,389**	1,329	5
Other markets	**201**	189	6	**594**	574	3
Total	**3,833**	**3,587**	**7**	**11,831**	**11,435**	**3**

Increased order intake for city buses

During the third quarter, order intake amounted to 2,324 buses and chassis, an increase of 14% compared to 2,032 in the preceding year. Order intake rose primarily for city buses in Europe, the Middle East and Africa. During the quarter 2,119 buses (1,983) were delivered, an increase of 7% compared with the third quarter of 2007.

Operating income on the same level as the third quarter 2007

During the third quarter net sales increased by 7% to SEK 3,833 M (3,587). Adjusted for changed exchange rates net sales increased by 9%. Operating income was negative in an amount of SEK 72 M (neg. SEK 74 M) and the operating margin was a negative 1.9% (neg. 2.1%). Income was negatively affected by currency movements, primarily the significant weakening of the Brazilian real, and unfavorable product and market mix.

Volvo Buses' global profitability program with focus on cost reductions continues, and in order to improve the efficiency of operations in Europe, Volvo Buses is restructuring its production in Finland. On October 1, the plant in Tampere was closed and at the same time the body plant in Turku was sold to new owners, who will manufacture the Volvo 9700 under license in Finland.

During the quarter a new, competitive product portfolio was introduced in Mexico. Preparations are underway for the expansion of city buses into the US, where a new plant in Plattsburgh, New York, is expected to be completed in the first quarter 2009 and production gradually ramped up for deliveries during the third quarter of 2009.

During the quarter, Volvo's new hybrid bus was launched at the IAA trade show in Hannover, Germany. Customers, public authorities, journalists and competitors showed great interest in the new product. During the fourth quarter field tests with the new bus will begin in London, England and Göteborg, Sweden.

Volvo Penta
– stable sales but lower operating margin

- Downturn in total market for marine engines in Europe and North America
- Continuous good demand for industrial engines and IPS
- Lower operating income and margins

Weaker marine engine market
In Europe demand for marine engines weakened during the third quarter. In North America demand for marine engines weakened considerably compared with the already weak development of recent quarters.

Demand for industrial engines continued to be stable in Europe and Asia. In many other parts of the world, for instance in South Africa and Brazil, the total industrial engine market continued its positive development.

Strengthened market position
Volvo Penta has strengthened its market position in the marine segment in Europe as well as North America. Demand for the IPS system continues to be strong, which is a greatly contributing factor behind the significantly strengthened position in the inboard segment. Volvo Penta has captured market shares in the industrial engine segment in Europe and Asia as well as in International markets.

On September 30, 2008 the order backlog volume was 30% lower than at the same date in the preceding year.

Net sales by market area, Volvo Penta

	Third quarter			First nine months		
SEK M	**2008**	2007	Change, %	**2008**	2007	Change, %
Europe	**1,431**	1,442	(1)	**5,350**	5,158	4
North America	**438**	658	(33)	**1,617**	2,028	(20)
South America	**91**	62	47	**269**	183	47
Asia	**571**	442	29	**1,562**	1,233	27
Other markets	**132**	99	33	**381**	258	48
Total	**2,663**	**2,703**	**(1)**	**9,179**	**8,860**	**4**

Lower operating income
Volvo Penta's net sales during the third quarter amounted to SEK 2,663 M (2,703). Adjusted for exchange rate movements, sales were on the same level as during the third quarter in the preceding year. Sales were distributed between the business segments as follows: Marine SEK 1,623 M (1,866) and Industrial SEK 1,040 M (837).

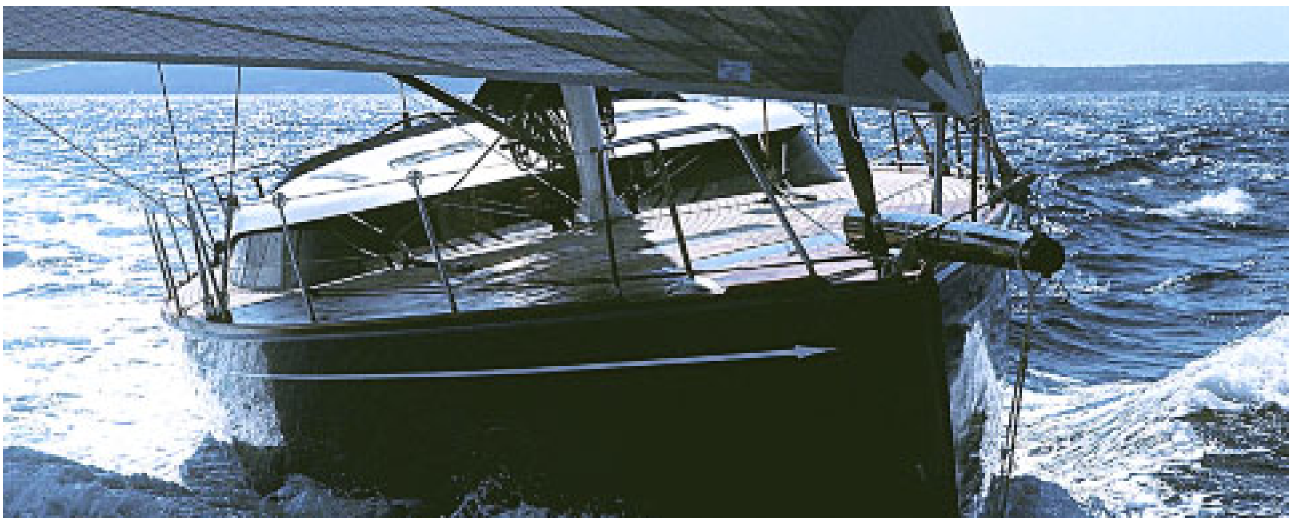
Operating income amounted to SEK 198 M (259). The operating income was negatively affected by an unfavorable product mix, higher costs for research and development as well as higher operating costs associated with projects to enhance order to delivery processes and strengthen market presence in emerging markets. Operating margin amounted to 7.4% (9.6).

Multi installations of IPS units
During the quarter Volvo Penta has introduced larger versions of the successful IPS system, and with three and four engine installations of the system Volvo Penta is able to offer drive systems for boats up to 100 feet.

One example of this is the Italian boat builder Absolute, which in connection with the recent yacht show in Genoa launched a new 70-foot yacht equipped with four IPS units.

With IPS these types of boats are provided with a fuel consumption that is cut in half, and at the same time performance, comfort and maneuverability are greatly improved.

In October, employees at the engine factory in Vara, Sweden were given notice of redundancy as a consequence of the lower demand for marine engines.



Volvo Aero – lower sales and operating income

- Air traffic growth flattening out
- Component business still growing, with good margin
- Lower volumes in the aftermarket business
- Successful Fan Blade Out Test with new composite technology

Increasing aircraft backlog

Airline passenger traffic increased by slightly less than 3% in the first seven months of the year. All reporting world regions experienced lower growth rates. The US domestic market, in particular, has shown considerable weakness in recent months.

The backlog for large commercial jets increased slightly, from 7,324 aircraft at the end of June 2008 to 7,534 at the end of September. Airbus and Boeing booked 1,410 orders and delivered 674 aircraft in the first three quarters of the year. Boeing commercial aircraft deliveries dropped in September as a labor strike curtailed activity.

For Volvo Aero, order bookings remain strong and the commercial order value in the component business at September 30, 2008 was 37% higher than at the same date in the preceding year.

Lower sales and profitability in the aftermarket business

During the third quarter, Volvo Aero's net sales decreased by 12% to SEK 1,618 M (1,848), mainly due to lower sales within the aftermarket business. The sales decline was partly offset by increased sales of new commercial engine components. Adjusted for currency fluctuations and the close-down of VAES in Stockholm, the decrease in sales was 2%.

Operating income was SEK 78 M (148) and the operating margin 4.8% (8.0). The component business continues to grow with good margin. The decreasing income was mainly attributable to lower volumes in the aftermarket business.

Net sales by market area, Volvo Aero

SEK M	Third quarter 2008	Third quarter 2007	Change, %	First nine months 2008	First nine months 2007	Change, %
Europe	**758**	812	(7)	**2,488**	2,493	0
North America	**799**	931	(14)	**2,426**	2,809	(14)
South America	**11**	41	(73)	**42**	109	(61)
Asia	**42**	34	24	**180**	171	5
Other markets	**8**	30	(73)	**73**	72	1
Total	**1,618**	**1,848**	**(12)**	**5,209**	**5,654**	**(8)**

Volvo Aero's light weight technology passed the important Fan Blade Out test

The important testing of Volvo Aero composite technology in EU's VITAL environmental project has been successful. The Fan Blade Out test is crucial in order to demonstrate the ability of the components to cope with maximum strain. The test was carried out during the third quarter in collaboration with Rolls-Royce. The successful test of a composite fan frame is an important milestone for Volvo Aero towards a competitive new product offer. This primary load-carrying structure in the engine has been made from composites – specifically carbon fibers bound by a polymer matrix – making it up to 30% lighter than today's metal technology.

Volvo Aero Services and The Boeing Company have extended a marketing and distribution partnership agreement, originally established in 1999, for an additional 10 years. Within the agreement, Volvo Aero Services will continue to provide multiple asset management services to support the distribution of quality aircraft parts for a wide range of Boeing aircraft models. In addition, Volvo Aero Services has been awarded the rights to manufacture and distribute Boeing proprietary parts.

Staffan Zackrisson has been appointed new president of Volvo Aero and he will succeed Olof Persson on November 1, 2008.

Income statements Volvo Group

Third quarter	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
SEK M	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Net sales	**67,294**	66,253	**2,178**	2,034	**133**	81	**69,604**	68,367
Cost of sales	**(53,207)**	(51,379)	**(1,305)**	(1,227)	**(133)**	(81)	**(54,644)**	(52,686)
Gross income	**14,087**	**14,874**	**873**	**807**	**0**	**0**	**14,960**	**15,681**
Research and development expenses	**(3,428)**	(2,603)	**0**	0	**0**	0	**(3,428)**	(2,603)
Selling expenses	**(6,074)**	(6,206)	**(378)**	(353)	**0**	0	**(6,454)**	(6,559)
Administrative expenses	**(1,710)**	(1,649)	**(11)**	(8)	**0**	0	**(1,721)**	(1,656)
Other operating income and expenses	**(96)**	82	**(94)**	7	**0**	0	**(189)**	88
Income from investments in associated companies	**(2)**	27	**1**	1	**0**	0	**(1)**	29
Income from other investments	**10**	30	**0**	0	**0**	0	**10**	30
Operating income	**2,786**	**4,555**	**391**	**454**	**0**	**0**	**3,177**	**5,010**
Interest income and similar credits	**272**	230	**0**	0	**(20)**	(25)	**251**	206
Interest expenses and similar charges	**(480)**	(350)	**0**	0	**20**	25	**(460)**	(325)
Other financial income and expenses	**(70)**	(319)	**0**	0	**0**	0	**(70)**	(320)
Income after financial items	**2,508**	**4,116**	**391**	**454**	**0**	**0**	**2,898**	**4,571**
Income taxes	**(759)**	(1,290)	**(139)**	(131)	**0**	0	**(898)**	(1,422)
Income for the period*	**1,749**	**2,826**	**253**	**323**	**0**	**0**	**2,000**	**3,149**
* Attributable to:								
Equity holders of the parent company							**1,977**	3,118
Minority interests							**23**	31
							2,000	**3,149**
Basic earnings per share, SEK							**0.98**	1.54
Diluted earnings per share, SEK							**0.98**	1.54

First nine months	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
SEK M	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Net sales	**220,340**	194,449	**6,153**	5,733	**220**	667	**226,713**	200,849
Cost of sales	**(170,551)**	(150,260)	**(3,657)**	(3,367)	**(220)**	(667)	**(174,428)**	(154,294)
Gross income	**49,789**	**44,189**	**2,496**	**2,366**	**0**	**0**	**52,285**	**46,555**
Research and development expenses	**(10,097)**	(7,616)	**0**	0	**0**	0	**(10,097)**	(7,616)
Selling expenses	**(18,537)**	(16,971)	**(1,116)**	(1,049)	**0**	0	**(19,654)**	(18,020)
Administrative expenses	**(5,391)**	(5,176)	**(17)**	(25)	**0**	0	**(5,408)**	(5,200)
Other operating income and expenses	**(150)**	257	**(206)**	(24)	**0**	0	**(355)**	232
Income from investments in associated companies	**12**	425	**1**	2	**0**	0	**13**	427
Income from other investments	**66**	78	**0**	0	**0**	0	**66**	79
Operating income	**15,691**	**15,186**	**1,159**	**1,270**	**0**	**0**	**16,850**	**16,457**
Interest income and similar credits	**905**	779	**0**	0	**(100)**	(84)	**804**	695
Interest expenses and similar charges	**(1,277)**	(889)	**0**	0	**100**	84	**(1,177)**	(805)
Other financial income and expenses	**43**	(399)	**0**	0	**0**	0	**43**	(399)
Income after financial items	**15,362**	**14,677**	**1,159**	**1,270**	**0**	**0**	**16,520**	**15,948**
Income taxes	**(4,771)**	(4,577)	**(386)**	(435)	**0**	0	**(5,156)**	(5,013)
Income for the period*	**10,591**	**10,100**	**774**	**835**	**0**	**0**	**11,364**	**10,935**
* Attributable to:								
Equity holders of the parent company							**11,303**	10,874
Minority interests							**61**	61
							11,364	**10,935**
Basic earnings per share, SEK							**5.58**	5.37
Diluted earnings per share, SEK							**5.58**	5.37

Balance Sheets Volvo Group

SEK M	Industrial operations Sep 30, 2008	Industrial operations Dec 31, 2007	Customer Finance Sep 30, 2008	Customer Finance Dec 31, 2007	Elim and reclassifications Sep 30, 2008	Elim and reclassifications Dec 31, 2007	Volvo Group Total Sep 30, 2008	Volvo Group Total Dec 31, 2007
Assets								
Non-current assets								
Intangible assets	**38,727**	36,441	**65**	67	**0**	0	**38,792**	36,508
Tangible assets								
Property, plant and equipment	**50,002**	47,132	**69**	78	**0**	0	**50,071**	47,210
Assets under operating leases	**15,572**	13,850	**462**	288	**8,179**	8,364	**24,213**	22,502
Financial assets								
Shares and participations	**1,847**	2,189	**25**	30	**0**	0	**1,872**	2,219
Long term customer financing receivables	**424**	444	**55,416**	47,870	**(9,542)**	(7,828)	**46,298**	40,486
Deferred tax assets	**8,865**	8,434	**346**	346	**1**	3	**9,212**	8,783
Other long-term receivables	**4,592**	5,601	**35**	39	**(20)**	(861)	**4,607**	4,779
Total non-current assets	**120,029**	**114,091**	**56,418**	**48,718**	**(1,382)**	**(322)**	**175,065**	**162,487**
Current assets								
Inventories	**56,012**	43,264	**695**	381	**0**	0	**56,707**	43,645
Short-term receivables								
Customer-financing receivables	**521**	789	**46,031**	42,695	**(3,430)**	(5,123)	**43,122**	38,361
Current tax assets	**1,734**	1,660	**86**	43	**0**	0	**1,820**	1,703
Other receivables	**45,940**	53,976	**1,398**	1,713	**(2,190)**	(11,272)	**45,148**	44,417
Marketable securities	**13,496**	16,488	**2**	2	**0**	0	**13,498**	16,490
Cash and cash equivalents	**11,610**	13,538	**1,261**	1,053	**(173)**	(47)	**12,698**	14,544
Total current assets	**129,313**	**129,715**	**49,473**	**45,887**	**(5,793)**	**(16,442)**	**172,993**	**159,160**
Total assets	**249,342**	**243,806**	**105,891**	**94,605**	**(7,175)**	**(16,764)**	**348,058**	**321,647**
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company	**72,926**	74,550	**8,739**	7,652	**0**	0	**81,665**	82,202
Minority interests	**600**	579	**0**	0	**0**	0	**600**	579
Total shareholders' equity	**73,526**	**75,129**	**8,739**	**7,652**	**0**	**0**	**82,265**	**82,781**
Non-current provisions								
Provisions for post-employment benefits	**10,169**	9,746	**33**	28	**0**	0	**10,202**	9,774
Provisions for deferred taxes	**6,188**	7,868	**1,525**	1,259	**0**	0	**7,713**	9,127
Other non-current provisions	**7,893**	7,067	**64**	95	**121**	139	**8,078**	7,301
Non-current liabilities	**37,096**	41,339	**46,680**	42,285	**(3,546)**	(11,895)	**80,230**	71,729
Current provisions	**11,383**	10,437	**113**	129	**60**	90	**11,556**	10,656
Current liabilities								
Loans	**54,480**	40,539	**5,443**	4,382	**(851)**	(49)	**59,072**	44,872
Trade payables	**49,591**	52,376	**426**	287	**0**	0	**50,017**	52,663
Current tax liabilities	**2,553**	0	**467**	451	**0**	0	**3,020**	451
Other current liabilities	**(3,537)**	(695)	**42,401**	38,037	**(2,959)**	(5,049)	**35,905**	32,293
Total shareholders' equity and liabilities	**249,342**	**243,806**	**105,891**	**94,605**	**(7,175)**	**(16,764)**	**348,058**	**321,647**
Contingent liabilities							**8,668**	8,153

Cash flow statement

Third quarter	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
SEK bn	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Operating activities								
Operating income	**2.8**	4.6	**0.4**	0.5	**0.0**	0.0	**3.2**	5.1
Depreciation and amortization	**2.9**	2.5	**0.0**	0.1	**0.5**	0.3	**3.4**	2.9
Other non-cash items	**(0.5)**	0.0	**0.1**	0.0	**0.0**	0.0	**(0.4)**	0.0
Change in working capital	**(6.5**	(4.4)	**(1.8)**	(1.1)	**0.0**	0.2	**(8.3)**	(5.3)
Financial items and income taxes paid	**(1.7)**	(1.2)	**(0.1)**	0.0	**(0.1)**	0.0	**(1.9)**	(1.2)
Cash flow from operating activities	**(3.0)**	**1.5**	**(1.4)**	**(0.5)**	**0.4**	**0.5**	**(4.0)**	**1.5**
Investing activities								
Investments in fixed assets	**(2.9)**	(2.4)	**(0.1)**	0.2	**0.1**	(0.1)	**(2.9)**	(2.3)
Investment in leasing vehicles	**(0.1)**	0.0	**0.0**	(0.1)	**(1.2)**	(0.8)	**(1.3)**	(0.9)
Disposals of fixed assets and leasing vehicles	**(0.1)**	0.5	**0.0**	0.1	**0.6**	0.4	**0.5**	1.0
Operating cash flow	**(6.1)**	**(0.4)**	**(1.5)**	**(0.3)**	**(0.1)**	**0.0**	**(7.7)**	**(0.7)**
Investments and divestments of shares, net							**0.1**	0.1
Acquired and divested operations, net							**(1.3)**	0.0
Interest-bearing receivables incl marketable securites							**4.0**	6.6
Cash-flow after net investments							**(4.9)**	**6.0**
Financing activities								
Change in loans, net							**8.1**	(6.8)
Dividend to AB Volvo shareholders							**0.0**	0.0
Dividend to minority shareholders							**0.0**	0.0
Other							**0.0**	0.0
Change in cash and cash equivalents excl. translation differences							**3.2**	**(0.8)**
Translation difference on cash and cash equivalents							**0.5**	(0.2)
Change in cash and cash equivalents							**3.7**	**(1.0)**

Cash flow statement

First nine months	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
SEK bn	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Operating activities								
Operating income	**15.7**	15.2	**1.2**	1.3	**0.0**	0.0	**16.9**	16.5
Depreciation and amortization	**8.6**	7.2	**0.1**	0.2	**1.4**	1.3	**10.1**	8.7
Other non-cash items	**(0.8)**	(0.7)	**0.2**	0.0	**0.1**	0.0	**(0.5)**	(0.7)
Change in working capital	**(16.0)**	(9.0)	**(8.4)**	(5.0)	**0.2**	0.0	**(24.2)**	(14.0)
Financial items and income taxes paid	**(3.8)**	(4.1)	**(0.2)**	(0.1)	**(0.1)**	0.1	**(4.1)**	(4.1)
Cash flow from operating activities	**3.7**	**8.6**	**(7.1)**	**(3.6)**	**1.6**	**1.4**	**(1.8)**	**6.4**
Investing activities								
Investments in fixed assets	**(8.3)**	(6.7)	**(0.1)**	0.2	**0.1**	(0.1)	**(8.3)**	(6.6)
Investment in leasing vehicles	**(0.3)**	(0.1)	**(0.1)**	(0.2)	**(3.2)**	(2.7)	**(3.6)**	(3.0)
Disposals of fixed assets and leasing vehicles	**0.4**	1.0	**0.1**	0.2	**1.4**	1.1	**1.9**	2.3
Operating cash flow	**(4.5)**	**2.8**	**(7.2)**	**(3.4)**	**(0.1)**	**(0.3)**	**(11.8)**	**(0.9)**
Investments and divestments of shares, net							**0.0**	0.4
Acquired and divested operations, net							**(1.1)**	(14.5)
Interest-bearing receivables incl marketable securites							**4.1**	5.5
Cash-flow after net investments							**(8.8)**	**(9.5)**
Financing activities								
Change in loans, net							**18.0**	29.4
Dividend to AB Volvo shareholders							**(11.1)**	(20.3)
Dividend to minority shareholders							**(0.1)**	0.0
Other							**0.0**	0.0
Change in cash and cash equivalents excl. translation differences							**(2.0)**	**(0.4)**
Translation difference on cash and cash equivalents							**0.1**	(0.1)
Change in cash and cash equivalents							**(1.9)**	**(0.5)**

Net financial position

	Industrial operations		Volvo Group	
SEK M	**Sep 30, 2008**	Dec 31, 2007	**Sep 30, 2008**	Dec 31, 2007
Long term customer finance receivables	**-**	–	**46,298**	40,486
Long term interest-bearing receivables	**2,638**	3,928	**2,703**	3,150
Short term customer finance receivables	**-**	–	**43,122**	38,361
Short term interest bearing receivables	**1,167**	9,773	**1,185**	1,380
Marketable securities	**13,496**	16,488	**13,498**	16,490
Cash and bank	**11,610**	13,538	**12,698**	14,544
Total financial assets	**28,911**	**43,727**	**119,504**	**114,411**
Provision for post employment benefits	**10,169**	9,746	**10,202**	9,774
Interest-bearing liabilities	**42,573**	38,286	**131,385**	108,318
Total financial debt	**52,742**	**48,032**	**141,587**	**118,092**
Net financial position	**(23,831)**	**(4,305)**	**(22,083)**	**(3,681)**

Changes in net financial position, Industrial operations

SEK bn	Third quarter 2008	First nine months 2008
Beginning of period	**(13.1)**	**(4.3)**
Cash flow from operating activities	(3.0)	3.7
Investment in fixed assets	(3.0)	(8.6)
Disposals	(0.1)	0.4
Operating cash-flow	**(6.1)**	**(4.5)**
Investments and divestments of shares, net	0.1	0.0
Aquired and divested operations, net	(1.3)	(1.1)
Capital injections to/from Customer Finance operations	(0.1)	(0.2)
Currency effect	(3.3)	(2.6)
Dividend paid to AB Volvo shareholders	0.0	(11.1)
Other changes	0.0	0.0
Total change	**(10.7)**	**(19.5)**
Net financial position at end of period	**(23.8)**	**(23.8)**

Changes in shareholders' equity

	First nine months	
SEK bn	**2008**	2007
Total equity at beginning of period	**82.8**	**87.2**
Shareholders' equity attributable to equity holders of the parent company at beginning of period	**82.2**	**86.9**
Translation differences	**0.6**	0.4
Translation differences on hedge instruments of net investments in foreign operations	**(0.1)**	0.0
Available-for-sale investments	**(0.3)**	(0.1)
Cash flow hedges	**(1.1)**	0.0
Net income recognized directly in equity	**(0.9)**	**0.3**
Income for the period	**11.3**	10.9
Total recognized income and expense for the period	**10.4**	**11.2**
Dividend to AB Volvo's shareholders	**(11.1)**	(20.3)
Share-based payments	**0.1**	0.1
Other changes	**0.1**	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	**81.7**	**77.9**
Minority interests at beginning of period	**0.6**	**0.3**
Translation differences	**0.0**	0.0
Net income recognized directly in equity	**0.0**	**0.0**
Income for the period	**0.1**	0.0
Total recognized income and expense for the period	**0.1**	**0.0**
Cash dividend	**(0.1)**	0.0
Minority regarding new acquisitions	**0.0**	0.5
Other changes	**0.0**	0.0
Minority interests at end of period	**0.6**	**0.8**
Total equity at end of period	**82.3**	**78.7**

Key ratios

Industrial operations

	First nine months	
	2008	2007
Gross margin, %	**22.6**	22.7
Research and development expenses in % of net sales	**4.6**	3.9
Selling expenses in % of net sales	**8.4**	8.7
Administrative expenses in % of net sales	**2.4**	2.7
Operating margin, %	**7.1**	7.8

	Sep 30 2008	Dec 31 2007
Return on operating capital, %, 12 months rolling values	**24.9**	26.4
Net financial position at end of period, SEK billion	**(23.8)**	(4.3)
Net financial position in % of shareholders' equity at end of period	**(32.4)**	(5.7)
Shareholders' equity as percentage of total assets, end of period	**29.5**	30.8

Customer finance

	Sep 30 2008	Dec 31 2007
Return on shareholders' equity, %, 12 months rolling values	**13.9**	15.9
Equity ratio at end of period, %	**8.3**	8.1
Asset growth, % from proceeding year end until end of period	**11.9**	18.5

Volvo Group

	First nine months	
	2008	2007
Gross margin, %	**23.1**	23.2
Research and development expenses in % of net sales	**4.5**	3.8
Selling expenses in % of net sales	**8.7**	9.0
Administrative expenses in % of net sales	**2.4**	2.6
Operating margin, %	**7.4**	8.2

	Sep 30 2008	Dec 31 2007
Basic earnings per share. SEK, 12 months rolling values	**7.58**	7.37
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	**40.3**	40.6
Return on shareholders' equity, %, 12 months rolling values	**18.9**	18.1
Shareholders' equity as percentage of total assets, end of period	**23.6**	25.7

Share data

	First nine months	
	2008	2007
Basic earnings per share, SEK	**5.58**	5.37
Diluted earnings per share, SEK	**5.58**	5.37
Number of shares outstanding, million	**2,027**	2,026
Average number of shares during period, million	**2,027**	2,025
Average diluted number of shares during period, million	**2,027**	2,026
Number of company shares, held by AB Volvo, million	**101**	103
Average number of company shares, held by AB Volvo, million	**102**	103

Quarterly figures

Industrial operations [1]

SEK M unless otherwise stated	3/2007	4/2007	1/2008	2/2008	**3/2008**
Net sales	**66,253**	**82,346**	**74,532**	**78,514**	**67,294**
Cost of sales	(51,379)	(63,900)	(56,904)	(60,440)	**(53,207)**
Gross income	**14,874**	**18,446**	**17,628**	**18,074**	**14,087**
Research and development expenses	(2,603)	(3,443)	(3,334)	(3,335)	**(3,428)**
Selling expenses	(6,206)	(7,700)	(6,195)	(6,268)	**(6,074)**
Administrative expenses	(1,649)	(1,916)	(1,839)	(1,842)	**(1,710)**
Other operating income and expenses	82	(8	(172)	118	**(96)**
Income from investments in associated companies	27	3	5	9	**(2)**
Income from other investments	30	15	13	43	**10**
Operating income Industrial operations	**4,555**	**5,397**	**6,106**	**6,799**	**2,786**
Customer Finance					
Finance and lease income	2,034	1,972	1,994	1,981	**2,178**
Finance and lease expenses	(1,228)	(1,168)	(1,181)	(1,171)	**(1,305)**
Gross income	**807**	**804**	**813**	**810**	**873**
Selling and administrative expenses	(360)	(364)	(375)	(368)	**(389)**
Credit provision expenses	(5)	(56)	(61)	(59)	**(124)**
Other operating income and expenses	13	(6)	4	4	**33**
Operating income Customer Finance	**454**	**378**	**381**	**387**	**391**
Volvo Group					
Operating income	**5,010**	**5,775**	**6,487**	**7,186**	**3,177**
Interest income and similar credits	206	257	281	272	**251**
Interest expense and similar credits	(325)	(317)	(343)	(374)	**(460)**
Other financial income and costs	(320)	(106)	(284)	397	**(70)**
Income after financial items	**4,571**	**5,609**	**6,141**	**7,481**	**2,898**
Taxes	(1,422)	(1,515)	(1,926)	(2,332)	**(898)**
Income for the period*	**3,149**	**4,094**	**4,215**	**5,149**	**2,000**
* Attributable to					
Equity holders of AB Volvo	3,118	4,059	4,196	5,130	**1,977**
Minority interests	31	35	19	19	**23**
	3,149	**4,094**	**4,215**	**5,149**	**2,000**

Share data	3/2007	4/2007	1/2008	2/2008	**3/2008**
Earnings per share, SEK [1]	1.54	2.00	2.07	2.53	**0.98**
Number of shares outstanding, million	2,026	2,026	2,027	2,027	**2,027**
Average number of shares during period, million	2,026	2,026	2,026	2,026	**2,027**
Number of company shares, held by AB Volvo	103	103	101	101	**101**
Depreciation and amortization included above					
Industrial operations	2,292	2,925	2,623	2,719	**2,737**
Customer Finance	92	(18)	33	33	**32**
Classification Group versus segment Customer Finance [2]	528	758	663	622	**650**
Total	**2,912**	**3,665**	**3,319**	**3,374**	**3,419**

Key operating ratios, Industrial operations					
Gross margin, %	22.5	22.4	23.7	23.0	**20.9**
Research and development expenses in % of net sales	3.9	4.2	4.5	4.2	**5.1**
Selling expenses in % of net sales	9.4	9.4	8.3	8.0	**9.0**
Administrative expenses in % of net sales	2.5	2.3	2.5	2.3	**2.5**
Operating margin , %	6.9	6.6	8.2	8.7	**4.1**

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

Quarterly figures

Net sales

SEK M	3/2007	4/2007	1/2008	2/2008	**3/2008**
Trucks	45,349	57,012	50,801	52,644	**46,076**
Construction Equipment	12,962	15,523	15,140	16,734	**13,174**
Buses	3,587	5,173	3,672	4,326	**3,833**
Volvo Penta	2,703	2,859	3,165	3,351	**2,663**
Volvo Aero	1,848	1,992	1,883	1,708	**1,618**
Eliminations and other	(196)	(213)	(129)	(249)	**(70)**
Industrial operations	**66,253**	**82,346**	**74,532**	**78,514**	**67,294**
Customer Finance	2,034	1,972	1,994	1,981	**2,178**
Reclassifications and eliminations	80	238	157	(70)	**133**
Volvo Group	**68,367**	**84,556**	**76,683**	**80,425**	**69,604**

Operating income

SEK M	3/2007	4/2007	1/2008	2/2008	**3/2008**
Trucks	3,507	4,144	4,432	4,825	**2,653**
Construction Equipment	839	1,035	1,301	1,629	**134**
Buses	(74)	93	(122)	46	**(72)**
Volvo Penta	259	177	318	458	**198**
Volvo Aero	148	196	136	4	**78**
Group headquarter functions and other	(124)	(248)	41	(163)	**(205)**
Industrial operations	**4,555**	**5,397**	**6,106**	**6,799**	**2,786**
Customer Finance	454	378	381	387	**391**
Volvo Group	**5,010**	**5,775**	**6,487**	**7,186**	**3,177**

Operating margin

%	3/2007	4/2007	1/2008	2/2008	**3/2008**
Trucks	7.7	7.3	8.7	9.2	**5.8**
Construction Equipment	6.5	6.7	8.6	9.7	**1.0**
Buses	(2.1)	1.8	(3.3)	1.1	**(1.9)**
Volvo Penta	9.6	6.2	10.0	13.7	**7.4**
Volvo Aero	8.0	9.8	7.2	0.2	**4.8**
Industrial operations	**6.9**	**6.6**	**8.2**	**8.7**	**4.1**
Volvo Group	**7.3**	**6.8**	**8.5**	**8.9**	**4.6**

Accounting principles

As of January 1, 2005, AB Volvo applies the International Financial Reporting Standards (IFRS) – formerly the IAS – as adopted by the EU, for the group consolidation. The accounting principles, which were applied during the preparation of this report, are described in Note 1 to the consolidated financial statements, which are included in the 2007 Annual Report for the Volvo Group. This interim report has been prepared in accordance with IAS 34, Interim financial Reporting and the Annual Accounts Act.

The financial reporting of the parent company has been prepared in accordance with the Annual Accounts Act and RFR 2.1 Reporting for legal entities. Application of RFR 2.1 entails that in interim reporting for legal entities, the parent company is to apply all IFRSs and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act, and taking into account the connection between accounting and taxation.

New accounting principles in 2008

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

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

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

Operating income before depreciation and amortization (EBITDA)

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

Risks and uncertainties

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

The risks to which the Volvo Group are exposed are classified into three main categories: **External-related risks** – such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations; **Financial risks** – such as currency fluctuations, interest levels fluctuations, valuations of shares or similar instruments, credit risk and liquidity risk and; **Operational risks** - such as market reception of new products, reliance on suppliers, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital. For a more elaborated account for these risks, please refer to the Risk Management section on pages 48-50 in the 2007 Annual Report for the Volvo Group. The Annual Report is available on the internet at www.volvo.com.

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

The development of the financial markets during the third quarter 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 necessary provisions are made for doubtful receivables.

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

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

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

The reported amounts for contingent liabilities reflect Volvo's risk exposure. Total contingent liabilities at September 30, 2008, amounted to SEK 8.7 billion, an increase of SEK 0.5 billion compared to December 31, 2007.

The former agreement between Mack Trucks and UAW, the American union for vehicle workers for the North American operations, was due 30 September 2007. The agreement has been prolonged on a day-to-day basis and there are ongoing negotiations with the UAW. At present, it is not possible to estimate the outcome of the negotiations, but there is a risk that the outcome may have a significant negative effect on the consolidated operating income.

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas for possible impairment. The size of the overvalue differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Throughout the year, Volvo has continuously tested the overvalue for Volvo Bus due to the weak profitability of that business area. Continuous valuation tests have also been performed for other intangible assets where indications of impairment have been identified.

A continued financial turmoil and volatility in interest and currency rates could have an impact on the annual goodwill tests performed for all business areas in the fourth quarter, as well as on the valuation of other balance sheet items.

Corporate acquisitions and divestments

Acquisitions and divestments during the period

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

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

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

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

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

Acquisitions after the end of the period

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

Parent company

Income Statements

SEK M	Third quarter 2008	Third quarter 2007	First nine months 2008	First nine months 2007
Net sales [1]	**214**	195	**623**	608
Cost of sales [1]	**(214)**	(195)	**(623)**	(608)
Gross income	**0**	**0**	**0**	**0**
Operating expenses [1]	**(158)**	(121)	**(568)**	(471)
Income from investments in Group companies	**1,961**	(465)	**886**	(887)
Income from investments in associated companies	**(15)**	18	**(43)**	(125)
Income from other investments	**-**	–	**30**	0
Operating income	**1,788**	**(568)**	**305**	**(1,483)**
Interest income and expenses	**(289)**	(191)	**(674)**	(300)
Other financial income and expenses	**42**	12	**62**	29
Income after financial items	**1,541**	**(747)**	**(307)**	**(1,754)**
Income taxes	**397**	226	**902**	691
Income for the period	**1,938**	**(521)**	**595**	**(1,063)**

1) Of sales in the third quarter, SEK 193 M (178) pertained to the Group companies, while purchases from Group companies amounted to SEK 87 M (83).

Balance Sheets

SEK M		Sep 30, 2008		Dec 31, 2007
Assets				
Non-current assets				
Intangible assets		**114**		0
Tangible assets		**16**		17
Financial assets				
Shares and participations in Group companies	**45,438**		47,011	
Other shaers and participations	**2,366**		772	
Other long-term receivables	**1,098**	**48,902**	210	47,993
Total non-current assets		**49,032**		**48,010**
Current assets				
Short-term receivables from Group companies		**296**		10,814
Other short-term receivables		**1,035**		749
Cash and bank accounts		**2**		10
Total current assets		**1,333**		**11,573**
Total assets		**50,365**		**59,583**
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity	**9,891**		9,891	
Unrestricted equity	**11,616**	**21,507**	22,254	32,145
Untaxed reserves		**3,234**		3,234
Provisions		**174**		202
Non-current liabilities				
Liabilities to Group companies		**7**		6
Current liabilities [1]		**25,443**		23,996
Total shareholders' equity and liabilities		**50,365**		**59,583**

1) Of which SEK 25,102 M (23,563) pertains to Group companies.

Income from investments in Group companies for the third quarter pertains to dividends amounting to SEK 1,274 M (42), transfer price adjustments, net, of SEK –971 M (–507), revenue from liquidation amounting to SEK 2,661 M from the subsidiary Volvo Group Finance Europe BV (VGFE BV) and write-down of the shareholding in the company with SEK 1,003. The shares in Volvo Korea Holding AB with a book value of SEK 2,655 M were transferred from VGFE BV whereupon the shares in VGFE BV were written down to zero.

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

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

In 2008 revaluation of the ownership in the listed company Deutz AG has decreased the value by SEK 220 M.

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

Financial net debt amounted to SEK 25,101 M at the end of the third quarter (20,894).

Events after the balance sheet date

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

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

Göteborg October 24, 2008
AB Volvo (publ)

Leif Johansson
President and CEO

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

Deliveries

Delivered trucks

	Third quarter			First nine months		
	2008	2007	Change	**2008**	2007	Change
Trucks						
Europe	**24,155**	26,391	(8)	**97,002**	88,330	10
Western Europe	**17,955**	20,476	(12)	**75,040**	69,652	8
Eastern Europe	**6,200**	5,915	5	**21,962**	18,678	18
North America	**6,572**	7,494	(12)	**22,511**	22,058	2
South America	**4,890**	3,854	27	**13,343**	10,445	28
Asia	**15,736**	14,160	11	**44,355**	25,819	72
Middle East	**3,977**	2,593	53	**12,031**	7,290	65
Other Asia	**11,759**	11,567	2	**32,324**	18,529	74
Other markets	**4,890**	5,252	(7)	**14,677**	13,179	11
Total Trucks	**56,243**	**57,151**	**(2)**	**191,888**	**159,831**	**20**
Mack Trucks						
Europe	–	–	–	**8**	–	–
Western Europe	–	–	–		–	–
Eastern Europe	–	–	–	**8**	–	–
North America	**2,574**	3,252	(21)	**9,125**	9,955	(8)
South America	**1,037**	748	39	**2,473**	2,108	17
Asia	**1**	89	(99)	**62**	177	(65)
Middle East	**1**	75	(99)	**53**	156	(66)
Other Asia		14	(100)	**9**	21	(57)
Other markets	**270**	443	(39)	**800**	1,120	(29)
Total Mack Trucks	**3,882**	**4,532**	**(14)**	**12,468**	**13,360**	**(7)**
Renault Trucks						
Europe	**12,439**	14,494	(14)	**51,997**	47,244	10
Western Europe	**10,798**	12,458	(13)	**44,285**	41,061	8
Eastern Europe	**1,641**	2,036	(19)	**7,712**	6,183	25
North America	**74**	129	(43)	**359**	363	(1)
South America	**299**	309	(3)	**913**	812	12
Asia	**1,074**	685	57	**3,673**	2,740	34
Middle East	**940**	620	52	**3,409**	2,470	38
Other Asia	**134**	65	106	**264**	270	(2)
Other markets	**1,356**	1,182	15	**4,166**	3,493	19
Total Renault Trucks	**15,242**	**16,799**	**(9)**	**61,108**	**54,652**	**12**
Volvo Trucks						
Europe	**11,709**	11,877	(1)	**44,990**	41,066	10
Western Europe	**7,157**	8,018	(11)	**30,755**	28,591	8
Eastern Europe	**4,552**	3,859	18	**14,235**	12,475	14
North America	**3,531**	3,602	(2)	**11,660**	10,528	11
South America	**3,226**	2,553	26	**9,240**	6,965	33
Asia	**2,935**	1,816	62	**8,315**	6,039	38
Middle East	**1,631**	962	70	**4,895**	3,146	56
Other Asia	**1,304**	854	53	**3,420**	2,893	18
Other markets	**1,318**	1,225	8	**3,712**	3,622	2
Total Volvo Trucks	**22,719**	**21,073**	**8**	**77,917**	**68,220**	**14**
Nissan Diesel [1]						
Europe	**7**	20	(65)	**7**	*20*	*(65)*
Western Europe	**-**			**-**	–	–
Eastern Europe	**7**	20	(65)	**7**	*20*	*(65)*
North America	**393**	511	(23)	**1,367**	*1,212*	*13*
South America	**328**	244	34	**717**	*560*	*28*
Asia	**9,901**	11,570	(14)	**30,480**	*16,863*	*81*
Middle East	**1,405**	936	50	**3,674**	*1,518*	*142*
Other Asia	**8,496**	10,634	(20)	**26,806**	*15,345*	*75*
Other markets	**1,946**	2,402	(19)	**5,999**	*4,944*	*21*
Total Nissan Diesel	**12,575**	**14,747**	**(15)**	**38,570**	***23,599***	**63**

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

AB Volvo (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7.30 a.m. CET on October 24, 2008.

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 environmenwt and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

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

Delivered trucks

	Third quarter			First nine months		
	2008	2007	Change	**2008**	2007	Change
Eicher[1)]						
Europe	**–**	–	–	**–**	–	–
Western Europe	**–**	–	–	**–**	–	–
Eastern Europe	**–**	–	–	**–**	–	–
North America	**–**	–	–	**–**	–	–
South America	**–**	–	–	**–**	–	–
Asia	**–**	–	–	**–**	–	–
Middle East	**–**	–	–	**–**	–	–
Other Asia	**1,825**			**1,825**		
Other markets	**–**	–	–	**–**	–	–
Total Eicher	**1,825**	**–**	**–**	**1,825**	**–**	**–**

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

Delivered buses

	Third quarter			First nine months		
	2008	2007	Change	**2008**	2007	Change
Buses						
Europe	**740**	806	(8)	**2,459**	2,457	0
Western Europe	**709**	751	(6)	**2,354**	2,171	8
Eastern Europe	**31**	55	(44)	**105**	286	(63)
North America	**434**	284	53	**1,279**	1,011	27
South America	**259**	267	(3)	**601**	679	(11)
Asia	**555**	498	11	**2,113**	1,976	7
Other markets	**131**	128	2	**405**	381	6
Total Buses	**2,119**	**1,983**	**7**	**6,857**	**6,504**	**5**

Preliminary publication dates

Report on 2008 operations	February 6, 2009
Annual Report 2008	March 2009
Annual General Meeting in Göteborg, Sweden	April 1, 2009
Report on the first three months 2009	April 24, 2009
Report on the first six months 2009	July 21, 2009
Report on the first nine months 2009	October 23, 2009

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