THE VOLVO GROUP 2002

Financial Report

Contents

The year 2002

Significant events

Two years of integration

Since Volvo's acquisition of Mack and Renault Trucks a competitive structure has been put in place, purchasing gains are being realized and the plans for a consolidated engine program are finalized. We have also established plans for shared vehicle architecture and defined the strategy for our brands. The customer service network is being strengthened by the on-going dealer optimization in North America and by enhanced financial services. All in all, the synergies that we aimed for have been achieved.

AB Volvo celebrated its 75th anniversary

On April 14, 2002 Volvo celebrated its 75th anniversary. On that day 75 years ago, the first series- manufactured Volvo car rolled off the production line on the island of Hisingen in Göteborg. Since then Volvo has developed from a small local industry to one of the world's leading manufacturers of heavy trucks, buses, construction equipment, marine engines and aerospace components, with more than 70,000 employees worldwide and a presence in over 125 countries.

Volvo CE establishes production facility in China

Volvo Construction Equipment (Volvo CE) has decided to establish a production facility, for the manufacture of construction equipment in Shanghai, China. The new facility is scheduled to start operations in spring 2003 and will initially be used for the assembly of crawler excavators.

Volvo Buses chosen as preferred supplier

In June 2002 Volvo Buses was chosen as preferred supplier by two of the leading bus operator groups in Mexico. The contract gives Volvo Buses a leading position within the upper segments in the Mexican market. The deliveries involve 1,800 buses, started mid-2002 and will continue until mid-2005. The total framework agreement amounts to approximately SEK 3.0 billion.

Volvo Penta introduced telematics

During the third quarter, Volvo Penta launched the first ever telematic solution for the boating industry. This satellite-based communications network improves security, safety and thereby enhances the enjoyment onboard regardless of the size of boat. When installed onboard, the system connects the boat and its crew to Volvo Action Service, which allows constant communications with mainland.

Production start at Volvo CE's new factory in Poland

On September 13 Volvo CE officially opened its new factory in Poland. The facility is located in the same plant as Volvo's bus production in Wroclaw and serves as a global center for production of the new backhoe loader launched earlier in 2002.

Volvo and Mack received engine approvals from the US Environmental Protection Agency (EPA)

On September 30 Volvo received a conditional approval from the EPA in the US to manufacture and sell trucks with its EPA02-compliant VED12 diesel engine after October 1, 2002. Mack's ASET Highway (C-EGR) engine family was certified the EPA02 standard by EPA in July and Mack's ASET Vocational (I-EGR) engine family received conditional EPA02 certification in September.

Renault Trucks in engine cooperation with Dong Feng Motors in China

Renault Trucks has concluded an agreement covering technology transfer pertaining to truck engines with the Chinese truck manufacturer Dong Feng Motors. The agreement is intended to provide Dong Feng Motors the possibility of equipping its trucks with Renault engines.

Industrial changes in the North American truck operations

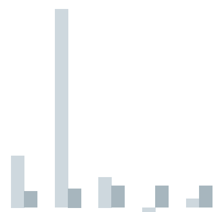
The production of Mack highway trucks in Winnsboro, South Carolina, was transferred to the Volvo plant in New River Valley, Virginia during the fourth quarter of 2002. The Winnsboro plant was closed in November and the first Mack production vehicle came off the line at the Virginia facility on December 16. The new-generation Volvo VN went into production during the fourth quarter. The New River Valley plant is now producing both Mack highway trucks and the new Volvo VN series.

The Volvo Group in euro

	2001	**2002**
Net sales, EUR M	19,540	19,333
Operating income, EUR M	(73)	310
Income after financial items, EUR M	(202)	220
Net income, EUR M	(159)	152
Income per share, EUR	(0.38)	0.36
Dividend per share, EUR	0.87	0.87

2002: EUR 1.00 = 9.1596 SEK, annual average
2001: EUR 1.00 = 9.2434 SEK, annual average

Net income and dividend per share



	98	99	00	01	02
Net income, SEK per share	19.1	73.0	11.2	(3.5)	3.3
Dividend, SEK per share	6.0	7.0	8.0	8.0	8.0

Direct return, %

98	99	00	01	02
3.2	3.2	5.1	4.5	5.6

The Volvo Share

Shareholders

The dialogue with shareholders is of great importance to Volvo. In addition to the Annual General Meeting in April, a large number of activities took place in 2002 geared towards the professional investment community and Volvo's private shareholders. The Investor Relations website on the Internet is an important tool that makes it possible for all shareholders to obtain relevant and timely information about Volvo. The Volvo shares are listed on the Stockholmsbörsen and on the stock exchanges in London, Frankfurt, Hamburg, Düsseldorf, Brussels and Nasdaq in the US.

The stock market in 2002

The year 2002 was initially characterized by declining share prices on stock markets worldwide. However, there was a notable recovery during the latter part of the year. The leading US Index, the Dow Jones Industrial Average, fell by 15% and NASDAQ Composite (Volvo listed since 1985), closed 32% lower. In Sweden, the Stockholmsbörsen All Share Index declined by 37%. Lingering uncertainties about the macroeconomic development in the US, combined with concerns about the development in the Middle East, negatively affected the General Index.

The Volvo share in 2002

At the end of 2002 Volvo's market value amounted to SEK 59 billion, eight in size on Stockholmsbörsen. The Volvo Series

B shares declined by 19% in 2002 compared with a decrease of 26% on the MSCI-Europe-machinery index.

A total of 377 million Volvo shares were traded on Stockholmsbörsen which accounts for the largest percentage of turnover, with an average of 1.5 million Volvo shares traded each day. During 2002, Volvo was the 13th most-actively-traded share in terms of value on Stockholmsbörsen.

Dividend

Volvo's dividend policy states that the effective return (the dividend combined with the change in share price over the long term) should exceed the average for the industry. For fiscal year 2002, the Board of Directors proposes that the shareholders at the Annual General Meeting approve a dividend of SEK 8.00 per share, a total of approximately SEK 3,356 M, corresponding to a direct return of 5.6%.

Dow Jones Sustainability Index

Volvo has a history of corporate citizenship based on its three core values; quality, safety and care for the environment. As of 2002, the Volvo share is part of the newly launched Dow Jones STOXX Sustainability Indexes. Launched in 1999, the Dow Jones Sustainability World Index is the first global index tracking the performance of the leading sustainability-driven companies worldwide. It covers the top 10% of the largest 2,500 companies in the Dow Jones Global Index in terms of economic, environmental and social criteria.

The largest shareholders in AB Volvo, December 31, 2002 [1]

	Share capital, % [2]
Renault SA	20.0
Franklin Templeton funds	5.9
Robur aktiefonder	3.3
Alecta	3.1
SHB	2.0

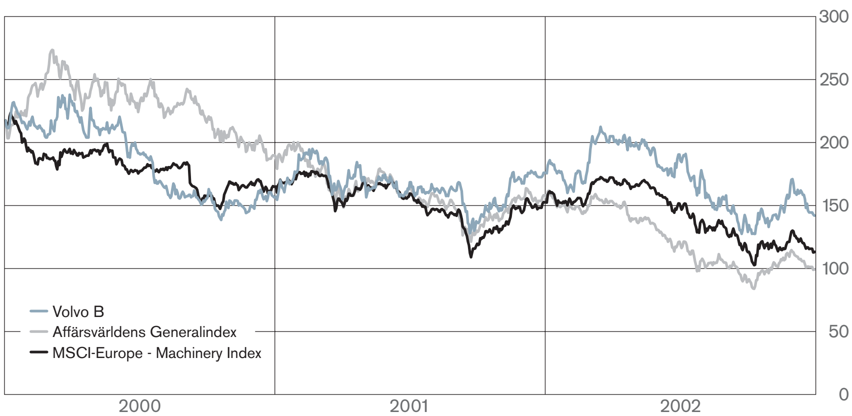
1 Following the repurchase of own shares, AB Volvo held 5% of the Company's shares on Dec 31, 2002.
2 Based on all registered shares.

Share capital, Dec 31 2002

Registered number of shares [1]	441,520,885
of which, Series A shares [2]	138,604,945
of which, Series B shares [3]	302,915,940
Par value, SEK	6
Share capital, SEK M	2,649
Number of shareholders	210,571
Private persons	201,829
Legal entities	8,742

1 Following the repurchase of own shares, the number of outstanding shares was 419,444,842.
2 Series A shares carry one vote each.
3 Series B shares carry one tenth of a vote each.

Price Trend, Volvo series B shares SEK



During 2002, the percentage of non-Swedish shareholders increased from 47% to 50% of the share capital (from 37% to 40% of the voting rights). Of Volvo's 211,000 shareholders, the 50 largest accounted for 84% of the voting rights and 80% of the share capital, excluding shares held by Volvo.

Net sales by business area

SEK M	2000	2001	2002	%[2]
Trucks[1]	59,075	116,568	118,752	+2
Buses	17,187	16,675	14,035	(16)
Construction Equipment	19,993	21,135	21,012	(1)
Volvo Penta	6,599	7,380	7,669	+4
Volvo Aero	10,713	11,784	8,837	(25)
Other	6,825	7,073	6,775	(4)
Volvo Group[3]	**120,392**	**180,615**	**177,080**	**(2)**

1 2000 figures refer to Volvo Trucks.
2 Percentage change pertains to 2002/2001.
3 Adjusted for changes in group structure and foreign currency exchange rates, net sales increased by 2%.

Net sales by market area

SEK M	2000[1]	2001	2002	%[2]
Western Europe	61,942	93,147	92,331	(1)
Eastern Europe	3,676	6,383	7,437	+17
North America	38,029	54,630	50,206	(8)
South America	4,730	6,018	4,667	(22)
Asia	8,765	10,862	12,644	+16
Other markets	3,250	9,575	9,795	+2
Volvo Group	**120,392**	**180,615**	**177,080**	**(2)**

1 2000 figures exclude Mack Trucks and Renault Trucks.
2 Percentage change pertains to 2002/2001.

Operating income (loss) by business area

SEK M	2000	2001	2002
Trucks [1]	1.414	1.040	1,189
Buses	440	(524)	(94)
Construction Equipment	1,594	891	406
Volvo Penta	484	658	647
Volvo Aero	621	653	5
Financial Services	1,499	325	490
Other	616	143	194
Operating income[2]	**6,668**	**3,186**	**2,837**
Restructuring costs	–	(3,862)	–
Operating income (loss)	**6,668**	**(676)**	**2,837**

1 2000 figures refer to Volvo Trucks.
2 Excluding restructuring costs.

Operating margin [1]

%	2000	2001	2002
Trucks[2]	2.4	0.9	1.0
Buses	2.6	(3.1)	(0.7)
Construction Equipment	8.0	4.2	1.9
Volvo Penta	7.3	8.9	8.4
Volvo Aero	5.8	5.5	0.1
Volvo Group	**5.5**	**1.8**	**1.6**

1 Excluding restructuring costs.
2 2000 figures refer to Volvo Trucks.

Financial performance

Net sales

Net sales in 2002 amounted to SEK 177,080 M (180,615), a decrease of 2% compared with the preceding year. Adjusted for changes in group structure and foreign currency exchange rates, net sales increased by 2%.

Net sales of Volvo's truck operations amounted to SEK 118,752 M, an increase of 5% adjusted for changes in currency exchange rates. The increase in sales related mainly to higher deliveries in North America, Asia and Eastern Europe. In North America, the total market for heavy trucks increased 5% mainly as a result of a peak in demand during the middle of the year before new emission regulations (EPA02) became effective during the last quarter of the year. In Western Europe, the Volvo Group's deliveries of trucks were 3% lower than in the preceding year. The reduction related primarily to Volvo Trucks and limited production capacity during the first quarter in connection with the introduction of the new Volvo FH and FM series. During the remaining part of the year, the demand was high for the new product range and the production capacity was increased successively. The demand in the southern part of Europe continued to be high and Renault Trucks' deliveries in Western Europe remained unchanged at a high level.

In Buses, net sales decreased 16% compared to 2001. The decrease was largely explained by proportionate consolidation of Prévost and Nova Bus as from the fourth quarter 2001 as well as changes in currency exchange rates. Adjusted for these effects, net sales decreased 1% pertaining mainly to lower deliveries in North and South America partially offset by favorable volumes in China and the Nordic countries. In spite of a decreasing world market, net sales of Construction Equipment rose 3%, adjusted for changes in currency rates, driven by a wider product range and improved market shares. Also in Volvo Penta, a weakening total market was compensated by increased market shares and net sales increased by 7% excluding impact of currency translation. Volvo Aero's net sales suffered heavily from the crisis in the airline industry and net sales dropped 23%, adjusted for changes in currency rates.

During 2002, the Group's net sales in Western Europe decreased 1% compared with 2001. Lower deliveries of trucks and significantly lower sales in Volvo Aero were partially compensated by higher volumes of Buses. In North America, the Group's net sales decreased 8% mainly as a result of the devaluation of the US dollar and proportionate consolidation of Prévost and Nova Bus. This was partially offset by increased deliveries of trucks during the second and third quarters. Volvo's net sales in Eastern Europe and Asia showed strong growth rates whereas net sales in South America declined substantially as result of weak market conditions. The distribution of net sales by market is further specified in the adjoining table.

Consolidated income statements [1]			
SEK M	2000	2001	**2002**
Net sales	120,392	180,615	177,080
Cost of sales	(97,131)	(149,477)	(145,453)
Gross income	**23,261**	**31,138**	**31,627**
Research and development expenses	(4,876)	(5,391)	(5,869)
Selling expenses	(9,285)	(14,663)	(15,393)
Administrative expenses	(4,651)	(6,474)	(5,464)
Other operating income and expenses	309	(3,071)	(2,989)
Income from Financial Services	1,499	325	490
Income (loss) from investments in associated companies	341	(88)	126
Income from other investments	70	1,410	309
Restructuring costs	–	(3,862)	–
Operating income (loss)	**6,668**	**(676)**	**2,837**
Interest income and similar credits	1,588	1,653	1,246
Interest expenses and similar charges	(1,845)	(2,653)	(1,870)
Other financial income and expenses	(165)	(190)	(200)
Income (loss) after financial items	**6,246**	**(1,866)**	**2,013**
Taxes	(1,510)	326	(590)
Minority interests in net income (loss)	(27)	73	(30)
Net income (loss)	**4,709**	**(1,467)**	**1,393**
Income (loss) per share, SEK	11.20	(3.50)	3.30

1 Financial Services reported in accordance with the equity method.

Operating income

Operating income for the Volvo Group in 2002 amounted to SEK 2,837 M, compared with an operating loss of SEK 676 M in the preceding year. The improvement was mainly attributable to improved gross margins in the truck operations and restructuring costs which were charged to operating income in 2001. A detailed analysis of changes in the Group's operating income versus the year earlier is shown in the adjoining table.

Trucks' operating income in 2002 amounted to SEK 1,189 M (1,040 excluding restructuring costs). The earnings were favorably affected by improved gross margins as a result of improved price realization and positive contributions from synergies. Operating income was also positively affected by lower losses on forward exchange contracts offset by lower capitalization of development costs (SEK 641 M lower than in 2001). Earnings for 2001 included a gain on sale of shares in Mitsubishi Motors Corporation of SEK 574 M. The earnings of Volvo's truck operations during 2002 gained from continued strong earnings in Europe but also continued to suffer from low volumes and capacity utilization in North America due to the poor market conditions, even if the demand increased temporarily during the middle of the year in advance of the new US emission regulations.

The operating loss during 2002 in Buses amounted to SEK 94 M compared with a loss of SEK 524 M, excluding restructuring costs, in the prior year. The substantially lower loss was to a large extent derived from turn around activities in North America and improved earnings in Europe and Asia. These positive effects were partially offset by lower volumes in Mexico and South America. Construction Equipment reported an operating income of SEK 406 M compared with SEK 891 M in the year earlier. The lower earnings were primarily explained by deteriorating market conditions in North America, changes in the product mix and launch costs for new products.

Operating income in 2002 for Volvo Penta amounted to SEK 647 M (658). The strong financial performance of Volvo Penta was mainly relating to higher sales and improved gross margins. In Volvo Aero, operating income declined to SEK 5 M (653) as a result of significantly lower sales due to the general downturn in the aviation industry.

Operating income within Financial Services amounted to SEK 490 M (325). The favorable trend of six consecutive

Change of operating income SEK bn	
Operating income 2001	**(0.7)**
Restructuring costs in 2001	3.9
Improvement of gross margins in truck operations	1.5
Lower gross income in Aero due to lower volumes	(0.7)
Changes in currency exchange rates	1.2
Lower capitalization of development costs	(0.7)
Deficit in Swedish pension foundation	(0.5)
Gain on divestments of Volvia's insurance operations and shares in Mitsubishi Motors 2001	(1.1)
Credit losses in US truck financing portfolio 2001	0.7
Lower dividend from Scania	(0.3)
Other	(0.5)
Operating income 2002	**2.8**

quarters of progressively increasing earnings was primarily pertaining to lower credit losses in the US customer financing operations. The operating income in 2001 included significant losses in the US truck financing portfolio and a gain on the divestment of Volvia's insurance operations.

Group operating income in 2002 was negatively affected by provisions of SEK 807 M (292) relating to a deficit within the Volvo Group's Swedish pension foundation for securing commitments in accordance with the ITP plan. The deficit was a result of the downturn on the stock markets.

Operating margin during 2002 was 1.6%, compared with negative 0.4% in 2001.

Restructuring costs

Restructuring costs in 2001 amounted to SEK 3,862 M, of which SEK 3,106 M for Trucks, SEK 392 M for Buses and SEK 364 M for Construction Equipment.

Impact of exchange rates
Compared with preceding year, SEK bn

Net sales [1]	(4.9)
Cost of sales	4.2
Research and development expenses	0.1
Selling and administrative expenses	0.6
Other operating income and expenses	1.2
Income from investments in shares	0.0
Total effect of changes in exchange rates on operating income	**1.2**

1 Group sales are reported at average spot rates and the effects of currency hedges are reported among "Other operating income and expenses."

Operating net flow per currency

SEK M	2000	2001	**2002**
USD	7,000	8,100	7,100
EUR	7,500	8,000	9,700
GBP	4,000	4,200	5,400
Other currencies	800	3,800	6,600
Total	**19,300**	**24,100**	**28,800**

Restructuring costs within the truck operations included costs for the integration of Mack and Renault Trucks, such as reduction of the North American production capacity, restructuring of the global distribution system and production structure. Restructuring measures further included significant personnel reductions due to the prevailing business conditions, especially in North America.

Restructuring costs in Buses were attributable to the shutdown of the Nova Bus plant for city buses in Roswell, US. In Construction Equipment, restructuring measures pertained to the Asheville operations, US and an overall redundancy program.

Impact of exchange rates on operating income

The effect of changes in currency exchange rates on operating income in 2002 compared with 2001 was favorable by approximately SEK 1,160 M.

The Swedish krona strengthened during 2002 against the major part of Volvo's inflow currencies, with negative effects on operating income. The US dollar, euro, British pound, Canadian dollar and South African rand had the greatest impact. Changes in spot-market rates for other currencies had minor effects. The total effect of changed spot-market rates was negative, approximately SEK 710 M.

The effect on income of forward and option contracts amounted to a loss of SEK 187 M (2001: loss of SEK 2,044 M), which resulted in a positive impact of SEK 1,857 M for 2002, compared with 2001.

Changes in spot rates in connection with the translation of income in foreign subsidiaries and the revaluation of balance sheet items in foreign currencies had a minor positive impact.

Net interest expense

Net interest expense for the year amounted to SEK 624 M (1,000). The lower expense was mainly explained by lower net financial debt and lower funding costs in the US as a consequence of lower interest rates and lower US dollar exchange rates.

Taxes

During 2002, a tax expense of SEK 590 M was reported compared with a tax income of SEK 326 M for the corresponding period in the preceding year. The tax expense was mainly related to current tax expenses in subsidiaries outside Sweden.

Minority

Minority interests in the Volvo Group were mainly attributable to Volvo Aero Norge AS (22%) and Volvo Aero Services LP (5%, previously the AGES Group). The Henlys Group's holding (49%) in Prévost Holding BV was reported as minority interest up to the third quarter 2001.

Net income/loss

Net income amounted to SEK 1,393 M (loss of 1,467) and the return on shareholders' equity was 1.7% (negative 1.7%).

Financial position

Volvo Group consolidated balance sheets, December 31	Volvo Group, excl Financial Services [1]			Financial Services			Total Volvo Group		
SEK M	2000	2001	**2002**	2000	2001	**2002**	2000	2001	**2002**
Assets									
Intangible assets	6,781	17,366	16,919	144	159	126	6,925	17,525	17,045
Property, plant and equipment	19,652	30,370	27,789	2,579	2,864	3,010	22,231	33,234	30,799
Assets under operating leases	4,245	15,020	11,155	11,883	14,060	13,284	14,216	27,101	23,525
Shares and participations	37,366	35,145	34,750	778	203	236	30,481	27,798	27,492
Long-term customer finance receivables	10	19	55	23,026	26,256	25,348	22,909	26,075	25,207
Long-term interest-bearing receivables	5,091	5,627	4,189	23	0	7	5,032	5,554	4,188
Other long-term receivables	2,186	9,017	8,489	90	73	47	2,232	8,902	8,297
Inventories	22,998	30,557	27,564	553	518	741	23,551	31,075	28,305
Short-term customer finance receivables	5	95	44	19,168	23,732	22,700	18,882	22,709	21,791
Short-term interest bearing receivables	14,195	6,799	4,306	1	82	0	14,196	2,525	1,302
Other short-term receivables	22,696	29,798	25,767	2,627	2,647	2,126	24,120	31,044	25,693
Marketable securities	5,682	12,997	16,570	3,886	517	137	9,568	13,514	16,707
Cash and bank	5,276	11,877	7,584	1,764	2,417	1,602	6,400	13,869	8,871
Total assets	**146,183**	**204,687**	**185,181**	**66,522**	**73,528**	**69,364**	**200,743**	**260,925**	**239,222**
Shareholders' equity and liabilities									
Shareholders' equity	88,338	85,185	78,278	7,663	7,550	7,494	88,338	85,185	78,278
Minority interests	593	391	247	0	0	0	593	391	247
Provision for post-employment benefits	2,619	14,632	16,218	13	15	18	2,632	14,647	16,236
Other provisions	8,277	14,085	13,893	6,620	4,342	2,828	14,941	18,427	16,721
Loans	18,233	29,710	22,494	49,048	57,956	54,270	66,233	81,568	72,437
Other liabilities	28,123	60,684	54,051	3,178	3,665	4,754	28,006	60,707	55,303
Shareholders' equity and liabilities	**146,183**	**204,687**	**185,181**	**66,522**	**73,528**	**69,364**	**200,743**	**260,925**	**239,222**
Shareholders' equity and minority interests as percentage of total assets	60.8%	41.8%	42.4%	11.5%	10.3%	10.8%	44.3%	32.8%	32.8%

1 Financial Services reported in accordance with the equity method.

Balance sheet

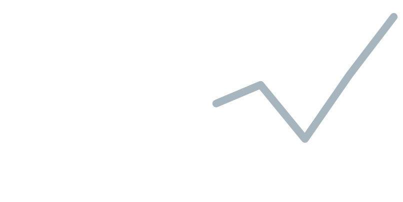
The Volvo Group's total assets at December 31, 2002 amounted to SEK 239.2 billion, a decline of SEK 21.7 billion compared with year-end 2001. Approximately SEK 19.4 billion of the decrease was related to currency effects.

Shareholders' equity amounted to SEK 78.3 billion as of December 31, 2002, corresponding to an equity ratio of 42.4%, excluding Financial Services. Net financial debt amounted to SEK 6.1 billion, corresponding to 7.7% of shareholders' equity and minority interest. At December 31, 2002, minimum liability adjustments were recognized in Volvo's balance sheet attributable to the under funded positions of the Group's pension plans in the US. The minimum liability adjustments have been calculated in accordance with U.S. GAAP (see further note 22). Other changes in shareholders' equity are specified in note 21. Effective in 2003, Volvo will adopt new accounting principles for employee benefits (see note 1).

The book value of Volvo's holding in Scania amounted to SEK 24.0 billion at year-end. Valued at year-end closing price, the value of the Scania shares was SEK 8.7 billion lower than the book value. Volvo intends to divest the holding in Scania and discussions are held with a number of industrial buyers. See further note 13.

Change in net financial position SEK bn		
December 31, 2001		(7.0)
Cash flow from operating activities	10.4	
Investments in fixed assets and leasing assets, net	(5.3)	
Investments in shares, net	(0.1)	
Acquired and divested operations	(0.1)	
Cash flow after net investments, excluding Financial Services		**4.9**
Debt in acquired and divested operations		(0.2)
Dividend paid to AB Volvo's shareholders		(3.4)
Change in provision for post-employment benefits		(3.5)
Currency effect		3.8
Other		(0.7)
Total change		**0.9**
December 31, 2002		**(6.1)**

Self-financing ratio, excluding Financial Services



	98	99	00	01	02
	108	127	72	137	196

Capital expenditures

	98	99	00	01	02
Capital expenditures, SEK bn	4.9	5.2	5.4	8.3	6.8
Capital expenditures, % of net sales	4.3	4.1	4.2	4.4	3.7

Research and development costs

	98	99	00	01	02
Research and development costs, SEK bn	4.3	4.5	4.9	5.4	5.9
Research and development costs, % of net sales	3.7	3.6	3.7	2.8	3.2

Cash-flow statement

Cash flow

Cash flow after net investments, excluding Financial Services, amounted to SEK 4.9 billion, of which the operating cash flow (excluding the effects of acquisitions and divestments) was SEK 5.1 billion. The positive development during 2002 was mostly related to a favorable earnings capacity, reduction in tied-up working capital, in particular receivables and that capital expenditures were kept on a low level. Net interest and tax payments had an adverse effect. All business areas except Buses reported positive cash flow in 2002.

Cash flow after net investments within Financial Services was negative in an amount of SEK 4.3 billion.

Capital expenditures

Capital expenditures for property, plant and equipment in 2002 excluding Financial Services amounted to SEK 4.5 billion (5.1). Capital expenditures in Trucks, which amounted to SEK 3.2 billion (4.1), were made in tools and equipment for the production of new truck models, new engines and increased engine production capacity. Investments were also made in dealer buildings and for increased capacity in the paintshop of Volvo Trucks North America. The level of capital expenditures remained at the same level as last year in Buses SEK 0.1 billion, in Construction Equipment SEK 0.4 billion and in Volvo Aero SEK 0.2 billion. Capital expenditures in Volvo Penta increased to SEK 0.2 billion (0.1).

Investments for product and software development amounted to SEK 1.7 billion (2.0). The investments were distributed among Trucks SEK 1.2 billion, Buses SEK 0.1 billion, Construction Equipment SEK 0.2 billion and Volvo Penta and Volvo Aero SEK 0.1 billion respectively.

Investments in leasing assets amounted to SEK 5.2 billion, including SEK 5.1 billion in Financial Services. The investments pertained mainly to the operations in North America and Western Europe.

Acquisitions and divestments

Net investments in shares during 2002 amounted to SEK 0.1 billion. Net divestments of shares in 2001 contributed SEK 3.2 billion, mainly attributable to the sale of Volvo's holding in Mitsubishi Motors Corporation.

Acquired and divested companies affected the cash flow in 2002 negatively by SEK 0.1 billion. In 2001 cash flow was affected by the final payment from the sale of Volvo Cars of SEK 12.1 billion, and acquired liquid funds within Mack and Renault V.I.. The purchase price paid for Mack and Renault V.I. did not affect cash flow, since the payment was made with Volvo shares held by AB Volvo.

Financing and dividend

Net borrowings decreased during 2002 by SEK 0.1 billion, of which new borrowing during the year, mainly through the issue of bonds and a commercial paper program, contributed SEK 33.1 billion.

During the first quarter of 2001, Volvo repurchased 10% of the total number of shares outstanding, of which 5% were

Consolidated cash flow statements			
SEK billion	2000	2001	**2002**
Operating income	5.2	(1.0)	2.3
Add depreciation and amortization	3.8	7.0	7.8
Other non-cash items	(1.6)	0.0	1.0
Change in working capital	(3.0)	6.0	0.4
Financial items and income taxes paid	(0.8)	(2.3)	(1.1)
Cash flow from operating activities	**3.6**	**9.7**	**10.4**
Investing activities			
Investments in fixed assets	(5.1)	(7.7)	(6.3)
Investment in leasing vehicles	(0.6)	(0.5)	(0.1)
Disposals of fixed assets and leasing vehicles	0.7	1.1	1.1
Customer Finance receivables, net	0.0	0.8	0.0
Investments in shares, net	(1.6)	3.2	(0.1)
Acquired and divested operations	0.0	14.7	(0.1)
Cash flow after net investments excl Financial Services	**(3.0)**	**21.3**	**4.9**
Cash flow after net investments, Financial Services	**(4.1)**	**(5.3)**	**(4.3)**
Cash flow after net investments, Volvo Group total	**(7.1)**	**16.0**	**0.6**
Financing activities			
Change in other loans, net	8.1	6.2	(0.1)
Loans to external parties, net	0.3	0.2	1.7
Repurchase of own shares	(11.8)	(8.3)	–
Dividend to AB Volvo shareholders	(3.1)	(3.4)	(3.4)
Other	0.0	0.1	0.1
Change in liquid funds excl translation differences	**(13.6)**	**10.8**	**(1.1)**
Translation difference on liquid funds	0.3	0.6	(0.7)
Change in liquid funds	**(13.3)**	**11.4**	**(1.8)**

Operating cash flow, excluding Financial Services			
SEK bn	2000	2001	**2002**
Operating income	5.2	(1.0)	2.3
Depreciation and amortization	3.8	7.0	7.8
Other	(5.4)	3.7	0.3
Cash flow from operating activities	**3.6**	**9.7**	**10.4**
Net investments in fixed assets and leasing assets	(5.0)	(7.1)	(5.3)
Customer finance receivables, net	0.0	0.8	0.0
Operating cash flow	**(1.4)**	**3.4**	**5.1**

Future capital expenditures, approved	
SEK bn	
Trucks	4.2
Buses	0.5
Construction Equipment	0.1
Volvo Penta	0.1
Volvo Aero	0.1
Other	0.5
Total	**5.5**

Condensed cash flow statements, Financial Services			
SEK bn	2000	2001	**2002**
Cash flow from operating activities	4.4	4.5	4.9
Net investments in credit portfolio etc	(8.5)	(9.8)	(9.2)
Cash flow after net investments, Financial Services	(4.1)	(5.3)	(4.3)

transferred to Renault SA. In total, the repurchase of shares reduced liquid funds by SEK 8.3 billion.

A dividend amounting to SEK 3.4 billion was paid to AB Volvo's shareholders during the year.

Change in liquid funds

The Group's liquid funds decreased by SEK 1.8 billion during the year, to SEK 25.6 billion.

Financial risk management

Risk policies

Volvo is exposed to various types of financial risks. The Volvo Group Financial Risk Policies form the basis for each Volvo company's action program. The policies are updated annually to meet expectations from the financial community. Monitoring and control is conducted continuously in each company as well as centrally. Most of the Volvo Group's financial transactions are carried out through Volvo's in-house bank, Volvo Treasury, which conducts its operations within established risk mandates and limits. Residual value risks and credit risks are managed by the different business areas.

Currency risk

Volvo's future flows of payments, loans and investments, and the translation of assets and liabilities in foreign subsidiaries are subject to currency risks related to changes in foreign exchange rates. Volvo's objective is to minimize the short-term impact of adverse exchange rate fluctuations on the operating income, by hedging future transactions.

The objective is also to reduce the Group's balance sheet exposure to a minimum. Volvo Group companies individually should not assume any currency risk. Volvo strives to avoid currency clauses in business contracts, where prices are adjusted dependent on changes in exchange rates.

Credit risk

Operations are governed by common policies for credits and by rules for classifying customers. The credit portfolio is distributed properly among different categories of customers and different industries. Credit risks are managed through active monitoring and follow-up routines and, in appropriate cases, procedures for repossessing products. Allocations are regularly made to credit-risk reserves.

The credit risk in customer financing is distributed among a large number of individual customers and dealers. Collateral is provided in the form of the products being financed. When issuing credit, an effort is made to balance risk exposure and expected yield.

Residual-value risk

Residual value risk is attributable to contracts involving buy-back or trade-back commitments, residual value guarantees or operating lease contracts. It comprises the risk that the product, at the end of the contract period, has another residual value than foreseen when the contract was entered. This may force Volvo to dispose of used products at a loss. Residual value risks are managed within Volvo's business areas through solid knowledge of the market, knowledge of product and price trends, and programs supporting the value of second-hand products. It is Volvo's policy to provide for this exposure on a continuing basis, so that the book value of these vehicles are in line with current and anticipated future price levels on used commercial products. Volvo believes that current levels of provisions are satisfactory with respect to current and expected future price levels.

Interest-rate and liquidity risk

Volvo Treasury has a centralized responsibility to actively support the financing of the Volvo Group companies and to coordinate the use of internal funds in the Volvo Group. The objectives are to:

- coordinate management and investments of liquid funds
- coordinate funding
- safeguard access to liquidity
- reduce financial risks
- optimize interest net

Operations are governed by policies and conducted within established risk mandates and limits.

For the customer finance portfolio, changes in interest rates during the period covered by a contract can affect income. Therefore the policy is to match the interest rate periods for borrowing and lending.

In a corresponding manner, the maturity of the borrowing shall correlate with the maturity of the outstanding contract. The policy is to have a minimum interest rate and liquidity matching ratio of 80% for the customer finance portfolio.

Trucks

The Volvo Group is one of the leading manufacturers of heavy trucks in the world. The foundation is established for aggressive development of new trucks and services – including systems for telematics and e-commerce solutions and new forms of financing.

The three truck brands – Mack, Renault and Volvo – have highly competitive products and a worldwide market coverage with a substantial potential for profitable growth.

Mack Trucks

Mack Trucks is one of the largest manufacturers of heavy-duty trucks and major product components in North America, with a market share of 13.4% in the Class 8 segment in the US in 2002. Since its founding in 1900, Mack has built on its reputation for strength and durability to become one of the leading heavy-duty truck brands in the North American market.

In the US, Mack is the undisputed leader in the vocational segment, its Granite series of heavy trucks is intended for construction and vocational applications. Mack Freedom is a medium-weight distribution truck. In the highway-vehicle segment, the Mack Vision tractor is designed for use in demanding long-haul assignments, while the Mack CH model fills the need for a product that can handle heavy regional-distribution loads. A clear majority of Mack vehicles employ drivelines manufactured in-house – a unique feature in the North American truck industry.

Mack trucks are sold and serviced in more than 45 countries.

Renault Trucks

Renault Trucks is one of Europe's largest truck manufacturers. It traces its origin to the Berliet and Renault companies founded in 1895 and 1898. With a product program that ranges from light trucks for city distribution to heavy long-haul trucks and military vehicles, Renault can meet the specific requirements of all types of road transports, as a truly full range manufacturer.

In 2002 Renault Trucks introduced a fully automated transmission, the optidriver, for the Magnum and Premium ranges. The vehicle management system, Infomax, was awarded the Siemens Prize for innovation.

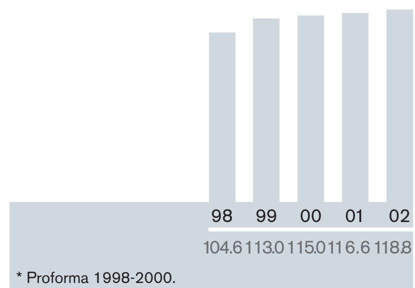
In 2002, Renault Trucks had 13.2% of the European market for heavy (>16 tons) trucks, and 11.0% of the market for medium-heavy trucks.

Renault Midlum, which was launched in 2000, is a highly flexible truck for medium-heavy transports that was designed specifically for city traffic. The Renault Mascott, a light truck, was introduced a year earlier.

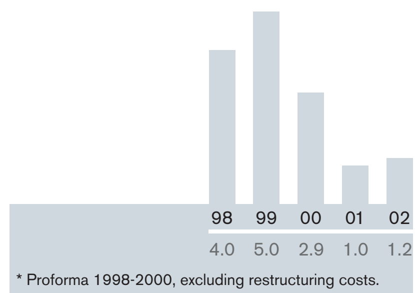
The heavy-duty segment (>16 tons) includes the new Renault Magnum that was introduced in 2001. It is designed for long-haul transports. The Renault Premium is a versatile truck for use in both regional transports and long-haul service. The Renault Kerax, the third heavy-duty truck model, is a rugged truck designed for short construction and service transports.

Renault Trucks has a strong international presence, with 2,000 dealers and service centers throughout the world, of which 1,350 are located in Europe.

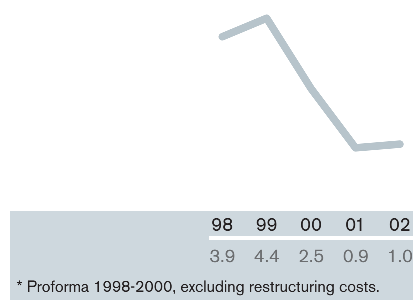
Net sales*, SEK bn



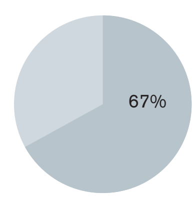
Operating income*, SEK bn



Operating Margin*, %



Net sales as percentage of Volvo Group sales, %



Aftersales services are provided in more than 80 countries.

Volvo Trucks

Volvo is specialized in heavy trucks, with total weigths above 16 tons and began manufacturing trucks in 1928.

During 2002 the new series of long-haulage trucks – the Volvo FH – and the regional distribution and construction trucks – the Volvo FM – were launched on the markets. The new models are equipped with new engines, new gear systems and a completely new driver environment.

In August 2002, the new Volvo VN trucks were introduced. The Volvo VN is based on the same platform as the Volvo FH and FM trucks, designed for long-haul transports, and manufactured and marketed in North America. The Volvo NH is another heavy-duty truck based on the same platform, the NH is developed for the South American market. The Volvo FL is a medium-heavy truck for local transports.

Volvo Trucks' products are marketed in more than 130 countries. The greater part of the sales take place in Western Europe and in North and South America. In 2002, Volvo Trucks had 14.1% of the market for heavy trucks (>16 tons) in Western Europe, and 7.5% of the market for heavy trucks (>15 tons) in the US.

Volvo Trucks has an extensive network of dealers and service centers in both Europe and North America. To further improve its customers' ability to conduct competitive operations, Volvo Trucks offers a broad range of services. Dynafleet, Volvo's information-technology-based transport information system, constitutes a growing percentage of Volvo Trucks' business.

Number of vehicles invoiced	Trucks 2001	**2002**
Western Europe	90,460	87,486
Eastern Europe	7,581	8,803
North America	34,645	36,515
South America	5,789	5,358
Asia	6,603	9,144
Other markets	10,233	9,827
Total	**155,311**	**157,133**

Largest markets – Trucks	2001 Registered heavy trucks	2001 Market share %	**2002** Registered heavy trucks	**2002** Market share %
Volvo Trucks				
USA	13,964	10.0	11,025	7.5
Great Britain	6,052	18.3	5,254	16.9
Brazil	4,209	14.1	4,318	14.7
France	5,558	12.2	4,146	10.2
Germany	3,941	7.7	4,032	9.3
Spain	3,553	13.6	3,098	12.1
Italy	2,872	10.6	2,543	9.6
Renault Trucks				
France	16,462	35.7	15,597	38.5
Great Britain	2,341	7.1	1,123	3.6
Germany	884	1.7	927	2.1
Spain	4,693	17.9	5,233	20.1
Mack Trucks				
USA	20,351	14.6	20,482	13.6
Canada	1,945	11.4	2,281	10.7

Total market

The total world market for heavy trucks reached an all-time-high in 2002 of 880,000 units (785,000). The increase was due to a substantially higher demand in China. After two very good years, the total market for heavy trucks in Western Europe declined by approximately 11% to 214,000 units in 2002. The decline was mainly due to lower demand in Germany, France and Great Britain.

In North America total deliveries of heavy trucks (class 8) amounted to 180,000 vehicles, an increase of 5% compared with 2001. This was due to a peak in demand during the middle of the year related to prebuys prior to new US emission regulations.

The total market for heavy trucks in Asia increased in 2002 mainly due to the substantially increased demand in China, up 110,000 units.

Business environment

The acquisitions of Mack and Renault V.I. were part of the restructuring that has been under way in the automotive industry for a long time. In 1965 there were 40 independent manufacturers of heavy trucks in the world; today, there are fewer than ten. Deregulation and increased globalization have created very tough competition that is driving the trend toward fewer and larger transport companies with increasingly streamlined operations. As a result, demands on truck manufacturers are also growing. Large development resources and rational production are required in order to meet customers' needs in a cost-effective way.

Market share development

Total deliveries for Volvos truck operations amounted to 157,133 vehicles during 2002, an increase of 1% compared with 2001.

In Europe, deliveries from Volvo and Renault Trucks amounted to 96,289 trucks, down 2%. The combined market share in Western Europe for Volvo's truck operations was 27.3% for heavy trucks, making the Volvo Group Europe's largest supplier of heavy trucks.

In North America, Mack and Volvo delivered a total of 36,515 vehicles, an increase of 5% compared with a year earlier. The combined market share in class 8 through November fell to 20.9%

(24.3). In Brazil, however, Volvo is the market leader in the heavy-duty vehicle class for the first time with a share of 31.0%. Total deliveries of Mack and Volvo trucks in South America were down 7% to 5,358 vehicles.

Financial performance

Net sales of Volvo's truck operations amounted to SEK 118,752 M, an increase of 5% adjusted for changes in currency exchange rates. The increase in sales related mainly to higher deliveries in North America, Asia and Eastern Europe.

Operating income in 2002 amounted to SEK 1,189 M (1,040, excluding restructuring costs). The earnings were favorably affected by improved margins as a result of improved price realization, positive effects from the integration of the truck companies, a continued strong performance from the truck operations in Europe and cost rationalizations. The earnings of Volvo's truck operations during 2002 continued to suffer from low volumes and capacity utilization in North America due to the poor market conditions, although the demand increased temporarily during the middle of the year ahead of the new US emission regulations.

Restructuring

The restructuring program announced in 2001 has developed according to plan during 2002. Since Volvo's acquisition of Mack and Renault V.I., a competitive structure has been put in place, purchasing gains are being realized and the plans for a consolidated engine program are finalized. The customer service network is being strengthened by the on-going dealer optimization in North America and by enhanced financial services. All in all the synergies that we aimed for have been achieved.

Production and investments

Production of trucks in 2002 amounted to 68,610 Volvo trucks (65,450), 55,666 Renault trucks (57,204) and 20,706 Mack trucks (21,831). In Europe, production of the new Volvo FH and Volvo FM models commenced during the spring, and in the US the new Volvo VN went into production during the autumn of 2002.

The production capacity in North America was reduced significantly in 2002, mainly as a result of the closure of Mack's Winnsboro plant and also as a result of a large number of down-days at Mack's and Volvo's plants in North America.

Investments were kept at a low level.

Net sales per market			Trucks
SEK M	2000	2001	**2002**
Western Europe	30,415	60,841	61,406
Eastern Europe	3,158	5,526	6,424
North America	17,048	33,630	33,721
South America	3,111	3,993	3,277
Asia	3,432	4,659	5,919
Other markets	1,911	7,919	8,005
Total	**59,075**	**116,568**	**118,752**

Number of trucks produced			Trucks
	2000	2001	**2002**
Volvo			
Volvo FH	32,720	28,920	31,880
Volvo VN and VHD [1]	23,400	12,860	14,300
Volvo FL7, 10, 12 and FM7, 10, 12	15,310	14,580	15,300
Volvo FL	7,890	6,690	5,640
Volvo NL and NH	2,690	2,400	1,490
Total	**82,010**	**65,450**	**68,610**
Mack			
Mack CH	13,652	7,298	7,540
Mack CL	1,089	984	288
Mack Vision	5,417	2,122	2,523
Mack Granite	25	1,099	4,592
Mack DM	1,162	703	528
Mack DMM	195	111	47
Mack LE	1,185	1,393	1,084
Mack MR	2,340	3,015	1,668
Mack RB	527	488	103
Mack RD	7,761	4,532	2,298
Mack RD8	23	86	35
Total	**33,376**	**21,831**	**20,706**
Renault			
Renault Mascott	11,803	11,528	11,446
Renault Kerax	6,770	7,967	7,677
Renault Midlum	15,185	12,764	12,545
Renault Premium	19,395	17,918	16,150
Renault Magnum	8,254	7,027	7,848
Total	**61,407**	**57,204**	**55,666**

1 Includes other truck models produced in the United States.

Ambitions for 2003

The ambition in year 2003 is to continue the successful integration of the truck operations within Volvo, Renault and Mack, and to further build on the unique brand identities and product programs of the three already strong brand names.

Net sales, SEK bn

98	99	00	01	02
14.3	14.7	17.2	16.7	14.0

Operating income*, SEK M

98	99	00	01	02
385	224	440	(524)	(94)

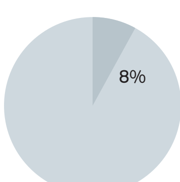
*excluding restructuring costs

Operating Margin*, %

98	99	00	01	02
2.7	1.5	2.6	(3.1)	(0.7)

*excluding restructuring costs

Net sales as percentage of Volvo Group sales, %



Buses

Volvo Buses' product line comprises complete buses, bus chassis and bodies for various applications such as city, intercity buses and coaches as well as related services.

Volvo Buses has renewed its entire product range in less than five years. Most of the new models are based on TX, the company's product platform for intercity buses and tourist coaches. The introduction of platform TX is the largest industrial project ever within Volvo Buses. Together with the renowned low floor chassis B 7 L and the all-round B 7 R chassis it forms the base for Volvo Buses' complete bus program.

Volvo Buses has also extended its range of facilities within servicing and financing, so as to be able to offer all-encompassing customer-tailored transport solutions with the best total economy. This makes it possible for the operator to predict future costs in the greatest detail.

Volvo Buses, in cooperation with Volvo Mobility Systems, offers customized intelligent transport systems. This encompasses full control of the buses in operation, priority traffic light systems as well as driver information. Travel information for the passengers as well as vehicle management and revenue management systems are also offered.

Total market

The overall market for heavy buses declined during 2002. The important European market for Volvo Buses declined by more than 15% during 2002. Declines were posted in Germany, France and Spain. United Kingdom remained low, while the Nordic region showed a positive trend. The coach market in North America deteriorated further. The South American market remained weak. Asia posted some growth.

Business environment

Within OECD, deregulation and privatization have altered the operating conditions for many operators. New actors are penetrating and conquering previously restricted areas, and competition between companies is increasing. There is a move towards fewer and larger operators who impose high demands on good economic overview and better potential for focusing on their core operations. Important bus markets in Europe are in a state of recession which results in increased competition on other markets.

In North America, the important coach market is still on a very low level, although offset by a favorable situation in Mexico. Important areas like Far East and China report a considerable growth. In terms of competitors, a further trend towards consolidation among the bus industry is prevailing.

Market share development

Volvo delivered 9,059 (9,953) buses and bus chassis during 2002. The decline was mainly attributable to significantly lower volumes in Mexico and North America, which were offset to some extent by favorable volumes in China and the Nordic countries.

Volvo increased its market shares in Europe as a result of the prevailing weak overall market situation in Continental Europe, where Volvo has relatively low penetration, and the favorable situation in the Nordic region. A positive development was noted for Volvo in China and Southeast Asia. Volvo has lost some market share in North America due to the withdrawal from the US city bus market and a reduced penetration in Mexico.

The order intake during the second half of 2002 weakened. At year-end the order book was 10% lower than in the preceding year. Volvo's order book improved for Mexico, Shanghai and Nova/St Eustache.

Financial performance

Net sales in 2002 declined to SEK 14,035 M (16,675). The decrease was largely explained by proportionate consolidation of Prévost and Nova Bus as from the fourth quarter 2001 as well as changes in currency exchange rate. Adjusted for these effects, net sales was down 1% pertaining mainly to decreased deliveries in North and South America partially offset by favorable volumes in China and the Nordic countries.

The operating loss was SEK 94 M compared with an operating loss of SEK 524 M in 2001. The improvement compared with the year-earlier period is to a large extent due to turn-around activities in North America and improvements in Europe and Asia. These positive effects were partly offset by lower volumes in Mexico and South America.

Production and investments

During the year Volvo produced 9,113 (10,167) buses and bus chassis, of which 35% were complete buses. The degree of utilization in the production system in Europe and North America was affected by the downturn in the market.

The introduction of the TX-platform provides Volvo with one of the most modern product ranges in the bus industry. This include complete buses and chassis for city and intercity traffic as well as coaches, which meet customers and environmental demands as well as internal requirements for production efficiency.

Ambitions for 2003

To cope with the developments in the industry and the market, the process of optimizing existing strengths and building for the future continues. Internal productivity and management programs are introduced. Cash flow management is a priority. Product development is focused on enhanced environmental performance of the buses.

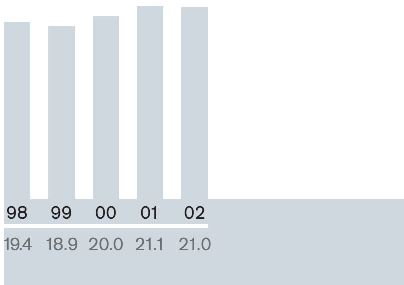
Number of vehicles invoiced			Buses
	2000	2001	**2002**
Western Europe	3,870	2,899	3,076
Eastern Europe	124	216	337
North America	3,869	3,128	1,945
South America	980	1,009	495
Asia	1,659	2,209	2,639
Other markets	513	492	567
Total	**11,015**	**9,953**	**9,059**

Largest markets	Registered buses		Market share, %	Buses
	2001	**2002**	2001	**2002**
Mexico	1,660	1,101	16.1	12.2
USA and Canada [1]	1,110	1,319	n/a	20
China with Hong Kong [1]	783	1,004	n/a	5,7
Great Britain	890	1,124	38.7	46.9
Iran	600	600	n/a	60

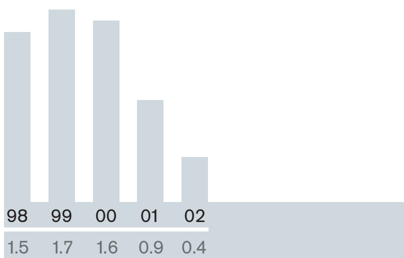
1 Deliveries from factory.

Net sales per market			Buses
SEK M	2000	2001	**2002**
Western Europe	6,767	6,263	6,695
Eastern Europe	182	373	409
North America	7,723	6,847	3,838
South America	732	757	366
Asia	1,269	1,839	2,022
Other markets	514	596	705
Total	**17,187**	**16,675**	**14,035**

Net sales, SEK bn

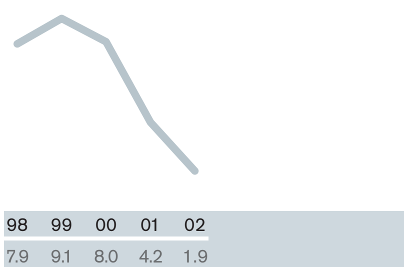


Operating income*, SEK bn



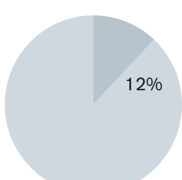
*excluding restructuring costs

Operating Margin*, %



*excluding restructuring costs

Net sales as percentage of Volvo Group sales, %



Construction Equipment

Volvo Construction Equipment (Volvo CE) is one of the world's leading companies in the construction equipment industry with production on four continents and distribution of products, spare parts and service in more than 200 countries. The company has historically held strong positions in Europe and North America and is now extending its presence in Asia (primarily in China and Korea), South America and Eastern Europe (primarily in Poland and former Soviet union).

Volvo CE's products are used in a number of applications such as general construction, road construction and maintenance, forestry, demolition, waste handling, mining and in the rental industry.

The product range comprises Excavators, Wheel Loaders, Articulated Haulers, Motor Graders, Backhoe Loaders, Skid Steer Loaders and a range of compact Wheel Loaders and compact Excavators. The company also offers solutions for financing, leasing, sales of used equipment and have recently launched an initiative for the rental market, Volvo CE Rents. At year-end 2002, 50 rental stores had opened or were under development agreements in US and Europe.

Total market

The total combined world market for heavy construction equipment and compact equipment within Volvo CE's product range declined by 3% during 2002. In North America the downturn was 12%. Europe was down 6% while other markets were up 7%.

The market for heavy construction equipment increased by about 3% in 2002, of which North America showed a decline of 7%, Europe approximately 10% and other markets up about 20%.

For compact equipment, the market fell about 8% during the year, of which Europe represented a decline of 5%, North America 17% and decline of 5% in other markets.

Business environment

In October 2002 Hitachi and Komatsu announced that they will standardize and share certain components. This move is the first part of a business deal made by the two companies in April outlining six areas of cooperation. 2002 also saw Terex continue its acquisition streak, this time strengthening its position in Europe by adding a major German machinery manufacturer and reorganizing itself into four separate units.

Market share development

Compared with the preceding year, Volvo CE was able to strengthen its share of the market in several important geographical and product areas mainly due to recently launched products backed by a strong brand name.

The value of the order bookings as of December 31, 2002 was 30% higher than at year-end 2001.

The market in Western Europe continued to be the largest single market with 49% of sales, North America accounted for 27% of sales, Asia represented 15% and the rest of the world 9%.

Financial performance

Volvo CE's net sales amounted to SEK 21,012 M (21,135), up 3% adjusted for currency effects. The increase was mainly a result of increased market shares following the expanded product range. Operating income in 2002, was SEK 406 M (891, excluding restructuring costs) and operating margin 1.9% (4.2). The lower earnings were primarily explained by deteriorating market conditions in North America, changes in the product mix and costs for the introduction of new products.

Production and investments

A number of new products were successfully launched in 2002, including the B-series of crawler Excavators with Volvo engines, the L120E, L150E, L180E, L330E Wheel Loaders, the new B-series of Motor Graders, also equipped with Volvo engines, and furthermore the L20B and L25B Compact Wheel loaders. During the fall, production of the new internally developed Backhoe Loader commenced in a state of the art factory in Wroclaw, Poland. At the end of the year, production of the acquired range of Skid Steer Loaders started in Volvo CE´s factory in Asheville, North Carolina.

In order to reduce costs and adapt to present market conditions, Volvo CE decided at the end of the year to concentrate production of Articulated Haulers to two factories instead of three.

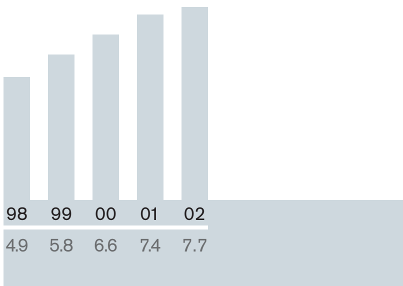
Ambitions for 2003

Since it is anticipated that the market conditions will be tough also during 2003 a tight cost control is of outmost importance. Volvo CE's ambition is to increase market shares and capitalize on the recently launched new products and the extended product range, i.e. the Backhoe Loaders and the Skid Steer Loaders. The Rental initiative will be further developed. The new factory for production of Excavators in China will be important to the company development since China is the fastest growing and one of the biggest market for crawler excavators. At the end of 2003, Volvo CE will introduce a new Telehandler to the market. In the marketing area the ambition is to continue with the dealer development program.

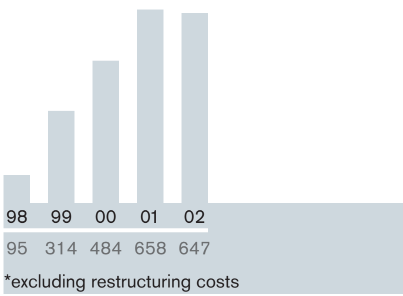
Net sales per market Construction Equipment

SEK M	2000	2001	**2002**
Western Europe	10,029	10,326	10,383
Eastern Europe	255	341	454
North America	5,823	6,145	5,667
South America	776	847	709
Asia	2,484	2,773	3,048
Other markets	626	703	751
Total	**19,993**	**21,135**	**21,012**

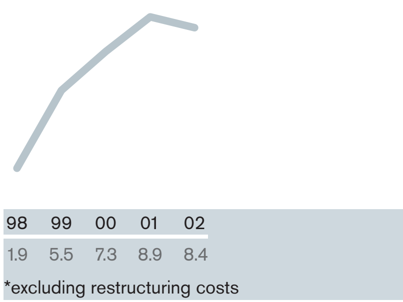
Net sales, SEK bn



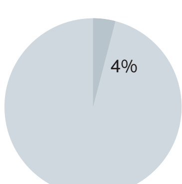
Operating income*, SEK M



Operating Margin*, %



Net sales as percentage of Volvo Group sales, %



Volvo Penta

Volvo Penta is a world-leading and global manufacturer of engines and complete power systems for both marine and industrial applications. The company serves customers in all parts of the world, primarily within three areas of activity: Marine Leisure, Marine Commercial and Industrial.

Based on a platform of Volvo's large production volume of diesel engines, Volvo Penta develops high-performance power products for a variety of application areas, including leisure boats, workboats, power-generating equipment and forklifts.

By supplying technologically superior products focused on performance and operational reliability, and sensitivity to customer demands on effective service solutions, Volvo Penta has developed a global leadership position as a supplier of engines and power systems, and one of the industry's strongest brands. With more than 5,000 dealers in some 130 countries, Volvo Penta has a strong global presence.

Volvo Penta has extended its product range in all business segments through a number of successful introductions during the past years. The activity levels for new product introductions will remain high, with launches over the next few years resulting in a renewal of the existing range.

Total market

The global market for marine and industrial engines gradually weakened during the year, primarily as a result of a decline in confidence in the future among consumers and uncertainty regarding the situation in Iraq. The total market for marine and industrial engines in North America continued to weaken during the year, primarily regarding diesel engines. In Europe, the demand for marine engines was rather stable, while the market for industrial engines declined. The market for industrial engines continued to perform positively in Asia, while the demand for marine and industrial engines in South America declined sharply compared with 2001.

Business environment

In the prestige segment of the leisure boat industry, boats in the size range of approximately 35 feet to 50 feet is a growing segment. This is to a great degree favorable to Volvo Penta because it is in this area of the marine market that the company traditionally has its strongest position.

Competition stiffened among engine producers in the leisure boat industry during 2002 as several new alliances and cooperations were established in the market. Brunswick and Cummins initiated a new diesel engine cooperation and Scania signed a commercial cooperation agreement with Yanmar.

On the industrial engine side, the largest producers of complete generator sets have reported substantial sales declines during the latter part of 2002. Volvo Penta does not manufacture any complete generator sets but instead delivers power systems to the independent producers that, in turn, use Volvo Penta products in their applications. Volvo Penta has continued to capture market shares in this part of the market and thereby compensated for the decline in the total market.

Market share development

During 2002, Volvo Penta strengthened its market shares in all segments. In Europe, positions for marine engines continued to strengthen and the now strong share of the industrial engines market was improved. Volvo Penta also continued to increase its shares of the North American marine engine market and the most apparent was the increase in market share for diesel engines. A strong level of demand in 2002 for industrial engines for irrigation pumps in Saudi Arabia created a strong position for Volvo Penta as the leading industrial engine manufacturer in Saudi Arabia. Volvo Penta's launch of the new heavy diesel engine program for commercial marine traffic was also successful, which led to gradually strengthened positions in many new growth markets.

Financial performance

Net sales in 2002 totaled SEK 7,669 M (7,380), and operating income amounted to SEK 647 M (658). Operating margin for 2002 was 8.4% (8.9). The continued strong increase in sales, combined with cost control, contributed to the earnings in 2002.

Production and investments

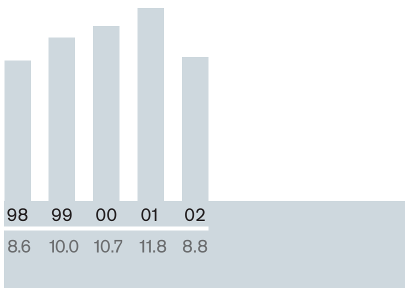
Volvo Penta's plant in Vara, Sweden is the only one in the world that is producing high volumes of diesel engines developed exclusively for marine use. These 3- and 4-liter diesel engines have contributed greatly to creating Volvo Penta's strong position in the leisure boat industry. Major investments have been made in recent years in the Vara plant, which operated at full capacity in 2002. Volvo Penta's gasoline engines are assembled in Lexington, Tennessee, US. The factory had high capacity utilization during 2002. The production of diesel engines at Volvo Penta's assembly plant in Wuxi, China continued to increase.

Ambitions for 2003

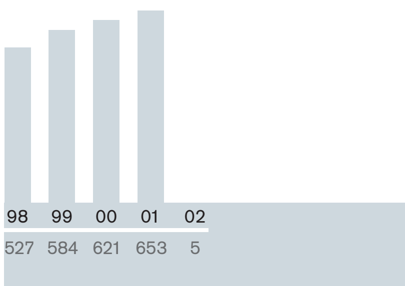
Volvo Penta currently holds uniquely strong positions as an independent engine supplier in the marine as well as industrial engine industry. Volvo Penta has no intention to compete with its customers by conducting its own production of boats or generator sets. The aggressive product renewal Volvo Penta started a couple of years ago will continue during 2003. Volvo Penta is now focusing its resources in order to ensure successful product launches in all business areas. Efforts to increase Volvo Penta's sales of diesel engines in the North American market will pay off in 2003, while the recent years' forceful expansion of operations in Asia will continue.

Net sales per market			Volvo Penta
SEK M	2000	2001	**2002**
Western Europe	3,204	3,789	3,846
Eastern Europe	30	38	99
North America	2,257	2,175	2,261
South America	160	213	127
Asia	794	988	1,141
Other markets	154	177	195
Total	**6,599**	**7,380**	**7,669**

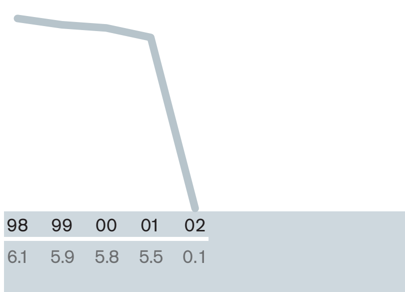
Net sales, SEK bn



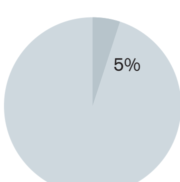
Operating income, SEK M



Operating Margin, %



Net sales as percentage of Volvo Group sales, %



Volvo Aero

Volvo Aero develops and manufactures high-technology components for commercial aircraft and rocket engines. Volvo Aero also develops, manufactures and maintains military engines. Volvo Aero offers a wide range of services, including sale of parts for aircraft engines and aircraft, sale and leasing of aircraft engines and aircraft, overhaul and repair of aircraft engines, and asset management. In addition, Volvo Aero develops, produces and provides aftermarket services for gas-turbine engines and systems.

The company's businesses are based on close cooperation with partners and on selective specialization. Volvo Aero operates world-wide but production is located in Sweden and Norway.

Total market

For the first eleven months of 2002 world airline passenger traffic declined by 1.7% compared with the corresponding period in the preceding year. However, traffic was 6% below the same period in 2000.

Total US traffic was down by 4% and European international traffic by about 5% through November. However, the Asia-Pacific region has its own dynamics and international traffic increased by 5%.

Political and economic uncertainties continue to impact the airline industry worldwide and airlines are under intense pressure. The market collapse following the terrorist attacks of September 11, 2001 is still causing severe stress, especially for those reliant on the depressed US market.

Business environment

The reduced airtravel and lower fares in 2002 have caused a deteriorating financial situation for the airlines. Two leading US airlines, United Airlines and US Airways, entered into Chapter 11 bankruptcy protection during the second part of 2002. According to Air Transport World, the larger American airlines posted total losses exceeding USD 11 billion in 2002. The demand for new aircraft has been reduced significantly. The two aircraft manufacturers Airbus and Boeing delivered 684 new aircraft during the year, down 20%. The decline continues, resulting in reduced order bookings for new aircraft. Boeing reported a decline of 25%. The decline is expected to continue in 2003 to a level about 15% lower than in 2002. No upturn is expected until 2005.

Market development

The decline in aircraft production and the lower demand for overhaul of engines and spare parts affect Volvo Aero. The order intake in 2002 was down 50%, and order backlog was 18% lower than in the preceding year.

Financial performance

As a result of the continued downturn in the aviation industry, Volvo Aero's net sales declined 25% to SEK 8,837 M (11,784). Operating income deteriorated to SEK 5 M (653), and operating margin was 0.1%, compared with 5.5% in the year-earlier period.

The weak earnings were attributable primarily to the sharp decline in the aftermarket, in which Volvo Aero was hit by the reduced need for engine overhauls and new

and old spare parts. Concurrently, the Land & Marine Gas Turbines unit was affected by the decline in the gas turbine market.

Despite the deep crisis in the aviation industry, Volvo Aero's Aerospace Components and Military Engines business units were able to deliver positive earnings for the full year, which offset the declines in the other business units.

Production and investments

Only a year after Volvo Aero and Rolls-Royce signed a contract making Volvo Aero a partner in the Trent 500 engine program, the company was able to deliver the first intermediate compressor case from Trollhättan in summer 2002. For this purpose, investments have been made in a completely new "Trent workshop".

Additionally, Volvo Aero is one of the initiators of the Digitally Linked Process Control project, aimed at substantially reducing lead times from product development to completed product by employing new technology in all production phases. The project involves the construction of a development laboratory, in which all processes are linked digitally to a virtual workshop, a workshop that has proven to be without equal in the aerospace industry.

During the sharp downturn in the aviation aftermarket, Volvo Aero Services (VAS) focused on establishing long-term contracts with airlines and other players in the industry. VAS has succeeded in signing contracts with companies that include Pratt & Whitney, Bombardier, Goodrich, Nordam, AeroXchange and Air Asia.

In 2002, Volvo Aero Engine Services signed a contract with the Russian airline, Aeroflot, under which Volvo Aero will overhaul Aeroflot's JT9D-59A engines, which are used in the airline's fleet of DC10-40 aircraft. The order value is estimated at SEK 600 M, making it the largest single maintenance order signed by Volvo Aero since 1998. New overhaul contracts were also signed with Corsair International of France, Centurion Air Cargo company and Sabena Technics, among other companies.

During the autumn, the first aircraft of the latest JAS 39 Gripen model, the 39C, was delivered to the Swedish Air Forces. The aircraft incorporates a large number of modernizations of the Gripen aircraft, which include the RM12 engine being fitted with Volvo Aero's proprietary flameholder, new intake and FADEC (Full Authority Digital Electronic Control).

During the year, Volvo Aero's Space Propulsion Division delivered its first complete sandwich nozzle for the RL60. This is the first step towards the full-scale development of the RL60, the next generation of liquid oxygen/hydrogen- powered rocket engines developed by the American company Pratt & Whitney.

Ambitions for 2003

The aviation industry's sharp downturn necessitates continued adaptation to new conditions while opportunities for increasing market shares are also created during a recession.

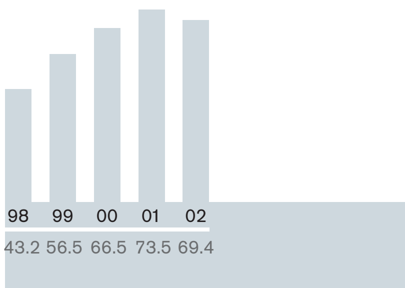
Accordingly, Volvo Aero aims to continue building its components business and will make strong efforts to become involved in new engine programs, either as a partner or long-term supplier.

In the service sector, major efforts are being made in developing the customer offering and signing long-term contracts with airlines, partners and other customers for both engine overhaul and spare parts/service offers.

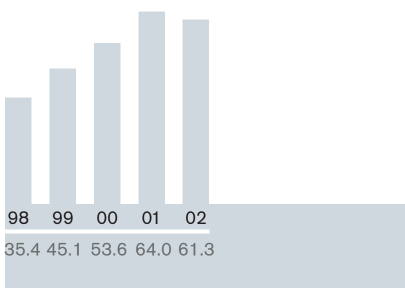
Activities continue in support of Saab/BAE's export efforts in selling the Gripen. Major efforts are being made to ensure that Volvo Aero is provided the appropriate conditions to continue further development of the RM12 engine.

Net sales per market			**Volvo Aero**
SEK M	2000	2001	**2002**
Western Europe	4,651	4,788	3,422
Eastern Europe	42	87	28
North America	5,040	5,841	4,573
South America	134	187	177
Asia	701	708	497
Other markets	45	173	140
Total	**10,713**	**11,784**	**8,837**

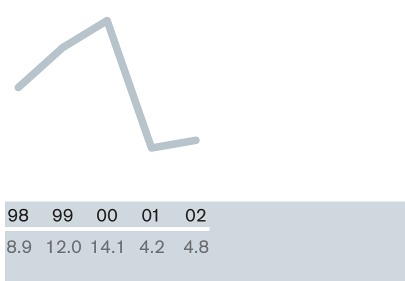
Assets, SEK bn



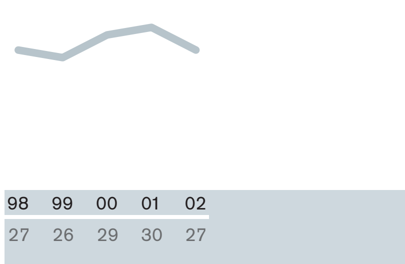
Credit portfolio, SEK bn



Return on shareholders´equity, %



Market penetration, %



Financial Services

Volvo Financial Services (VFS) provides services in five main areas: customer finance, treasury operations, insurance services, real estate management and other services. Financial services are a significant part of Volvo's strategy for becoming the world's leading provider of commercial transport solutions. Financial services also fulfill the market's growing need for increasingly sophisticated financial solutions, separately or combined with insurance and/or service contracts. They increase the competitiveness of Volvo's dealers and the attractiveness of their products, thereby enhancing the Group's growth and profitability.

During 2002, the new portfolio management strategies that were introduced in 2001 to the customer finance business took hold and produced sound results. As a result, a foundation for controlled growth and improved profitability has been successfully laid. VFS also forged closer ties to Mack and Renault Trucks. Both manufacturers now enjoy custom-branded finance programs. VFS benefited in 2002 not only from the increased volume and diversification of Mack and Renault Trucks, but also from greater stability within the US truck portfolio.

The customer in focus

Volvo's customer-financing operations cover Europe, North America, Australia, parts of South America and Asia. Customer financing is primarily truck-related, although Buses, Construction Equipment, Volvo Aero and Volvo Penta financing are included to an increasing extent. The range of financial services includes installment contracts, financial leasing, operational leasing and dealer financing. In most markets, insurance, service and maintenance contracts are also offered separately or in combination with financing services.

The total volume of new retail financing in 2002 amounted to SEK 26.3 billion, which was SEK 3.7 billion higher than the same period last year. The main driver behind the growth in volume was Mack and Renault Trucks, which accounted for 23% of the retail volume in 2002 compared with 6% in 2001.

In the markets where financial services are offered, the average year-end penetration was 27% for Volvo Trucks, 23% for Buses, 22% for Construction Equipment, 12% for Renault Trucks and 10%

for Mack Trucks. Expressed as an average, VFS financed approximately 19% of the units sold in the markets where financing is offered.

Total assets as of December 31, 2002 amounted to SEK 69.4 billion (73.5), of which SEK 61.3 billion (64.0) was in the credit portfolio. Adjusted for the effects of foreign exchange movements, the credit portfolio growth in 2002 was 8% (9%). The credit portfolio consists of 59% Volvo Trucks, 15% Construction Equipment, 11% Buses, 8% Renault Trucks and 5% Mack Trucks. The remaining 2% is mainly related to Volvo Aero and Volvo Penta. From a currency perspective, 37% of the portfolio was denominated in USD, 34% in Euro, 12% in GBP, and 7% in AUD and CAD. The remaining 10% is primarily denominated in other European and Latin American currencies.

Volvo Treasury, the in-house bank of the Volvo Group, coordinates the global funding strategy of VFS. Volvo Treasury also manages all interest-bearing assets and liabilities of the Group. This includes maintenance and further development of an optimal financial infrastructure for liquidity management and payments. Execution of foreign exchange, currency hedging, loan transactions, bank relations and other treasury related services further underscores Volvo Treasury's role as an in-house bank. These activities enhanced the interest net of the Volvo Group and added good value to the performance of VFS during 2002.

Danafjord, VFS's real estate unit, saw a further expansion in 2002. The operation mainly covers the letting and development of commercial real estate in Göteborg, Sweden. In total, including the real estate related to Volvo Cars, the operation encompasses about 2 million square meters. The occupancy rate at the end of the year was 99.9% (98), and 59% (61) of the total leasing was for tenants outside of the Volvo Group. 77% (70) of the lease agreements run for five years or more.

Volvo's insurance operations provide a wide array of transport-related insurance products and services to support Volvo customers and dealers. In most cases, these products are available at the point of sale, and premiums can often be financed along with the vehicles. In the US, Volvo Action Service offers an integrated claims process which minimizes the customer's downtime in case of accidents.

Financial performance

Operating income amounted to SEK 490 M (325) corresponding to a return on equity of 4.8% (4.2). Operating income in the established customer-financing companies was stable, but continued to be adversely affected by high level of provisions for expected losses from financing in North America. Operations in South America and Eastern Europe continued to perform well, with operating income higher than in previous years. Mainly due to higher claims, the insurance operation had a disappointing year, with much lower operating income than in 2001. Income from real estate and treasury was higher than in the preceding year.

Provision is made for credit risks on an up-front basis, where the level of reserves placed on each contract is related to the expected risk for that class of transaction. For customers not expected to fulfil their contractual obligations, specific reserves are allocated based on an individual assessment of each contract.

At the end of December, total credit reserves amounted to 2.6% (2.9) Total write-offs for 2002 amounted to SEK 893 M (823) whereof SEK 175 M (0) was related to the judicial portfolio in Latin America.

Ambitions for 2003

With an improved customer finance model and a streamlined organization in place, VFS next intends to refine its systems and processes through operational excellence initiatives that focus on efficiencies, customer satisfaction and controls. In addition, new business solutions such as credit syndications and risk diversification will be explored. A strategy will be developed to meet the Volvo Group's growing need for financial services in the Asian and Eastern European markets. Finally, the economic climate will continue to be monitored so that financial risks and opportunities can be managed.

Condensed income statement

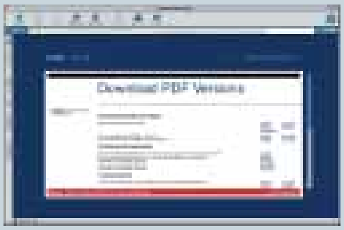
SEK M	2000	2001	2002
Net sales	9,678	9,495	9,925
Income after financial items	**1,499**	**325**	**490**
Taxes	(471)	10	(134)
Net income	**1,028**	**335**	**356**

Distribution of credit portfolio, net

%	2000	2001	2002
Commercial products			
Operational leasing	23	23	22
Financial leasing	28	27	25
Installment contracts	34	36	37
Dealer financing	14	14	16
Other customer credits	1	0	0

More information on the Internet

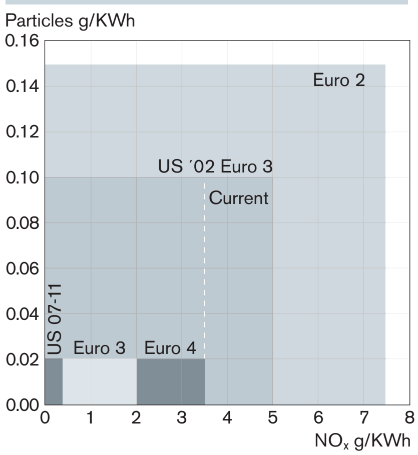
As of 2001, Volvo does not publish a separate environmental report. More detailed environmental information can be found at www.volvo.com.



You will find:
Policy documents, brochures, environmental data - products and production, emission legislation, product safety examples and training material.

The Volvo positions and actions in some of the current issues on environment and safety. Available on internet:

Emissions Standards for trucks and buses



Managing values

The corporate values of quality, safety and environmental care are naturally immersed in the daily operations of the Volvo Group. Quality and environmental management systems are used in all parts of the organization as the means for addressing responsibility and objectives to those having real influence on the actions. The group policies and a common network of auditors ensure that the group guidelines and objectives are addressed. During 2002 a number of new environmental certificates were received, including sites from the new Group members.

Quality issues

In product development, all business areas and business units now use a well structured process with quality gates and milestones specifying the requirements that have to be fulfilled before a project is allowed to continue. Safety and environmental requirements are also included in the process.

The focus on product quality in the development process as well as in the interface with the customer has led to improvements in customer satisfaction measurements.

Safety development

One important safety requirement is high product quality – the vehicles and engines must function reliably, and as the user expects. Other aspects of safety are to prevent accidents from happening, and when the accident is unavoidable, how to minimize the injuries for the driver, the passengers and people nearby.

A dedicated work to integrate the Volvo safety features and concepts into the newly acquired product lines at Volvo CE demonstrates how a good workplace with e.g. easy entrance and good visibility for the operator adds to high safety.

A focused environmental agenda

During 2002, improved energy efficiency and lower emissions were defined as the focused environmental agenda for the entire Volvo Group, and objectives for the coming three-year period were developed.

Fuel efficiency is the main interest of all our customers, with its direct link to the operating costs of the business. Improved total fuel efficiency is also the most rewarding way to decrease carbon dioxide (CO_2) emissions.

At the same time to improve ambient air quality, stricter and stricter emission regulations put pressure on the engine development, to decrease of mainly nitrogen oxides (NO_x) and particle emissions. Unfortunately, higher fuel efficiency normally means higher emissions of NO_x, a physical fact resulting from higher combustion temperatures. This balance is the challenge for all the Volvo Group business areas.

The recent product launches demonstrate how the stricter emission requirements have been met with highly competitive fuel efficiency, like the US introduction of the new VN trucks, meeting the EPA02 standards. In many cases also decreased fuel consumption, e.g. Volvo Penta's new D12 engine, is combined with substantially lower emissions. The key to the success is a close collaboration between the engine development and each application, to ensure the right combination of engine, transmission, chassis and body. The new I-shift transmission used in the Volvo Trucks is an excellent example of this integration.

The striving for higher fuel efficiency and lighter components requires that new material technologies are being developed also for engines. The so-called FPC method developed for use in the Skövde foundry produces a material with higher strength and thus withstanding higher combustion pressure. The method was acknowledged by the international foundry organization WFO by its first environmental prize in June 2002. Among the side-effects are also higher energy efficiency and less handling of hazardous waste in the foundry process.

Climate change

The focus on fuel efficiency is the Group's strongest contribution to reducing greenhouse gas emissions. The specific fuel consumption for each product must be minimized. Total efficiency will also be improved through the development and use of information technology and intelligent planning systems.

A road-map for alternative fuels and powertrains for the products is being developed, taking advantage of the deep knowledge on how to keep the efficiency of the diesel engine technology also with other fuels. DME is further investigated with test vehicles, and most importantly also the fuel production and distribution prerequisites for an overall efficient solution.

The focused environmental agenda defines far-reaching objectives for energy efficiency also in the production processes. The organisation is now being challenged on how to achieve substantially decreased CO_2 emissions in the most cost-effective way.

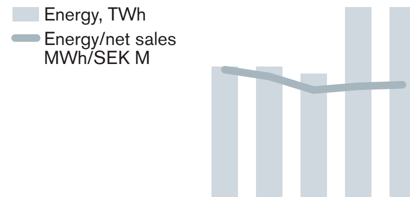
The production impact

The Volvo Group has production sites on all continents. Minimum environmental performance and an on-going improvement program are required from all plants, and followed-up by regular audits since 1989. The environmental audits identify environmental risks and possible need for clean-up or other corrective actions, with a follow-up that these are promptly conducted. The Volvo Group has insurance coverage for possible accidental damage to nearby areas.

At the beginning of 2003, Volvo had a total of 48 plants for the production of trucks, buses, construction equipment, marine and industrial power systems, and aircraft engines, of which 16 in Sweden. All the plants have the requisite permits, which in Sweden cover waste, noise and emissions to air, water and soil. No Swedish permits are to be renewed during 2003.

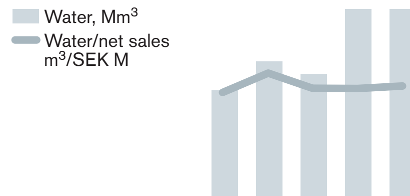
The 2002 consumption of water and energy, and thus the emissions of CO_2 and NO_x have remained on roughly the same levels as 2001. The newly acquired plants have started an intense work to increase resource efficiency, but the results cannot be seen yet. However their focus on changing to fuel with lower sulfur content shows clear results by decreased sulfur dioxide emissions. Solvent emissions and hazardous waste show minor increases. Detailed data can be found on page 89.

Energy consumption



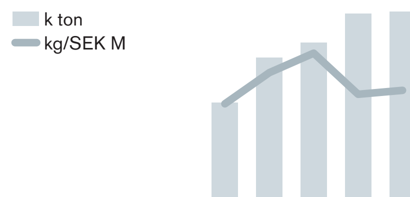
	98	99	00	01	02
Energy, TWh	1.8	1.8	1.7	2.6	2.6
Energy/net sales MWh/SEK M	16.5	15.6	13.8	14.3	14.5

Water consumption



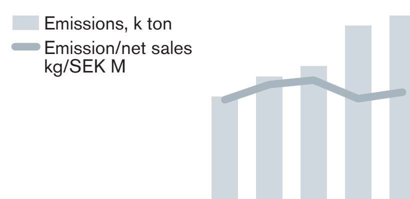
	98	99	00	01	02
Water, Mm^3	5.3	6.7	6.1	9.2	9.2
Water/net sales m^3/SEK M	49.1	57.8	51.0	50.9	52.0

Hazardous waste



	98	99	00	01	02
k ton	10.8	15.6	17.2	20.3	20.5
kg/SEK M	101	134	143	112	116

Solvent emission



	98	99	00	01	02
Emissions, k ton	1.1	1.3	1.4	1.8	1.9
Emission/net sales kg/SEK M	10.0	11.4	11.8	10.1	10.7

14 1 10

2 11

5 4 3

Group Management

1 Leif Johansson
Born 1951. Master of Engineering. President of AB Volvo and Chief Executive Officer of the Volvo Group since 1997. With Volvo since 1997.
Board member: Bristol-Myers Squibb Company, Confederation of Swedish Enterprise and The Association of Swedish Engineering Industries. Member of the Royal Swedish Academy of Engineering Sciences. Member of Volvo Board since 1997.
Holdings: 36,724 Volvo shares, including 30,000 Series B shares. 63,866 options.

2 Lennart Jeansson
Born 1941. Master of Business Administration. Executive Vice President of AB Volvo since 1990 and Deputy CEO since 1995. President of Volvo Car Corporation 1990-1993. Member of Group Executive Committee since 1986.
With Volvo since 1966.
Board Chairman: Stena AB.
Board member: Atlas Copco AB, Bilia AB and Stena Metall AB.
Holdings: 29,511 Volvo shares, including 28,625 Series B shares. 34,886 options.

3 Jorma Halonen
Born 1948. Bachelor of Science in Economics. President of Volvo Truck Corporation since June 2001. Prior to that various positions at Scania 1990–2001. Member of Group Executive Committee since January 2002. With Volvo since 2001.
Holdings: none.

4 Philippe Mellier
Born 1955. Bachelor of Engineering and Master of Business Administration. President of Renault Trucks since 2000. Senior Vice President, Market Area Europe, Renault S.A. 1999–2000. Prior to that a career at Ford Motor Company. Member of Group Executive Committee since January 2002. With Volvo since 2001.
Holdings: none.

5 Michel Gigou
Born 1946. Bachelor of Engineering and Master of Business Administration. President of Volvo Trucks North America since 2000 and Chairman of Mack Trucks, Inc. President of Mack Trucks, Inc. 1996–2000. Previously at Renault S.A, with various positions in Europe. Member of Group Executive Committee since January 2002. With Volvo since 2000.
Holdings: none.

6 Jan Engström
Born 1950. Master of Business Administration. President of Volvo Bus Corporation since January 1999. Senior Vice President of AB Volvo, responsible for economy and finance, 1993-1998. Member of Group Executive Committee since 1993. With Volvo since 1973.
Holdings: 1,220 Volvo shares, including 914 Series B shares. 27,817 options.

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7 Tony Helsham
Born 1954. Bachelor of Engineering. President of Volvo Construction Equipment since 2000. President and CEO of Euclid Hitachi Heavy Equipment 1995-1998. President of Volvo Construction Equipment Korea, 1998-2000. Member of Group Executive Committee since 2000. With Volvo since 1985.
Holdings: 8,268 options.

8 Staffan Jufors
Born 1951. Master of Business Administration. President of AB Volvo Penta since 1998. Member of Group Executive Committee since 1998. With Volvo since 1975.
Board member: EBP AB.
Holdings: 1,297 Volvo shares, including 194 Series B shares. 27,661 options.

9 Fred Bodin
Born 1947. Bachelor of Laws. President of Volvo Aero Corporation since 1997. General Counsel of Volvo Group, 1988–1997. Member of Group Executive Committee since 1993. With Volvo since 1981.
Holdings: 726 Volvo Series A shares. 29,137 options.

10 Salvatore L Mauro
Born 1960. Bachelor of Science in Accounting. President of Volvo Financial Services since 2001. President of Volvo Car Finance Europe 1999-2001. Member of Group Executive Committee since 2001. With Volvo since 1985.
Holdings: 1,003 American Depositary Receipts (ADRs) of AB Volvo.

11 Lars-Göran Moberg
Born 1943, Master of Engineering. President of Volvo Powertrain since June 2000. Member of Group Executive Committee since May 2001. With Volvo since 1995.
Holdings: 5,760 Volvo shares, including 5,652 Series B. 1,381 options.

12 Stefan Johnsson
Born 1959. Master of Business Administration. Senior Vice President of AB Volvo and CFO of the Volvo Group. Member of Group Executive Committee since 1998, responsible for economy, finance, strategic matters and business development. President of Volvo Group Finance Sweden 1994–1998. With Volvo since 1987.
Holdings: 24 Volvo Series A shares. 35,506 options.

13 Per Löjdquist
Born 1949. Senior Vice President of AB Volvo. Member of Group Executive Committee since 1997, responsible for corporate communications and public affairs. With Volvo since 1973.
Board member: West Sweden Chamber of Commerce and Industry, Aktiefrämjandet, BIORA AB and Nilörngruppen AB.
Holdings: 3,224 Volvo shares, including 50 Series B shares; 27,484 options.

14 Eva Persson
Born 1953. Master of Laws. Senior Vice President of AB Volvo and General Counsel of the Volvo Group. Member of Group Executive Committee since 1997, responsible for legal, tax and security matters. With Volvo since 1988. Secretary to AB Volvo's Board since 1997.
Member of the Swedish Industry and Commerce Stock Exchange Committee.
Holdings: 353 Volvo shares, including 200 Series B shares. 34,123 options.

15 Karl-Erling Trogen
Born 1946. Master of Engineering. Senior Vice President of AB Volvo. President of Volvo Truck Corporation 1994-2000. President of Volvo Trucks North America 1991–1994. Member of Group Executive Committee since 1994. With Volvo since 1971.
Board member: Kalmar Industries AB, Wilson Logistics Holding AB.
Holdings: 12,434 Volvo Series B shares. 43,316 options.

Report on Board activities during 2002

In 2002, Volvo's Board of Directors consisted of eight members elected by the shareholders at the Annual General Meeting. In addition, the Board had three members and two deputy members appointed by employee organizations. The President of AB Volvo is a member of the Board. During 2002, the Board held six regular meetings and one extraordinary meeting.

The Board has adopted work procedures for its internal activities that contain i.a. rules pertaining to the number of Board meetings, matters to be handled at regular meetings of the Board and duties incumbent on the Chairman.

The Board has also issued written instructions specifying when and how information that is required to enable the Board to evaluate the Company's and Group's financial position, should be reported to the Board, as well as the distribution of work between the Board and the President, and in which circumstances the Executive Vice President is to substitute the President.

During the year, the Board reviewed the financial position of the Company and Group on a regular basis. The Board also dealt regularly with matters involving divestments, acquisitions, the establishment of new operations, and matters related to investments in product renewal and product development in the Group's different business areas.

Board of Directors and Auditors

Board members elected by Annual General Meeting

1 Lars Ramqvist
Chairman. Born 1938, Dr. of Philosophy. Hon. Dr. of Technology, Hon. Dr. of Philosophy.

Honorary Chairman: Telefonaktiebolaget LM Ericsson.

Board member: Svenska Cellulosa Aktiebolaget SCA. Member of the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences.

Member of Volvo Board since 1998.

Holdings: 1,000 Volvo Series A shares.

2 Per-Olof Eriksson
Born 1938, Master of Engineering, Hon. Dr. of Technology.

Board Chairman: SAPA AB, Svenska Kraftnät, Thermia AB and Odlander, Fredriksson & Co.

Board member: Sandvik AB, AB Custos, Svenska Handelsbanken, SSAB Svenskt Stål AB, Preem Petroleum AB, Skanska AB and Assa Abloy. Member of the Royal Swedish Academy of Engineering Sciences.

Member of Volvo Board since 1994.

Holdings: 6,000 Volvo shares, including 1,000 Series B shares.

3 Patrick Faure
Born 1946. Bachelor of Laws.

Executive Vice President of Renault S.A. and Chairman and CEO of Renault F1 since 1991. Chairman and CEO of Renault V.I. 1998–2001. With Renault since 1979.

Board member: VINCI.

Member of Volvo Board since 2001.

Holdings: 2,000 Volvo Series B shares.

4 Tom Hedelius
Born 1939, Master of Business Administration, Hon. Dr. of Economics.

Board Chairman: AB Industrivärden, Bergman & Beving AB.

Vice Chairman: Telefonaktiebolaget LM Ericsson, Addtech AB and Lagercrantz Group AB.

Honorary Chairman: Svenska Handelsbanken.

Board member: Svenska Cellulosa Aktiebolaget SCA.

Member of Volvo Board since 1994.

Holdings: 2,000 Volvo Series A shares.

5 Leif Johansson
Born 1951, Master of Engineering.

President of AB Volvo and Chief Executive Officer of the Volvo Group.

Member of Volvo Board since 1997.

Holdings: 36,724 Volvo shares, including 30,000 Series B shares. 63,866 options.

6 Finn Johnsson
Born 1946, Master of Business Administration.

President of Mölnlycke Health Care AB.

Board Chairman: Handelsbanken Region Väst, Wilson Logistics Holding AB, Thomas Concrete Group AB and Maersk Medical A/S.

Board member: Skanska AB and AB Industrivärden.

Member of Volvo Board since 1998.

Holdings: 2,000 Volvo Series B shares.

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7 **Louis Schweitzer**
Born 1942. Bachelor of Laws.
Chairman and CEO of Renault since 1992. CFO and Executive Vice President 1988–1992. President and Chief Operating Officer 1990–1992.
Chairman of the management board Renault Nissan B.V. since 2002. With Renault since 1986.
Board member: Compagnie Financière Renault, R.C.I. Banque, Philips, Electricité de France, BNP-Parisbas, and Banque de France.
Member of Volvo Board since 2001.
Holdings: 2,000 Volvo Series B shares.

8 **Ken Whipple**
Born 1934. Bachelor of Business and Engineering.
Board Chairman and CEO of CMS Energy Corporation, CEO of Glenlore Enterprises.
Board member: 14 JP Morgan Fleming Mutual Funds.
Member of Volvo Board since 2001.
Holdings: none.

Board members designated by employee organizations

9 **Lars-Göran Larsson**
Born 1947. Employee representative.
With Volvo since 1974.
Member of Volvo Board since 1994.
Holdings: 94 Volvo shares, including 50 Series B shares.

10 **Olle Ludvigsson**
Born 1948. Employee representative.
With Volvo since 1968.
Deputy member of Volvo Board 1983–1988; member since 1988.
Holdings: 105 Volvo shares, including 55 Series B shares.

11 **Johnny Rönnkvist**
Born 1947. Employee representative.
With Volvo since 1965.
Member of Volvo Board since 1999.
Holdings: 234 Volvo shares, including 50 Series B shares.

Deputy members of the Board

12 **Stellan Rosengren**
Born 1960. Employee representative.
With Volvo since 1985.
Deputy member of Volvo Board since 1999.
Holdings: 250 Volvo Series B shares.

13 **Berth Thulin**
Born 1951. Employee representative. With Volvo since 1975.
Deputy member of Volvo Board since 1999.
Holdings: 100 Volvo Series B shares.

Secretary to the Board

Eva Persson
Born 1953. Master of Laws.
Senior Vice President of AB Volvo and General Counsel of the Volvo Group. Secretary to Volvo Board since 1997.
Holdings: 353 Volvo shares, including 200 Series B shares. 34,123 options.

Auditors

Olof Herolf
Authorized Public Accountant, PricewaterhouseCoopers.

Olov Karlsson
Authorized Public Accountant, PricewaterhouseCoopers.

Nomination Committee

Volvo's Nomination Committee consists of Thomas Halvorsen, Lars Ramqvist, Bengt Hane, Shemaya Lévy and Lars Otterbeck.

The Nomination Committee is responsible for submitting to the Annual General Meeting the names of candidates to serve as members of the Board of Directors and as auditors and deputy auditors. The Committee also proposes the amount of the fees to be paid to the holders of these positions.

Audit Committee

In December 2002, the Board of Directors of AB Volvo established an Audit Committee.

Finn Johnsson was elected chairman of the Committee and Per-Olof Eriksson and Ken Whipple were appointed members. As assigned by the Board, the Committee's duties include examining internal and external audits and the company's financial reporting.

Deputy Auditors

Olof Enerbäck
Authorized Public Accountant, PricewaterhouseCoopers.

Klas Brand
Authorized Public Accountant, PricewaterhouseCoopers.

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Consolidated income statements

SEK M		2000	2001	**2002**
Net sales	Note 3	130,070	189,280	**186,198**
Cost of sales		(104,548)	(155,592)	**(151,569)**
Gross income		25,522	33,688	**34,629**
Research and development expenses		(4,876)	(5,391)	**(5,869)**
Selling expenses		(10,140)	(15,766)	**(16,604)**
Administrative expenses		(4,974)	(6,709)	**(5,658)**
Other operating income and expenses	Note 4	622	(4,096)	**(4,152)**
Income from investments in associated companies	Note 5	444	50	**182**
Income from other investments	Note 6	70	1,410	**309**
Restructuring costs	Note 7	–	(3,862)	**–**
Operating income (loss)	Note 8	6,668	(676)	**2,837**
Interest income and similar credits		1,588	1,275	**1,217**
Interest expenses and similar charges		(1,845)	(2,274)	**(1,840)**
Other financial income and expenses	Note 9	(165)	(191)	**(201)**
Income (loss) after financial items		6,246	(1,866)	**2,013**
Taxes	Note 10	(1,510)	326	**(590)**
Minority interests in net income (loss)	Note 11	(27)	73	**(30)**
Net income (loss)		4,709	(1,467)	**1,393**
Net income (loss) per share, SEK		11.20	(3.50)	**3.30**

Consolidated balance sheets

SEK M		December 31, 2000		December 31, 2001		**December 31, 2002**	
Assets							
Non-current assets							
Intangible assets	Note 12		6,925		17,525		**17,045**
Tangible assets	Note 12						
Property, plant and equipment		22,231		33,234		**30,799**	
Assets under operating leases		14,216	36,447	27,101	60,335	**23,525**	**54,324**
Financial assets							
Shares and participations	Note 13	30,481		27,798		**27,492**	
Long-term customer-financing receivables	Note 14	22,909		26,075		**25,207**	
Other long-term receivables	Note 15	7,264	60,654	14,456	68,329	**12,485**	**65,184**
Total non-current assets			104,026		146,189		**136,553**
Current assets							
Inventories	Note 16		23,551		31,075		**28,305**
Short-term receivables							
Customer-financing receivables	Note 17	18,882		22,709		**21,791**	
Other receivables	Note 18	38,316	57,198	33,569	56,278	**26,995**	**48,786**
Marketable securities	Note 19		9,568		13,514		**16,707**
Cash and bank accounts	Note 20		6,400		13,869		**8,871**
Total current assets			96,717		114,736		**102,669**
Total assets			200,743		260,925		**239,222**
Shareholders' equity and liabilities							
Shareholders' equity	Note 21						
Restricted equity							
Share capital		2,649		2,649		**2,649**	
Restricted reserves		13,804	16,453	12,297	14,946	**14,093**	**16,742**
Unrestricted equity							
Unrestricted reserves		67,176		71,706		**60,143**	
Net income (loss)		4,709	71,885	(1,467)	70,239	**1,393**	**61,536**
Total shareholders' equity			88,338		85,185		**78,278**
Minority interests	Note 11		593		391		**247**
Provisions							
Provisions for post-employment benefits	Note 22	2,632		14,647		**16,236**	
Provisions for deferred taxes		2,264		1,044		**912**	
Other provisions	Note 23	12,676	17,572	17,383	33,074	**15,809**	**32,957**
Non-current liabilities	Note 24						
Bond loans		30,872		30,715		**33,870**	
Other loans		9,533		14,036		**12,549**	
Other long-term liabilities		265	40,670	9,379	54,130	**6,704**	**53,123**
Current liabilities	Note 25						
Loans		25,828		36,817		**26,018**	
Trade payables		11,377		23,115		**22,214**	
Other current liabilities		16,365	53,570	28,213	88,145	**26,385**	**74,617**
Total shareholders' equity and liabilities			200,743		260,925		**239,222**
Assets pledged	Note 26		2,990		3,737		**3,610**
Contingent liabilities	Note 27		6,789		10,441		**9,334**

Consolidated cash-flow statements

SEK M			2000		2001		**2002**
Operating activities							
Operating income			6,668		(676)		**2,837**
Depreciation and amortization	Note 8		6,251		9,961		**10,844**
Other items not affecting cash	Note 28		(426)		539		**1,955**
Changes in working capital:							
(Increase)/decrease in receivables			(1,450)		2,645		**3,649**
(Increase)/decrease in inventories			(1,458)		2,813		**53**
Increase/(decrease) in liabilities and provisions			(356)		992		**(2,692)**
Interest and similar items received			1,262		1,494		**942**
Interest and similar items paid			(1,325)		(1,862)		**(1,047)**
Other financial items			(57)		(191)		**(170)**
Income taxes paid			(1,084)		(1,572)		**(1,069)**
Cash flow from operating activities			8,025		14,143		**15,302**
Investing activities							
Investments in fixed assets		(5,419)		(8,090)		**(6,665)**	
Investments in leasing assets		(5,684)		(5,852)		**(5,179)**	
Disposals of fixed assets and leasing assets		2,107		2,578		**3,162**	
Customer-financing receivables, net	Note 28	(4,509)		(3,719)		**(5,739)**	
Shares and participations, net	Note 28	(1,654)		3,936		**(88)**	
Acquired and divested subsidiaries and other business units, net	Note 2, 28	(1)	(15,160)	13,002	1,855	**(159)**	**(14,668)**
Cash flow after net investments			(7,135)		15,998		**634**
Financing activities							
Increase (decrease) in bond loans and other loans	Note 28	8,162		6,164		**(111)**	
Loans to external parties, net	Note 28	305		213		**1,692**	
Dividend to AB Volvo shareholders		(3,091)		(3,356)		**(3,356)**	
Repurchase of own shares		(11,808)		(8,336)		**–**	
Dividends to minority shareholders		(9)		–		**(13)**	
Other		–	(6,441)	132	(5,183)	**12**	**(1,776)**
Change in liquid funds, excluding translation differences			(13,576)		10,815		**(1,142)**
Translation difference on liquid funds			275		600		**(663)**
Change in liquid funds			(13,301)		11,415		**(1,805)**
Liquid funds, January 1			29,269		15,968		**27,383**
Liquid funds, December 31			15,968		27,383		**25,578**

The effects of major acquisitions and divestments of subsidiaries in each year have been excluded from other changes in the balance sheet in the cash-flow statement. The effects of currency movements in translation of foreign Group companies have also been excluded since these effects do not affect cash flow. Liquid funds include cash and bank balances and marketable securities.

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the two preceding years; the first figure is for 2001 and the second for 2000.

Note 1 Accounting principles

Volvo's operations

The Volvo Group's operations are focused on transport solutions for commercial use and include development, manufacturing and sales of vehicles, machinery and power systems and also transport-related services such as service adapted to customer requirements, financing, insurance and transport information systems. Volvo is, after the acquisition of Renault V.I. and Mack Trucks at the beginning of 2001, the world's second largest manufacturer of heavy trucks and also one of the world's largest producers of heavy-diesel engines. Volvo is also one of the world's largest manufacturers of buses and construction equipment, a successful supplier of marine and industrial power systems, and a key partner to the foremost companies in the aircraft and aerospace industries.

Operating structure

As of 2002, the Volvo Group's operations are organized in eight business areas: Volvo Trucks, Renault Trucks, Mack Trucks, Buses, Construction Equipment, Volvo Penta, Volvo Aero and Financial Services. In addition to the eight business areas, there are other operations consisting mainly of business units that are designed to support the business areas' operations. The business units include Powertrain, Volvo IT, Logistics and Parts.

Each business area, except for Financial Services, has total responsibility for its operating income, operating capital and operating cash-flow. The Financial Services business area has responsibility for its net income and total balance sheet within certain restrictions and principles that are established centrally. In Volvo's external financial reporting, sales and operating income are reported by product area. Operating income within the business units Powertrain and Parts are distributed to the respective product areas.

The supervision and coordination of treasury and tax matters is organized centrally to obtain the benefits of a Group-wide approach. The legal structure of the Volvo Group is based on optimal handling of treasury, tax and administrative matters and, accordingly, differs from the operating structure.

The consolidated financial statements for AB Volvo (the Parent Company) and its subsidiaries are prepared in accordance with Swedish GAAP. These accounting principles differ in significant respects from U.S. GAAP, see Note 33.

Changes in accounting principles

As of 2001, Volvo is applying the following new accounting standards issued by the Swedish Financial Accounting Standards Council: RR1:00 Consolidated Financial Statements and Business Combinations, RR12 Tangible Assets, RR13 Associates, RR14 Joint Ventures, RR15 Intangible Assets, RR16 Provisions, Contingent Liabilities and Contingent Assets, RR17 Impairment of Assets, RR18 Income Per Share, RR19, Discontinuing Operations and RR20 Interim Financial Reporting. All accounting standards conform in all significant respects with the corresponding accounting standard issued by the International Accounting Standards Committee (IASC).

In applying the transition rules as a consequence of the aforementioned accounting standards, there were no retroactive effects on Volvo's earlier financial statements. In applying the new standards during fiscal year 2001, RR1:00 Consolidated Financial Statements and Business Combinations, RR14 Joint Ventures, RR15 Intangible Assets, RR16 Provisions, Contingent Liabilities and Contingent Assets resulted in a change in Volvo's accounting principles.

RR1:00 Consolidated Financial Statements and Business Combinations

In accordance with RR1:00 Consolidated Financial Statements and Business combinations, when a subsidiary is acquired through the issue of own shares, the purchase consideration is determined to the market price of the issued shares at the time of the transaction. In accordance with Volvo's previous accounting principles, such a purchase consideration was determined based on the average market price of the issued shares during ten days prior to the public disclosure of the transaction.

RR14 Joint Ventures

In accordance with RR14 Joint ventures, a joint venture should either be reported by use of the proportionate consolidation method or the equity method. Effective in 2001, the proportionate consolidation method is the preferred method under Volvo's accounting principles. In previous years, all joint ventures have been reported by use of the equity method.

RR15 Intangible Assets

In accordance with RR15 Intangible Assets, the expenditures for development of new products, production and information systems shall be reported as intangible assets if such expenditures with a high degree of certainty will result in future financial benefits for the company. The acquisition value for such intangible assets shall be amortized over the estimated useful life of the assets. Volvo's application of the new rules means that very high demands are established in order for these development expenditures to be reported as assets. For example, it must be possible to prove the technical functionality of a new product prior to this development being reported as an asset. In normal cases, this means that expenditures are capitalized only during the industrialization phase of a product development project. In accordance with Volvo's previous accounting principles, all costs for the development of new products, production and information systems were expensed on a current basis.

RR16 Provisions, Contingent Liabilities and Contingent Assets

In accordance with RR16 Provisions, Contingent Liabilities and Contingent Assets, a provision for decided restructuring measures is reported first when a detailed plan for the implementation of the measures is complete and when this plan is communicated to those who are affected. In accordance with Volvo's previous accounting principles, a provision for restructuring measures was reported in

Exchange rates

		Average rate Jan–Dec			Year-end rate		
Country	Currency	2000	2001	2002	2000	2001	2002
Denmark	DKK	1.1334	1.2403	1.2326	1.1870	1.2670	1.2386
Japan	JPY	0.0850	0.0850	0.0779	0.0832	0.0813	0.0740
Norway	NOK	1.0414	1.1485	1.2205	1.0715	1.1840	1.2605
Great Britain	GBP	13.8620	14.8763	14.5816	14.2200	15.4800	14.1538
United States	USD	9.1581	10.3272	9.7287	9.5350	10.6700	8.8263
Euro	EUR	8.4494	9.2434	9.1596	8.8570	9.4240	9.2018

connection with the measures being decided by the company's management.

Income from investments in shares

Effective in 2001, Income from investments in associated companies and Income from other investments are included as a part of the operating income rather than as earlier as a part of the financial net. The change has been made as an adaption to Volvo's internal business control model in connection with the new organization. Comparable figures for previous years have been restated to conform to the changed classification.

Change of accounting principles in 2003

Effective in 2003 Volvo will adopt RR29 Employee benefits in its financial reporting. RR29 Employee benefits, which was issued by the Swedish Financial Accounting Standards Council in December 2002, conforms in all signficant respects with IAS19 Employee benefits issued earlier by the IASC. By adoption of RR29, defined benefit plans for pensions and health-care benefits in all the Group's subsidiaries will be accounted for with consistent principles. In Volvo's financial reporting up to 2002, such plans have been accounted for by applying the local rules and directives in each country. In accordance with the transition rules of the new standard, a transitional liability should be established as per January 1, 2003, determined in accordance with RR29. This transitional liability has been determined to exceed the liability recognized as per December 31, 2002, in accordance with earlier principles with approximately SEK 1.9 billion. The excess liability will consequently be recognized as per January 1, 2003, as an increase of provisions for pensions and similar benefits and a corresponding decrease of shareholders equity. In accordance with the transition rules of the new standard, Volvo will not restate figures for earlier years in accordance with the new accounting standard. Because the Group's subsidiaries up to 2002 have been applying local rules in each country, the impact of adopting RR29 will differ for different countries of operations. Compared with earlier accounting principles in Sweden, the adoption of RR29 will mainly have the effect that plan assets invested in Volvo's Swedish pension foundation as of 2003 will be accounted for at a long-term expected return rather than to be revaluated each closing date to fair value. For Volvo's subsidiaries in the United States, differences relate to accounting for past service costs and the fact that RR29 does not include rules about minimum liability adjustments.

Effective in 2003, Volvo will also adopt the following new Swedish accounting standards: RR22 Presentation of financial statements, RR24 Investment property, RR25 Segment reporting, RR26 Events after the balance sheet date, RR27 Financial instrument: Disclosure and presentation and RR28 Accounting for government grants. None of these new standards are expected to have a significant effect on Volvo's financial statements.

Consolidated accounts

The consolidated accounts comprise the Parent Company, all subsidiaries, joint ventures and associated companies. Subsidiaries are defined as companies in which Volvo holds more than 50% of the voting rights or in which Volvo otherwise has a controlling influence. However, subsidiaries in which Volvo's holding is temporary are not consolidated. Joint ventures are companies over which Volvo has joint control together with one or more external parties. Associated companies are companies in which Volvo has long-term holdings equal to at least 20% but not more than 50% of the voting rights.

The consolidated accounts are prepared in accordance with the principles set forth in the Recommendation of the Swedish Financial Accounting Standards Council, RR1:00, Consolidated Financial Statements and Business Combinations.

All business combinations are accounted for in accordance with the purchase method.

Companies that have been divested are included in the consolidated accounts up to and including the date of divestment. Companies acquired during the year are consolidated as of the date of acquisition.

Joint ventures are preferably reported by use of the proportionate method of consolidation. A few joint ventures are reported by use of the equity method due to practical reasons.

Holdings in associated companies are reported in accordance with the equity method. The Group's share of reported income after financial items in such companies, adjusted for minority interests, is included in the consolidated income statement in Income from investments in associated companies, reduced in appropriate cases by amortization of goodwill. The Group's share of reported taxes in associated companies, is included in Group tax expense.

For practical reasons, most of the associated companies are included in the consolidated accounts with a certain time lag, normally one quarter. Dividends from associated companies are not included in consolidated income. In the consolidated balance sheet, the book value of shareholdings in associated companies is affected by Volvo's share of the company's net income, reduced by the amortization of goodwill and by the amount of dividends received.

Accounting for hedges

Loans and other financial instruments used to hedge an underlying position are reported as a hedge. In order to apply hedge accounting, the following criteria must be met: the position being hedged is identified and exposed to exchange-rate or interest-rate movements, the purpose of the loan/instrument is to serve as a hedge and that the hedging effectively protects the underlying position against changes in the market rates. Financial instruments used for the purpose of hedging future currency flows are accounted for as hedges if the currency flows are considered probable to occur.

Foreign currencies

In preparing the consolidated financial statements, all items in the income statements of foreign subsidiaries and joint ventures (except subsidiaries in highly inflationary economies) are translated to Swedish kronor at the average exchange rates during the year (average rate). All balance sheet items except net income are translated at exchange rates at the respective year-ends (year-end rate). The differences in consolidated shareholders' equity arising as a result of variations between year-end exchange rates are charged or credited directly to shareholders' equity and classified as restricted or unrestricted reserves. The difference arising in the consolidated balance sheet as a result of the translation of net income, in the income statements, in foreign subsidiaries' to Swedish kronor at average rates, and in the balance sheets at year-end rate, is charged or credited to unrestricted reserves. Movements in exchange rates change the book value of foreign associated companies. This difference affects restricted reserves directly.

When foreign subsidiaries, joint ventures and associated companies are divested, the accumulated translation difference is reported as a realized gain/loss and, accordingly, affects the capital gain.

Financial statements of subsidiaries operating in highly inflationary economies are translated to Swedish kronor using the monetary method. Monetary items in the balance sheet are translated at year-end rates and nonmonetary balance sheet items and corresponding income statement items are translated at rates in effect at the time of acquisition (historical rates). Other income statement items are translated at average rates. Translation differences are credited to, or charged against, income in the year in which they arise.

In the individual Group companies as well as in the consolidated accounts, receivables and liabilities in foreign currency are valued at year-end exchange rates. In appropriate cases, hedged receivables and liabilities are valued at the underlying forward rate.

Gains and losses pertaining to hedges are reported at the same time as gains and losses of the items hedged. Received premiums or payments for currency options, which hedge currency flows in business transactions, are reported as income/expense during the contract period.

Gains/losses on outstanding currency futures at year-end, which were entered into to hedge future commercial currency flows, are reported at the same time as the commercial flow is realized. For other currency futures that do not fullfil the criteria for hedge accounting a full market valuation is made on a portfolio basis and are credited to, or charged against income.

In valuing financial assets and liabilities whose original currency denomination has been changed as a result of currency swap contracts, the loan amount is accounted for translated to Swedish kronor taking into account the swap contracts.

Exchange differences on loans and other financial instruments in foreign currency, which are used to hedge net assets in foreign subsidiaries and associated companies, are offset against translation differences in the shareholders' equity of the respective companies.

Exchange gains and losses on payments during the year and on the valuation of assets and liabilities in foreign currencies at year-end are credited to, or charged against, income before taxes and minority interests in the year they arise. The more important exchange rates employed are shown above.

Other financial instruments

Interest-rate contracts and foreign exchange contracts are used to change the underlying financial asset and debt structure and are reported as hedges against such assets and debts.

Interest-rate contracts used as part of the management of the Group's short-term investments are valued together with these investments in accordance with the portfolio method. Provisions are made for unrealized losses in excess of the unrealized gains within the portfolio.

Interest-rate contracts that do not fullfil the criteria of hedge accounting are valued at the balance sheet date at which time provisions for unrealized losses are made.

Net sales

The Group's reported net sales pertain mainly to revenues from sales of goods and services. Net sales are reduced by the value of discounts granted and by returns.

Income from the sale of goods is recognized when the goods are delivered to the customers. If, however, the sale of goods is combined with a buy-back agreement or a residual value guarantee, the sale is accounted for as an operating lease transaction if significant risks of the goods are retained in Volvo. Income from the sale of workshop services is recognized when the service is provided. Rental revenues and interest income in conjunction with financial leasing or installment contracts are recognized over the contract period.

Research and development expenses

Effective in 2001, Volvo has adopted RR15 Intangible Assets (see changes in accounting principles above). In accordance with the new accounting standard, expenditures for development of new products and production systems shall be reported as intangible assets if such expenditures with a high degree of certainty will result in future financial benefits for the company. The acquisition value for such intangible assets shall be amortized over the estimated useful life of the assets. Volvo's application of the new rules means that very high demands are established in order for these development expenditures to be reported as assets. For example, it must be possible to prove the technical functionality of a new product prior to this development being reported as an asset. In normal cases, this means that expenditures are capitalized only during the industrialization phase of a product development project. Other research and development expenses are charged to income as incurred.

Warranty expenses

Estimated costs for product warranties are charged to operating expenses when the products are sold. Estimated costs include both expected contractual warranty obligations as well as expected goodwill warranty obligations. Estimated costs are determined based upon historical statistics with consideration of known changes in product quality, repair costs or similar. Costs for campaigns in connection with specific quality problems are charged to operating expenses when the campaign is decided and announced.

Restructuring costs

Restructuring costs are reported as a separate line item in the income statement if they relate to a considerable change of the Group structure. Other restructuring costs are included in Other operating income and expenses. A provision for decided restructuring measures (see changes in accounting principles above) is reported when a detailed plan for the implementation of the measures is complete and when this plan is communicated to those who are affected.

Depreciation, amortization and impairments of tangible and intangible non-current assets

Depreciation is based on the historical cost of the assets, adjusted in appropriate cases by write-downs, and estimated useful lives. Capitalized type-specific tools are generally depreciated over 2 to 8 years. The depreciation period for assets under operating leases is normally 3 to 5 years. Machinery is generally depreciated over 5 to 20 years, and buildings over 25 to 50 years, while the greater part of land improvements are depreciated over 20 years. In connection with its participation in aircraft engine projects with other companies, Volvo Aero in certain cases pays an entrance fee. These entrance fees are capitalized and depreciated over 5 to 10 years.

The difference between depreciation noted above and depreciation allowable for tax purposes is reported by the parent company and in the individual Group companies as accumulated accelerated depreciation, which is included in untaxed reserves. Consolidated reporting of these items is described below under the heading Deferred taxes, allocations and untaxed reserves.

Goodwill is included in intangible assets and amortized over its estimated useful life. The amortization period is 5 to 20 years. The goodwill pertaining to Renault V.I., Mack Trucks, Volvo Construction Equipment, Champion Road Machinery, Volvo Aero Services, Prévost, Nova BUS, Volvo Bus de Mexico, Volvo Construction Equipment Korea and Volvo Aero Norge are being amortized over 20 years due to the holdings' long-term and strategic importance.

If, at a balance sheet date, there is any indication that a tangible or intangible non-current asset has been impaired, the recoverable amount of the asset is estimated. If the recoverable amount is less than the carrying amount, an impairment loss is recognized and the carrying amount of the asset is reduced to the recoverable amount.

Inventories

Inventories are stated at the lower of cost, in accordance with the first-in, first-out method (FIFO), or net realizable value. Provisions are made for obsolescence.

Marketable securities

Marketable securities are stated at the lower of cost or market value in accordance with the portfolio method.

Liquid funds

Liquid funds include cash and bank balances and marketable securities. Marketable securities to some extent consist of interest-bearing securities with maturities exceeding three months. However, these securities have high liquidity and can easily be converted to cash.

Post-employment benefits

Most of the Volvo Group's pension commitments are met through continuous payments to independent authorities or bodies that administer the plans. Pension expense corresponding to the fees paid for these defined-contribution pension plans is reported continuously. In certain of Volvo's subsidiaries, mainly in Sweden and the US, there are defined benefit plans covering pensions and healthcare benefits. For these plans, a provision and annual pension expense are calculated based on the current value of the earned future benefits. Provisions for pensions and annual expenses related to defined pension and healthcare benefits are reported in Volvo's consolidated balance sheet and income statement by applying the local rules and directives in each country.

Provisions for residual value risks

Residual value risks are attributable to operational lease contracts and sales transactions combined with buy-back agreements or residual value guarantees. Residual value risks are the risks that Volvo in the future would have to dispose used products at a loss if the price development of these products is worse than what was expected when the contracts were entered. Provisions for residual value risks are made on a continuing basis based upon estimations of the used products' future net realizable values. The estimations of future net realizable values are made with consideration of current prices, expected future price development, expected inventory turnover period and expected variable and fixed selling expenses. If the residual value risks are pertaining to products that are reported as tangible assets in Volvo's balance sheet, these risks are reflected by depreciation or write-down of the carrying value of these assets.
If the residual value risks are pertaining to products which are not reported as assets in Volvo's balance sheet, these risks are reflected under the line item provisions.

Deferred taxes, allocations and untaxed reserves

Tax legislation in Sweden and other countries sometimes contains rules other than those identified with generally accepted accounting principles, and which pertain to the timing of taxation and measurement of certain commercial transactions. Deferred taxes are provided for on differences which arise between the taxable value and reported value of assets and liabilities (temporary differences) as well as on tax-loss carryforwards. However, with regards to the valuation of deferred tax assets (the value of future tax deductions), these items are recognized provided that it is probable that the amounts can be utilized in connection with future taxable income.

Tax laws in Sweden and certain other countries allow companies to defer payment of taxes through allocations to untaxed reserves. These items are treated as temporary differences in the consolidated balance sheet, that is, a division is made between deferred tax liability and equity capital (restricted reserves). In the consolidated income statement an allocation to, or withdrawal from, untaxed reserves is divided between deferred taxes and net income for the year.

Application of estimated values

In preparing the year-end financial statements in accordance with generally accepted accounting principles, company management makes certain estimates and assumptions that affect the value of assets and liabilities as well as contingent liabilities at the balance sheet date. Reported amounts for income and expenses in the reporting period are also affected. The actual results may differ from these estimates.

Note 2 Acquisitions and divestments of shares in subsidiaries

Parent Company holdings of shares in subsidiaries as of December 31, 2002 are shown in AB Volvo's holding of shares on pages 75–77. Significant acquisitions, formations and divestments within the Group are listed below.

Volvo Aero Services LP
During 2002 VNA Holding Inc acquired an additional 9% of the shares in Volvo Aero Services LP (previously The AGES Group ALP). Thereafter, Volvo owns 95% of Volvo Aero Services LP.

Prévost Holding BV
On October 1, 2001 Volvo Buses divested 1% of Prévost Holding BV, a Canadian and North American bus manufacturer, to Henlys Group Plc. Thereafter Volvo and Henlys Group Plc own 50% of Prévost Holding BV each. Thus, effective on October 1, 2001, Prévost Holding BV is a joint venture and reported in the Volvo Group accounts in accordance with the proportionate consolidation method.

Acrivia AB (former OmniNova Technology AB)
In April 2001, Volvo Buses acquired 65% of Acrivia AB, an engineering company that develops production processes for buses and produce frames for the new TX platform, from TWR Sweden AB. Thereafter, Volvo Buses owns 100% of Acrivia AB.

Low Cab-Over-Engine (LCOE)
On July 27, 2001 Volvo Trucks North America agreed to sell its LCOE business to Grand Vehicle Works Holdings, LLC. By divesting its LCOE operations, Volvo met the condition imposed by U.S. Department of Justice for approval of its acquisition of Mack and Renault V.I.

Volvia
On February 8, 2001, Volvo's wholly owned subsidiary, Volvia reached an agreement covering the divestment of its insurance operations. The buyer is the If insurance company. The purchase price for the operations was 562.

Renault V.I. and Mack
On January 2, 2001, AB Volvo's acquisition of Renault's truck operations, Mack and Renault V.I., became effective. Under the terms of acquisition AB Volvo acquired all the shares of Mack and Renault V.I. in exchange for 15% of the shares in AB Volvo. The purchase price for the shares was set at SEK 10.7 billion, based on the Volvo share price on the acquisition date. Goodwill amounting to SEK 8.4 billion that arose in connection with the acquisition is being amortized over 20 years. In connection with the acquisition, Renault V.I. Finance was acquired for about FRF 154 M.

Eddo Restauranger AB
In December 2000, AB Volvo and Volvo Car Corporation divested in total 51% of the Eddo Restauranger restaurant chain to Amica AB, a company within the Fazer Group. Eddo was 55% owned by AB Volvo and 45% by Volvo Car Corporation. Amica AB acquired the shares in proportion to earlier holdings by AB Volvo and Volvo Car Corporation. AB Volvo sold its remaining 30% holding in Eddo to Amica AB in September 2002.

Duffields of East Anglia Ltd
In July 2000, Volvo Trucks acquired Duffields of East Anglia Ltd, a company that has been a Volvo dealer since 1969. Duffields is represented in the east of England where they operate from ten own dealerships, manage two customer workshops and are responsible for a small independent dealer.

Volvo (Southern Africa) (Pty) Ltd
In February 2000, the new wholly-owned company Volvo (Southern Africa) (Pty) Ltd acquired the assets of the former distributor in South Africa for approximately USD 10 million, including dealerships in South Africa and an assembly plant for trucks and bus chassis in Botswana. The company will run operations within the truck, bus, construction equipment and marine and industrial engines sectors.

Truck Engine Parts Division
In February 2000, Volvo Aero's Truck Engine Parts Division (TEPD) was taken over by the Finnveden engineering group. TEPD produces components for trucks.

The effects during 2002, 2001 and 2000 on the Volvo Group's balance sheet and cash flow statement in connection with the **acquisition of subsidiaries and other business units** are specified in the following table:

	2000	2001	2002
Intangible assets	125	8,914	135
Property, plant and equipment	68	9,126	95
Assets under operating lease	–	10,195	286
Shares and participations	(9)	433	(214)
Inventories	348	9,361	234
Current receivables	300	8,774	382
Liquid funds	2	4,059	105
Other assets	1	7,674	3
Shareholders' equity	–	(10,356)	–
Minority interests	–	–	119
Provisions	(7)	(14,524)	(33)
Loans	(89)	(2,543)	(247)
Liabilities	(237)	(30,020)	(582)
Acquired net assets	**502**	**1,093**	**283**
Liquid funds paid	(502)	(1,093)	(283)
Liquid funds according to acquisition analysis	2	4,059	105
Effect on Group liquid funds	**(500)**	**2,966**	**(178)**

The effects during 2002 includes wholly owned subsidiaries that previously were accounted for according to the equity method.

The effects during 2002, 2001 and 2000 on the Volvo Group's balance sheet and cash flow statement in connection with the **divestment of subsidiaries and other business units** are specified in the following table:

	2000	2001	2002
Intangible assets	(17)	(354)	–
Property, plant and equipment	(132)	(288)	(5)
Shares and participations	7	–	–
Inventories	(69)	(939)	(23)
Other receivables	(93)	(12,139)	(43)
Liquid funds	(7)	(1,824)	(13)
Minority interests	10	176	–
Provisions	158	2,922	–
Loans	38	420	–
Other liabilities	172	583	52
Divested net assets	**67**	**(11,443)**	**(32)**
Liquid funds received	506	11,860	32
Liquid funds, divested companies	(7)	(1,824)	(13)
Effect on Group liquid funds	**499**	**10,036**	**19**

Note 3 Net sales

Net sales per business and market area are shown in tables on page 85.

Note 4 Other operating income and expenses

	2000	2001	2002
Losses on forward and options contracts	(700)	(2,044)	(195)
Exchange rate differences on trade receivables and payables	436	411	(266)
Amortization of goodwill	(491)	(1,058)	(1,094)
Change in allowances for doubtful receivables, customer financing	(397)	(1,326)	(1,018)
Change in allowances for doubtful receivables, other	(172)	(415)	(362)
Surplus funds from Alecta (previously SPP)	683	43	–
Gain on sale of Volvia's securities portfolio	610	–	–
Gain on sale of Volvia's insurance operations	–	562	–
Adjustment of the gain on sale of Volvo Cars	520	90	–
Other income and expenses	133	(359)	(1,217)
Total	**622**	**(4,096)**	**(4,152)**

Note 5 Income from investments in associated companies

Volvo's share of income after financial items, in associated companies, is shown below:

	Income (loss)			Dividends received		
	2000	2001	2002	2000	2001	2002
Bilia AB	120	151	128	41	42	44
Xian Silver Bus Corp	13	27	29	–	–	–
Turbec AB	(44)	(67)	(67)	–	–	–
Petro Stopping Centers Holding LP	(46)	(73)	(57)	–	–	–
Shanghai Sunwin Bus Corp	–	(31)	(23)	–	–	–
Aviation Lease Finance	–	24	51	–	–	–
Other companies	33	(79)	77	55	8	20
Holdings no longer reported as equity method investments						
AB Volvofinans [1]	111	46	–	8	9	–
Scania AB [2]	341	–	–	637	–	–
Arrow Truck Sales [3]	(76)	–	–	–	–	–
Acrivia AB (OmniNova Technology AB) [3]	(17)	–	–	–	–	–
Other companies	–	–	–	–	15	–
Subtotal	**435**	**(2)**	**138**	**741**	**74**	**64**

	2000	2001	2002
Gains (losses) on sale of shares in associated companies			
Eddo Restauranger AB [4]	–	–	32
Volvofinans	–	61	–
Other companies	9	(9)	12
Subtotal	**9**	**52**	**44**
Total income from investments in associated companies	**444**	**50**	**182**

1 Divested in 2001.
2 On March 14, 2000 the European Commission rejected Volvo's application for approval of Volvo's proposed acquisition of Scania. As a result, Volvo's holding in Scania is no longer reported in accordance with the equity method.
3 From 2001 a subsidiary of AB Volvo.
4 Divested in 2002.

Note 6 Income from other investments

	2000	2001	2002
Dividends received			
Scania AB [1]	–	637	319
Henlys Group Plc	23	25	7
Holdings of Volvo Technology Transfer [2]	–	26	–
Other	3	6	3
Subtotal	**26**	**694**	**329**
Gain (loss) on sales of shares			
Mitsubishi Motors [3]	–	768	–
Holdings of Volvo Technology Transfer [2]	105	(10)	(16)
Other [4]	(61)	(42)	(4)
Subtotal	**44**	**716**	**(20)**
Total	**70**	**1,410**	**309**

1 In 2000 accounted for by the equity method and included in Income from investments in associated companies.
2 A Volvo venture-capital company.
3 Excluding costs of 194 for terminating the distribution of Mitsubishi Canter as well as costs for terminated development projects.
4 Including write-down of shares.

Note 7 Restructuring costs

Restructuring costs in 2001 amounted to 3,862 of which 3,106 for Trucks, 392 for Buses and 364 for Construction Equipment.

Restructuring costs in Trucks included costs for the integration of Mack Trucks and Renault Trucks in order to secure coordination gains made possible through the acquisition. The integration measures included reduction of the North American production capacity through a decision to close Mack's Winnsboro plant and transfer of production to Volvo's New River Valley plant. Integration measures further included restructuring of the global distribution system and production structure. In addition to the integration measures, restructuring costs in Trucks included significant personnel reductions due to the prevailing business conditions, especially in North America. Restructuring costs in Buses were attributable to the shut down of Nova Bus' plant for city buses in Roswell, US. In Construction Equipment, restructuring measures were pertaining to close down of fabrication in the Asheville plant, US, and to an overall redundancy program.

Of the total restructuring costs, 2,259 was attributable to contractual pensions and excess personnel, 573 was attributable to write-downs of assets and the remainder, 1,030 to other restructuring costs.

Note 8 Operating income (loss)

Operating income (loss) by business area is shown in table in page 4. Depreciation and amortization are included in operating income and are specified by type of asset as shown below:

	2000	2001	2002
Intangible assets	648	1,265	1,586
Property, plant and equipment	2,733	4,545	4,134
Assets under operating leases	2,870	4,151	5,124
Total	**6,251**	**9,961**	**10,844**

Note 9 Other financial income and expenses

Other financial income and expenses include exchange losses amounting to 55 (gain 59; gain 52).

Note 10 Taxes

Income after financial items was distributed as follows:

	2000	2001	2002
Sweden	3,983	(4,062)	(2,448)
Outside Sweden	1,828	2,198	4,323
Share of income (loss) in associated companies	435	(2)	138
Total	**6,246**	**(1,866)**	**2,013**

Tax expense was distributed as follows:

	2000	2001	2002
Current taxes:			
Sweden	(755)	(111)	(77)
Outside Sweden	(291)	(503)	(569)
Subtotal	(1,046)	(614)	(646)
Deferred taxes:			
Sweden	23	820	762
Outside Sweden	(243)	162	(641)
Subtotal	(220)	982	121
Associated companies	(244)	(42)	(65)
Total taxes	**(1,510)**	**326**	**(590)**

Provisions have been made for estimated tax charges that may arise as a result of prior tax audits in the Volvo Group. Tax claims for which no provision has been deemed necessary of approximately 982 (1,151; 2,071) are included among contingent liabilities.

Deferred taxes relate to estimated tax on the change in tax-loss carryforwards and temporary differences. Deferred tax assets are reported to the extent that it is probable that the amount can be utilized against future taxable income.

At year-end 2002, the Group had tax-loss carryforwards of about 17,300 , of which approximately 8,000 was recognized in calculating deferred taxes. Accordingly, tax-loss carryforwards of about 9,300 may be utilized to reduce tax expense in future years. Of the total tax-loss carryforwards, about 4,300 expire within 5 years.

The Swedish corporate income tax rate is 28%. The table below shows the principal reason for the difference between this rate and the Group's tax rate, based on income after financial items.

	2000, %	2001, %	2002, %
Swedish corporate income tax rates	28	28	28
Difference in tax rate in various countries	2	6	8
Capital gains	(2)	7	(2)
Other non-taxable income	(2)	28	(16)
Amortization of goodwill	2	(17)	17
Other non-deductible expenses	2	(16)	15
Recognition of deferred tax assets [1]	(5)	(19)	(13)
Other, net	(3)	2	(9)
Tax rate for the Group, excluding equity method	**22**	**19**	**28**
Equity method	2	(2)	1
Tax rate for the Group	**24**	**17**	**29**

1 Including utilization of tax loss carryforwards.

Specification of deferred tax assets and tax liabilities	2000	2001	2002
Deferred tax assets:			
Tax-loss carryforwards, gross	1,698	5,464	5,725
Other tax deductions	303	501	343
Internal profit on inventories	221	359	280
Provisions for doubtful receivables	157	596	536
Provisions for warranties	555	1,203	997
Provisions for pensions and other post-employment benefits	708	4,641	4,971
Provisions for restructuring measures	206	895	622
Other deductible temporary differences	1,029	3,510	2,950
	4,877	**17,169**	**16,424**
Valuation allowance	(613)	(2,676)	(3,063)
Deferred tax assets after deduction for valuation allowance	**4,264**	**14,493**	**13,361**
Deferred tax liabilities:			
Accelerated depreciation on property, plant and equipment	1,180	2,081	2,059
Accelerated depreciation on leasing assets	1,432	2,542	684
LIFO valuation of inventories	167	916	1,075
Product and software development	–	571	951
Untaxed reserves	721	543	564
Other taxable temporary differences	1,501	1,143	1,329
	5,001	**7,796**	**6,662**
Deferred tax assets (liabilities), net	**(737)**	**6,697**	**6,699**

Deferred taxes are partially recognized in the balance sheet on a net basis after taking into account offsetting possibilities.

Note 11 Minority interests

Minority interests in net income (loss) and in shareholders' equity consisted mainly of the minority interests in Volvo Aero Norge AS (22%) and in Volvo Aero Services LP (previously The AGES Group, ALP, 5%). The Henlys Group's holding (49%) in Prévost Holding BV was reported as minority interest up to the third quarter 2001. As of October 1, 2001, Henlys' ownership interest was increased to 50% and Prévost Holding BV is from this date consolidated by the proportionate method.

Note 12 Intangible and tangible assets

Acquisition costs	Value in balance sheet 2000	Value in balance sheet 2001	Invest-ments	Sales/ scrapping	Subsidaries acquired and divested [4]	Translation differences	Reclassi-fications	Value in balance sheet 2002
Goodwill	7,323	15,974	–	(269)	135	(963)	(90)	14,787
Entrance fees, aircraft engine programs	1,678	2,089	272	–	–	4	(249)	2,116
Product and software development	–	2,039	1,664	–	–	11	235	3,949
Other intangible assets	1,889	2,263	75	(47)	–	(159)	(10)	2,122
Total intangible assets	**10,890**	**22,365**	**2,011**	**(316)**	**135**	**(1,107)**	**(114)**	**22,974**
Buildings	12,044	17,049	982	(335)	134	(1,123)	(19)	16,688
Land and land improvements	2,790	4,592	159	(259)	21	(355)	11	4,169
Machinery and equipment [1]	26,976	39,135	3,259	(1,723)	72	(3,036)	718	38,425
Construction in progress including advance payments	1,388	2,752	402	(1)	–	(294)	(748)	2,111
Total buildings, machinery and equipment	43,198	63,528	4,802	(2,318)	227	(4,808)	(38)	61,393
Assets under operating leases	19,254	42,077	5,424	(4,572)	451	(4,043)	30	39,367
Total tangible assets	**62,452**	**105,605**	**10,226**	**(6,890)**	**678**	**(8,851)**	**(8)**	**100,760**

Accumulated depreciation and amortization	Value in balance sheet 2000	Value in balance sheet 2001	Deprecia-tion and amortiza-tion [2]	Sales/ scrapping	Subsidaries acquired and divested [4]	Trans-lation differ-ences	Re-classifi-cations	Value in balance sheet 2002	Book value in balance sheet 2002 [3]
Goodwill	2,354	2,961	1,094	(234)	–	(231)	(100)	3,490	11,297
Entrance fees, aircraft engine programs	1,221	1,306	57	–	–	4	(166)	1,201	915
Product and software development	–	3	307	–	–	19	162	491	3,458
Other intangible assets	390	570	128	14	–	(25)	60	747	1,375
Total intangible assets	**3,965**	**4,840**	**1,586**	**(220)**	**–**	**(233)**	**(44)**	**5,929**	**17,045**
Buildings	4,198	6,408	670	(180)	69	(469)	(53)	6,445	10,243
Land and land improvements	255	484	60	(31)	5	(59)	(5)	454	3,715
Machinery and equipment [1]	16,514	23,402	3,404	(1,413)	63	(1,831)	70	23,695	14,730
Construction in progress, including advance payments	–	–	–	–	–	–	–	–	2,111
Total buildings, machinery and equipment	20,967	30,294	4,134	(1,624)	137	(2,359)	12	30,594	30,799
Assets under operating leases	5,038	14,976	5,124	(2,182)	165	(1,482)	(759)	15,842	23,525
Total tangible assets	**26,005**	**45,270**	**9,258**	**(3,806)**	**302**	**(3,841)**	**(747)**	**46,436**	**54,324**

1 Machinery and equipment pertains mainly to production equipment.
2 Includes write-downs, 344.
3 Acquisition cost less accumulated depreciation and amortization.
4 Includes wholly owned subsidiaries that previously were accounted for according to the equity method.

Capital expenditures amounted to 6,813 (8,287; 5,430). Investments in assets under operating leases amounted to 5,424 (5,852; 5,709).

Capital expenditures approved but not yet implemented at December 31, 2002, amounted to SEK 5.5 billion (6.1; 6.8).

Note 13 Shares and participations

Group holdings of shares and participations in non-Group companies	Registration number	Percentage holding [1]	Dec 31, 2001 Book value SEK M [2]	Dec 31, 2002 Book value SEK M [2]
Shares in associated companies, equity method of accounting				
Bilia AB, Sweden	556112-5690	43	679	710
Shanghai Sunwin Bus Corp, China	–	50	193	139
Petro Stopping Centers Holdings, LP, USA	–	29	159	80
Blue Chip Jet HB, Sweden	969639-1011	40	156	151
Aviation Lease Finance USA	–	49	162	172
Xian Silver Bus Corp., China	–	50	143	135
Arbustum Invest AB, Sweden	556543-4247	40	33	32
Merkvim Metal Works Ltd, Israel	–	27	22	22
Effero AB, Sweden	556357-2931	45	22	22
Other holdings			398	194
Total shares and participations in associated companies [3]			**1,967**	**1,657**
Shares and participations in other companies				
Scania AB, Sweden	556184-8564	46/31	24,051	24,026
Deutz AG, Germany	–	11	670	670
Henlys Group Plc, Great Britain	–	10	524	524
Other holdings			586	615
Total shares and participations in other companies			**25,831**	**25,835**
Book value in accordance with Group balance sheet			**27,798**	**27,492**

1 Where two percentage figures are shown, the first refers to share capital and the second to voting rights.
2 Associated companies are reported in accordance with the equity method. Other companies are reported at cost.
3 Volvo's share of shareholders' equity in associated companies (incl. equity in untaxed reserves) amounted to 1,629 (1,951). Excess values amounted to 28 (16).

The Volvo Group has transactions with some of its associated companies. As of December 31, 2002, the Group's net receivables from associated companies amounted to 230 (31; 358).

The market value of Volvo's holdings of shares and participations in listed companies as of December 31, 2002 is shown in the table below. No write-downs have been made since the fair value of the investments is considered to be higher than the quoted market price of these investments.

	Book value	Market value
Scania AB	24,026	15,276
Bilia AB	710	965
Deutz AG	670	104
Henlys Group	524	157
Total holdings in listed companies	**25,930**	**16,502**
Holdings in non-listed companies	1,562	
Total shares and participations	**27,492**	

Scania AB
During 1999, Volvo acquired 43,5% of the capital and 28,6% of the voting rights in Scania, one of the world's leading manufacturers of trucks and buses. As from 2000, Volvo's holding in Scania is 45,5% of the capital and 30,6% of the voting rights. As a concession in connection with the European Commission's approval of Volvo's acquisition of Renault V.I. and Mack Trucks Inc., Volvo undertook to divest its holding in Scania within a time period of three years following approval of the transaction by the United States Department of Justice. The United States Department of Justice formally approved Volvo's acquisition of Renault V.I. and Mack Trucks Inc. during April 2001. The book value amounts to SEK 264 per share, which largely corresponds to the average acquisition value. At year-end 2002, the price of the Scania B share was SEK 168.50 per share and the average price during 2002 was SEK 177. If Scania would be valued at the year-end price, a write-down of SEK 8,750 M would be necessary. For U.S. GAAP, see further note 33.

Volvo intends to divest the holding in Scania, and discussions are held with a number of industrial buyers. Volvo's assessment is that a combined block of shares represents a higher value than the listed price on the stock exchange. Combined with valuations based on external assessments of Scania's future earnings capacity, this indicates a value at a level corresponding to the reported value. The value of the item is difficult to assess, but Volvo considers that the above factors combined justify that the book value is retained unchanged.

Eddo Restauranger AB
In 2002, Volvo divested its entire holding in Eddo with a capital gain of 32.

Mitsubishi Motors Corporation (MMC)
In 2001, Volvo divested its holding and all rights and obligations relating to MMC, which resulted in a capital gain of 574, net of termination costs of 194.

AB Volvofinans
In 2001, Volvo divested its entire holding in Volvofinans for a total purchase price of 871 and with a capital gain of 61.

Arrow Truck Sales
In 2001, Volvo increased its holding to 100% and Arrow thereby became a subsidiary of Volvo.

SM Motors Pte Ltd
In 2001, Volvo divested its entire holding in SM Motors with a capital loss of 13.

Shanghai Sunwin Bus Corporation
In 2000, Volvo and the Chinese vehicle manufacturer, Shanghai Automotive Industry Corporation, signed agreeements covering establishment in Shanghai of a joint-venture company, Shanghai Sunwin Bus Corporation, for the manufacture and sale of city and commuter buses. Each party owns 50% of the company.

Changes in the Volvo Group's holdings of shares and participations:	2000	2001	2002
Balance sheet, December 31, preceding year	29,213	30,481	27,798
Acquisitions and divestments, net	1,641	(2,844)	97
New issue of shares and shareholders' contributions	122	94	89
Share of income in associated companies, after tax	208	8	76
Dividends	(741)	(74)	(64)
Write-downs	(60)	(11)	(9)
Previously equity method companies, now consolidated	–	–	(210)
Translation differences	92	97	(203)
Other	6	47	(82)
Balance sheet, December 31	**30,481**	**27,798**	**27,492**

Note 14 Long-term customer-financing receivables

	2000	2001	2002
Installment credits	12,115	13,668	14,239
Financial leasing	10,082	11,534	10,341
Other receivables	712	873	627
Total	**22,909**	**26,075**	**25,207**

Note 15 Other long-term receivables

	2000	2001	2002
Convertible debenture loan in Henlys	2,288	2,561	2,118
Other loans to external parties	2,297	2,635	1,364
Prepaid pensions	447	358	706
Deferred tax assets	1,527	7,741	7,611
Other receivables	705	1,161	686
Total	**7,264**	**14,456**	**12,485**

Note 16 Inventories

	2000	2001	2002
Finished products	13,210	20,303	17,987
Production materials, etc.	10,341	10,772	10,318
Total	**23,551**	**31,075**	**28,305**

Increase (decrease) in obsolescence reserve	2000	2001	2002
Balance sheet, December 31, preceding year	1,277	1,333	3,017
Increase in obsolescence reserve charged to income	155	252	248
Scrapping	(53)	(162)	(348)
Acquired and divested operations	3	1,421	(1)
Translation differences	76	224	(262)
Reclassifications, etc.	(125)	(51)	56
Balance sheet, December 31	**1,333**	**3,017**	**2,710**

Note 17 Short-term customer-financing receivables

	2000	2001	2002
Installment credits	6,143	8,450	8,306
Financial leasing	5,195	5,913	5,269
Retailer financing	6,816	7,296	7,356
Other receivables	728	1,050	860
Total	**18,882**	**22,709**	**21,791**

Note 18 Other short-term receivables

	2000	2001	2002
Accounts receivable	16,174	21,658	17,155
Prepaid expenses and accrued income	2,821	2,478	2,846
VAT receivables	1,659	1,684	1,333
Receivable from Ford Motor Company	12,125	–	–
Other loans to external parties	1,910	2,114	1,300
Prepaid pensions	161	412	2
Income tax receivables	842	988	634
Other receivables	2,624	4,235	3,725
Total, after deduction of reserves for doubtful accounts receivable 1,079 (1,393; 1,101)	**38,316**	**33,569**	**26,995**

Change of reserve for doubtful accounts receivable	2000	2001	2002
Balance sheet, December 31, preceding year	1,147	1,101	1,393
Change of reserve charged to income	151	222	224
Utilization of reserve related to actual losses	(10)	(241)	(290)
Acquired and divested operations	4	303	(5)
Translation differences	67	42	(266)
Reclassifications, etc.	(258)	(34)	23
Balance sheet, December 31, current year	**1,101**	**1,393**	**1,079**

Note 19 Marketable securities

Marketable securities consist mainly of interest-bearing securities, distributed as shown below:

	2000	2001	2002
Government securities	1,581	1,399	203
Banks and financial institutions	2,702	436	484
Corporate institutions	2,348	3,968	1,140
Real estate financial institutions	2,581	7,626	14,841
Other	356	85	39
Total	**9,568**	**13,514**	**16,707**

Note 20 Cash and bank accounts

	2000	2001	2002
Cash in banks	5,802	4,941	4,157
Time deposits in banks	598	8,928	4,714
Total	**6,400**	**13,869**	**8,871**

Note 21 Shareholders' equity

The share capital of the Parent Company is divided into two series of shares: A and B. Both series carry the same rights, except that each Series A share carries the right to one vote and each Series B share carries the right to one tenth of a vote.

The total number of registered shares by year end 2002 amounted to 441,520,885. After repurchase of shares during 2001, currently amounting to 5% of the total number of registered A and B shares, the total number of outstanding Volvo shares by year end 2002 amounted to 419,444,842. The average number of outstanding shares was 419,444,842 in 2002.

Number of shares outstanding and par value	A (no.)	B (no.)	Total (no.)	Par value [1]
December 31, 2002	131,674,699	287,770,143	419,444,842	2,649

1 Par value per share is SEK 6.00 (total par value is based on 441,520,885 registered shares).

In accordance with the Swedish Companies Act, distribution of dividends is limited to the lesser of the unrestricted equity shown in the consolidated or Parent Company balance sheets after proposed appropriations to restricted equity. Unrestricted equity in the Parent Company at December 31, 2002 amounted to 56,423.

As of December 31, 2002, Volvo-related foundations' holdings in Volvo were 0.32% of the share capital and 0.65% of the voting rights.

As shown in the consolidated balance sheet as of December 31, 2002, unrestricted equity amounted to 61,536 (70,239; 71,885). It is estimated that 0 of this amount will be allocated to restricted reserves.

Change in shareholders' equity	Share capital	Restricted reserves	Unrestricted reserves	Total share-holders' equity
Balance at December 31, 1999	**2,649**	**12,553**	**82,490**	**97,692**
Cash dividend	–	–	(3,091)	(3,091)
Net income	–	–	4,709	4,709
Effect of equity method of accounting [1]	–	119	(119)	–
Transfer between unrestricted and restricted equity	–	(261)	261	–
Translation differences	–	1,385	(417)	968
Repurchase of own shares	–	–	(11,808)	(11,808)
Other changes	–	8	(140)	(132)
Balance at December 31, 2000	**2,649**	**13,804**	**71,885**	**88,338**
Cash dividend	–	–	(3,356)	(3,356)
Net income	–	–	(1,467)	(1,467)
Effect of equity method of accounting [1]	–	21	(21)	–
Transfer between unrestricted and restricted equity	–	(3,410)	3,410	–
Translation differences	–	1,850	(828)	1,022
Repurchase of own shares	–	–	(8,336)	(8,336)
New issue of shares to Renault S.A	–	–	10,356	10,356
Minimum liability adjustment for post-employment benefits [2]	–	–	(1,417)	(1,417)
Other changes	–	32	13	45
Balance at December 31, 2001	**2,649**	**12,297**	**70,239**	**85,185**
Cash dividend	–	–	(3,356)	(3,356)
Net income	–	–	1,393	1,393
Effect of equity method of accounting [1]	–	45	(45)	–
Transfer between unrestricted and restricted equity	–	4,219	(4,219)	–
Translation differences	–	(2,468)	238	(2,230)
Minimum liability adjustment for post-employment benefits [2]	–	–	(2,542)	(2,542)
Other changes	–	–	(172)	(172)
Balance at December 31, 2002	**2,649**	**14,093**	**61,536**	**78,278**

1 Mainly associated companies' effect on Group net income, reduced by dividends received.

2 Defined benefit plans for pensions in Volvo's subsidiaries in the United States are accounted for in accordance with U.S. GAAP (FAS87). In accordance with these rules, a minimum liability adjustment should be charged to shareholders' equity with an amount that corresponds to the unfunded part of accrued benefit obligations less unrecognized prior service costs. See further in Note 22 and Note 33.

Note 22 Provisions for post-employment benefits

	2000	2001	2002
Provisions for pensions	1,294	6,677	9,643
Provisions for other post-employment benefits	1,338	7,970	6,593
Total	**2,632**	**14,647**	**16,236**

The provisions for post-employment benefits correspond to the actuarially calculated value of obligations not insured with a third party or secured through transfers of funds to pension plans. The amount of pensions falling due within one year is included. The Swedish Group companies have insured their pension obligations with third parties.

Group pension costs in 2002 amounted to 4,472 (3,332; 1,548). The greater part of pension costs consist of continuing payments to independent organizations that administer defined-contribution pension plans. The pension costs in 2000 were reduced by Alecta (previously SPP) surplus funds of 683 (see below).

In 1996 two Groupwide pension foundations for employees in Swedish companies were formed to secure commitments in accordance with the ITP plan (a Swedish pension plan). In conjunction with the formation, plan assets corresponding to the value of pension commitments were transferred to the foundations. During 2000 the two foundations were merged to form a single foundation, The Volvo Pension Foundation, which after the sale of Volvo Cars was common to both the Volvo Group and Volvo Cars. In 2001 and 2002, a net of 40 and 0 was transferred to the pension foundation while in 2000 a net of 105 was received. The accumulated benefit obligations of Volvo Group pensions secured by this foundation at year-end 2002 amounted to 4,355. Assets in Volvo's Swedish pension foundation, which are invested in Swedish and foreign shares and funds, as well as interest-bearing securities, declined in value in 2001 and 2002 as a result of the downturn on the stock market. Consequently, the value of the foundation's assets was 1,099 less than pension commitments at year-end 2002. As a result, a provision for coverage of this deficit was reported in Volvo's consolidated balance sheet per December 31, 2002. The provision has in full been charged to the Group's reported operating income, whereof 292 in 2001 and 807 in 2002.

In the mid-1990s and later years, surpluses arose in the Alecta insurance company in the management of the ITP pension plan. In December 1998 Alecta decided to distribute, company by company, the surpluses that had arisen up to and including 1998. In accordance with a statement issued by a special committee of the Swedish Financial Accounting Standards Council, surplus funds that were accumulated in Alecta should be recognized in the financial statements when the present value could be calculated in a reliable manner. The rules governing how the refund was to be made were established in the spring of 2000 and a refund of 683 was recognized in Volvo's accounts during 2000. At year-end 2002, a refund of 2 had not yet been settled with cash.

As a result of the acquisition on January 2, 2001 of Mack Trucks Inc. and Renault V.I., provisions for post-employment benefits totaling 8.3 billion were added in the Volvo Group. The provisions pertained to commitments for pensions and other post-employment benefits, mainly healthcare benefits, which are not secured through the transfer of funds to independent pension plans. During 2001, the provisions within the acquired operations increased, partly due to contractual occupational pensions in conjunction with decided restructuring measures.

Provisions for post-employment benefits within Volvo's subsidiaries in the United States are reported in accordance with local rules (U.S. GAAP). Consequently in accordance with U.S. GAAP, minimum liability adjustments were recognized in the Group's financial statements 2001 and 2002 as a result of deficits in separate pension plans. The table below includes specification of how the minimum liability adjustments affected the Group's balance sheets as per the respective year-ends.

	2000	2001	2002
Long-term receivable for prepaid pensions	–	274	71
Deferred tax assets	–	–	122
Total assets	–	274	193
Shareholders' equity	–	(1,417)	(2,542)
Provision for pensions	–	1,691	2,735
Total shareholders' equity and liabilities	–	274	193

Additional information regarding Volvo's outstanding commitments for pension and other post-employment benefits and the status of the Group's pension plans are provided in Note 33. See also in Note 1 information regarding changes of accounting principles as of 2003.

Note 23 Other provisions

	Value in balance sheet 2000	Value in balance sheet 2001	Provisions and reversals	Utilization	Acquired and divested companies	Translation differences	Reclassifications	Value in balance sheet 2002
Warranties	3,644	5,989	6,414	(5,829)	(6)	(517)	(74)	5,977
Provisions in insurance operations	2,488	265	61	(62)	–	(18)	173	419
Restructuring measures	798	2,342	115	(782)	–	(196)	(62)	1,417
Provisions for residual value risks	725	1,716	355	(188)	–	(189)	4	1,698
Provisions for service contracts	1,276	1,705	78	(262)	1	(109)	65	1,478
Other provisions	3,745	5,366	1,337	(1,250)	10	(545)	(98)	4,820
Total	**12,676**	**17,383**	**8,360**	**(8,373)**	**5**	**(1,574)**	**8**	**15,809**

Note 24 Non-current liabilities

The listing below shows the Group's non-current liabilities in which the largest loans are distributed by currency. Most are issued by Volvo Treasury AB and Volvo Group Finance Europe BV.

Information on loan terms is as of December 31, 2002. Volvo hedges foreign-exchange and interest-rate risks using derivative instruments. See also Note 32.

Bond loans	2000	2001	2002
GBP 1999/2003, 4.6%	142	154	–
DKK 1998/2005, 4.0%	389	317	310
SEK 1997–2002/2004–2008, 4.05–9.8%	2,952	2,502	5,950
JPY 1999–2002/2004–2011, 0.3–1.7%	4,812	2,130	888
HKD 1999/2006 7.99%	122	136	113
CZK, 2001/2004–2007, 2.92–6.5%	–	466	306
USD 1997–2001/2004–2008, 1.42–6.0%	667	2,070	2,154
EUR 1995–2002/2004–2010, 0.1–7.62%	21,144	22,907	24,120
Other bond loans	644	33	29
Total bond loans	**30,872**	**30,715**	**33,870**

Other loans	2000	2001	2002
USD 1997–2001/2003–2017 1.42–13.0%	4,905	10,023	7,280
EUR 1990–2002/2004–2014 3.22–9.59%	747	1,453	1,841
GBP 2002/2005 4.44–7.18%	858	915	1,028
SEK 1988–1999/2009–2013, 4.3–6.15%	822	650	224
BRL 1998–2001/2004–2009 7.85–21.64%	849	641	435
CAD 1996–2002/2008–2017 3.55–4.0%	558	80	972
AUD 2002/2006 5.32%	–	–	400
Other loans	795	274	369
Total other long-term loans	**9,534**	**14,036**	**12,549**
Deferred leasing income	**–**	**1,898**	**1,481**
Residual value liability	**–**	**7,250**	**5,121**
Other long-term liabilities	**265**	**231**	**102**
Total	**40,670**	**54,130**	**53,123**

Of the above long-term loans, 1,358 (1,703; 693) was secured.

Long-term loans mature as follows:	
2004	15,732
2005	9,813
2006	4,227
2007	8,624
2008 or later	8,023
Total	46,419

Of other long-term liabilities the majority will mature within five years.

At year-end 2002, credit facilities granted but not utilized and which can be used without restrictions amounted to approximately SEK 18 billion (22; 23). Approximately SEK 16 billion of these facilities consisted of stand-by facilities for loans with varying maturities through the year 2007. A fee normally not exceeding 0.25% of the unused portion is charged for credit facilities.

Note 25 Current liabilities

Balance sheet amounts for loans were as follows:

	2000	2001	2002
Bank loans	7,160	7,417	5,442
Other loans	18,668	29,400	20,576
Total	**25,828**	**36,817**	**26,018**

Bank loans include current maturities, 1,046 (1,484; 2,917), of long-term loans. Other loans include current maturities of long-term loans, 11,138 (12,608; 7,750), and commercial paper, 8,762 (15,966; 10,724).

The weighted average interest rate for the interest-bearing current liabilities was 5.5% (5.4; 6.6).

Noninterest-bearing liabilities accounted for 48,599 (50,935; 27,742), or 65% (58; 52) of the Group's total current liabilities.

Balance sheet amounts for Other current liabilities were as follows:

	2000	2001	2002
Advances from customers	3,512	3,112	2,589
Current income tax liabilities	697	707	621
Wages, salaries and withholding taxes	2,527	4,368	4,335
VAT liabilities	735	772	1,056
Accrued expenses and prepaid income	6,960	7,724	7,315
Deferred leasing income	–	2,033	1,652
Residual value liability	–	4,341	3,985
Other liabilities	1,934	5,156	4,832
Total	**16,365**	**28,213**	**26,385**

Secured bank loans at year-end 2002 amounted to 588 (472; 473). The corresponding amount for other current liabilities was 1,775 (1,732; 1,506).

Note 26 Assets pledged

	2000	2001	2002
Property, plant and equipment – mortgages	109	264	356
Chattel mortgages	350	394	495
Receivables	1,065	1,063	1,180
Inventories	254	199	66
Cash, marketable securities	1,207	1,802	1,513
Other	5	15	–
Total	**2,990**	**3,737**	**3,610**

The liabilities for which the above assets were pledged amounted at year-end to 3,721 (3,907; 2,672).

Note 27 Contingent liabilities

	2000	2001	2002
Recourse obligations	509	2,490	1,649
Guarantees:			
Bank loans and trade bills – associated companies	48	67	219
Bank loans – customers and others	1,516	3,067	1,688
Tax claims	2,071	1,151	982
Other contingent liabilities	2,645	3,666	4,796
Total	**6,789**	**10,441**	**9,334**

Recourse obligations pertain to receivables that have been transferred, less reduction for recognized credit risks. Tax claims pertain to charges against the Volvo Group for which provisions are not considered necessary.

Legal proceedings

In March 1999, an FH 12 Volvo truck was involved in a fire in the Mont Blanc tunnel. The tunnel suffered considerable damage from the fire, which continued for 50 hours; 39 people lost their lives in the fire, and 34 vehicles were trapped in the tunnel. It is still unclear what caused the fire. The Mont Blanc tunnel was re-opened for traffic in 2002.

An expert group has been appointed by the Commercial Court in Nanterre, France, to investigate the cause of the fire and the damage it caused. At present, it is not possible to anticipate the result of this investigation or the results of certain other French investigations now in progress regarding the fire. One of the investigations is being carried out by an Investigation Magistrate appointed to investigate potential criminal liability for the fire. A number of individuals and companies had formally been placed under investigation before Volvo Truck Corporation (VTC) was also placed under investigation in July 2002. At VTC's request, the investigating magistrate has ordered an additional enquiry on the causes of the fire and VTC is cooperating fully with the investigating magistrate and the experts newly appointed.

A lawsuit has been filed with the Commercial Court in Nanterre, by the insurance company employed by the French company that operates the tunnel, against certain Volvo Group companies and the trailer manufacturer in which it demands compensation for the losses it claims to have suffered. The plaintiff has requested that the court postpone its decision until the expert group submits its report. Certain Volvo Group companies have further been involved in proceedings before the Civil Court of Bonneville instigated by the French Tunnel operating company against Bureau Central Francais, the owner of the truck and its insurers. These proceedings partly overlap with the proceedings in the Commercial Court of Nanterre. Volvo Group companies are also involved in proceedings regarding matters in connection with the tunnel fire before courts in Aosta, Italy, and Brussels, Belgium. Volvo is unable to determine the ultimate outcome of the litigation referred to above.

AB Volvo and Renault SA have a dispute regarding the final value of acquired assets and liabilities in Renault V.I. and Mack. This process could result in an adjustment in the value of the transfer. Any such adjustment will affect the amount of acquired liquid funds and Volvo's reported goodwill amount. The outcome of this dispute cannot be determined with certainty. However, Volvo believes that the outcome will not lead to an increase in goodwill.

Volvo is involved in a number of other legal proceedings incidental to the normal conduct of its businesses. Volvo does not believe that any liabilities related to such proceedings are likely to be, in the aggregate, material to the financial condition of the Group.

Note 28 Cash flow

Other items not affecting cash pertain to risk provisions and losses related to doubtful receivables and customer-financing receivables 1,306 (1,541; 522), deficit in the Swedish pension fund 807 (–; –), surplus funds from Alecta – (–; –508), capital gains on the sale of subsidiaries and other business units – (–829; –573) and other –158 (–173; –120).

Net investments in customer-financing receivables resulted in 2002 in a negative cash flow of SEK 5.7 billion (3.7; 4.5). In this respect, liquid funds were reduced by SEK 14.9 billion (16.6; 15.5) pertaining to new investments in financial leasing contracts and installment contracts.

Investments in shares and participations, net in 2002 amounted to SEK 0.1 billion. Divestments of shares and participations, net in 2001 amounted to SEK 3.9 billion, mainly related to the sale of Volvo's holding in Mitsubishi Motors Corporation. Investments in shares and participations, net, in 2000 amounted to SEK 1.6 billion, of which SEK 1.3 billion was attributable to additional investments in Scania.

Acquired and divested subsidiaries and other business units, net in 2002 amounted to SEK –0.1 billion, mainly related to additional acquisition of shares in Volvo Aero Services LP. Acquired and divested subsidiaries and other business units, net in 2001 amounted to SEK 13.0 billion mainly pertained to the final payment of SEK 12.1 billion from the sale of Volvo Cars, divestment of the insurance operation in Volvia and acquired liquid funds within Mack and Renault V.I.

During 2002, 2001 and 2000 net installments of loans to external parties contributed SEK 1.7 billion, SEK 0.2 billion and SEK 0.3 billion, respectively to liquid funds.

The change during the year in bonds and other loans reduced liquid funds by SEK 0.1 billion (increase 6.2; 8.1). New borrowing during the year, mainly the issue of bond loans and a commercial paper program, provided SEK 33.1 billion (31.4; 9.5). Amortization during the year amounted to SEK 33.2 billion (25.2; 11.4).

Note 29 Leasing

At December 31, 2002, future rental income from noncancellable financial and operating leases (minimum leasing fees) amounted to 28,327 (31,109; 26,445), of which 25,737 (28,183; 25,664) pertains to customer-financing companies. Future rental income is distributed as follows:

	Financial leases	Operating leases
2003	5.596	4.126
2004–2007	10.483	6.868
2008 or later	376	878
Total	**16.455**	**11.872**
Allowance for uncollectible future rental income	(156)	
Unearned rental income	(689)	
Present value of future rental income	15.610	

At December 31, 2002, future rental payments (minimum leasing fees) related to noncancellable leases amounted to 4,335 (5,192; 4,385).

Future rental payments are distributed as follows:

	Financial leases	Operating leases
2003	299	1,069
2004–2007	701	1,657
2008 or later	48	561
Total	**1,048**	**3,287**

Rental expenses amounted to:

	2000	2001	2002
Financial leases:			
– Contingent rents	(1)	(4)	(11)
Operating leases:			
– Contingent rents	(80)	(82)	(46)
– Rental payments	(837)	(899)	(1,238)
– Sublease payments	1	14	16
Total	**(917)**	**(971)**	**(1,279)**

Book value of assets subject to finance lease:

	2001	2002
Acquisition costs:		
Buildings	71	110
Land and land improvements	40	32
Machinery and equipment	23	24
Assets under operating lease	2,330	1,499
Total	**2,464**	**1,665**
Accumulated depreciation:		
Buildings	(14)	(62)
Land and land improvements	(8)	–
Machinery and equipment	(11)	(11)
Assets under operating lease	(914)	(646)
Total	**(947)**	**(719)**
Book value:		
Buildings	57	48
Land and land improvements	32	32
Machinery and equipment	12	13
Assets under operating lease	1,416	853
Total	**1,517**	**946**

Note 30 Personnel

In accordance with a resolution adopted at the Annual General Meeting, the fee paid to the Board of Directors is a fixed amount of SEK 3,250,000, to be distributed as decided by the Board. The Chairman of the Board, Lars Ramqvist, receives a fee of SEK 1,000,000. Fixed and variable salaries and other benefits for the Chief Executive Officer and Executive Vice President are prepared and decided by the Board of Directors. Fixed and variable salaries in line with the bonus program described below, and other benefits for other senior executives are prepared and decided by the executive's superior, in consultation with his or her superior.

In 2002, Leif Johansson, President and Chief Executive Officer, received SEK 9,838,891 in fixed salary and other benefits amounting to SEK 500,834. The variable salary for 2002 was SEK 2,542,000, including a 6% upward adjustment, a total of SEK 2,694,520 was allocated to pension. The variable salary corresponds to 25.8% of the fixed annual salary and is based on operating income and cash flow. Because the targets for 2001 were not achieved, Leif Johansson did not receive any employee stock options in 2002. Leif Johansson is eligible to take retirement with pension at age 55. Pension benefits earned prior to his employment at Volvo are coordinated with prior employers and consequently Volvo does not take the full pension cost for Leif Johansson. The defined pension benefits are vestad and earned gradually over the years up to the employee's retirement age and are fully earned at age 55. During the period between the ages of 55 and 65, he would receive a pension equal to 70% of his pensionable salary and in 2002, Volvo made provisions relating to these pensions amounting to SEK 6,466,500. For the period after reaching the age of 65 he will receive a pension amounting to 50% of his pensionable salary, in 2002 Volvo made provisions amounting to SEK 5,149,900 relating to these pensions and an additional SEK 1,966,100 for family pension. The pensionable salary is the sum of 12 times the current monthly salary, Volvo's internal value for company car, and a five-year rolling annual average of earned bonus which is limited to a maximum of 50% of the annual salary. Leif Johansson has twelve months notice of termination from AB Volvo and six months on his own initiative. If Leif Johansson's employment is terminated by AB Volvo, he is entitled to a severance payment equal to two years' salary, plus variable salary. The severance payment will be adjusted for any income after the termination of his contract with Volvo.

Leif Johansson, the Group Executive Committee, members of the executive committees of subsidiaries and a number of key executives receive variable salaries in addition to fixed salaries. Variable salaries are based on operating income and cash flow of the Volvo Group and/or of the executive's company, in accordance with a system established by the Volvo Board in 1993 and reviewed in 2000 and 2001. A variable salary may amount to a maximum of 50% of an executive's fixed annual salary. The Group Executive Committee consisted of 15 members in addition to Leif Johansson, the total fixed salaries for these top executives amounted to SEK 53 M, variable salaries amounted to SEK 11 M and other benefits totaled SEK 5 M.

The employment contracts of the Group Executive Committee and certain other senior executives contain provisions for severance payments when employment is terminated by the Company, as well as rules governing pension payments to executives who take early retirement. The rules governing severence payments provide that, when employment is terminated by the Company, an employee is entitled to severance pay equal to the employee's monthly salary for a period of 12 or 24 months, depending on age at date of severance. In certain contracts, replacing contracts concluded earlier, an employee is entitled to severance payments amounting to the employee's monthly salary for a period of 30 to 42 months. In agreements concluded after the spring of 1993, severance pay is reduced, in the event the employee gains employment during the severance period, in an amount equal to 75% of income from new employment. An early-retirement pension may be received when the employee reaches the age of 60. A pension is earned gradually over the years up to the employee's retirement age and is fully earned at age 60. From that date until reaching the normal retirement age, the retiree will receive a maximum of 70% of the qualifying salary. From the age of normal retirement, the retiree will receive a maximum of 50% of the qualifying salary.

Volvo currently has two option programs for senior executives, one call option program and one program for employee stock options. The option programs have no dilutive effect on Volvo's outstanding shares. The options may only be exercised if the holder is employed by Volvo at the end of the vesting period. However, if the holder's employment with Volvo is terminated for any reason other than dismissal or the holder's resignation, the options may be exercised in part in relation to how large part of the vesting period the holder has been employed. If the holder retires during the vesting period, he or she may exercise the full number of options.

In October 1998, Volvo announced a call option program with two subscriptions, one in 1999 and one in 2000. For the first subscription in May 1999, options were subscribed to approximately 100 senior executives. For the second subscription in April 2000, options were subscribed to approximately 60 senior executives.

The call options subscribed in May 1999, which can be exercised from May 18, 1999 until May 4, 2004, give the holder the right to acquire 1.03 Series B Volvo shares for each option held from a third party. The exercise price is SEK 290.70. The price of the options is based on a market valuation and was fixed at SEK 68.70 by Trygg-Hansa Livförsäkrings AB. The number of options corresponds to a part of the executive's variable salary earned. A total of 91,341 options were subscribed. The options were financed 50% by the Company and 50% from the option-holder's variable salary.

The second subscription took place in April 2000. These options can be exercised from April 28, 2000 until April 27, 2005, and give the holder the right to acquire one Series B Volvo share for each option held from a third party. The exercise price is SEK 315.35. The price of the options is based on market valuation by UBS Warburg and was fixed at SEK 55.75. The number of options corresponds to a part of the executive's variable salary earned. A total of 120,765 options were subscribed. The options were financed 50% by the Company and 50% from the option holder's variable salary.

In January 2000, a decision was made to implement a new incentive program for senior executives within the Volvo Group in the form of so-called employee stock options. The decision covers allotment of options for 2000 and 2001. In January 2000, a total of 595,000 options were allotted to 62 senior executives, including President and CEO Leif Johansson, who received 50,000 options. The executives have not made any payment for the options. The employee stock options allotted in January 2000 give the holders the right, from March 31, 2002 through March 31, 2003, to exercise their options or alternatively receive the difference between the actual price at that time and the exercise price determined at allotment. The exercise price is SEK 239.35, which is equal to 110% of the share price at allotment. The theoretical value of the options at allotment was set at SEK 35, using the Black & Scholes pricing model for options. Volvo has hedged the committments (including social costs) relating to a future increase in share price, through a Total Return Swap. Should the share price be lower than the exercise price at the closing date, Volvo will pay the swap-holder the difference between the actual share price and the exercise price at that time for each outstanding option.

In May, 2001, the second allotment within the employee stock option program took place. The allotment which was based on the fulfillment of financial goals, covered a total of 163,109 options to 71 senior executives, including President and CEO Leif Johansson, who received 13,600 options. The executives have not made any payment for the options. These employee stock options give the holders the right, from May 4, 2003 through March 31, 2004, to exercise their options or alternatively receive the difference between the actual price at that time and the exercise price determined at allotment. The exercise price is SEK 159, which is equal to 100% of the share price at allotment. The theoretical value of the options at allotment was set at SEK 22, using the Black & Scholes pricing model for options. Volvo has hedged the committments (including social costs) relating to a future increase in share price, through a Total Return Swap. Should the share price be lower than the exercise price at the closing date, Volvo will pay the swap-holder the difference between the actual share price and the exercise price at that time for each outstanding option.

All obligations related to the employee stock option plans, including the Total Return Swaps, are marked to market on a continuing basis, any change in the obligation is recorded in the income statement. In 2002 the cost for the employee stock option plans amounted to SEK 36 M (income 15, cost 50), at December 31, 2002 the provision related to these options amounted to 70.

No employee stock options were allocated in 2002 due to the fact that the targets for 2001 were not achieved.

There were no payments for profit-sharing to employees for 2002, 2001 and 2000.

Average number of employees	2000 Number of employees	2000 of which women, %	2001 Number of employees	2001 of which women, %	2002 Number of employees	2002 of which women, %
AB Volvo						
Sweden	115	55	105	53	132	54
Subsidiaries						
Sweden	24,737	18	24,463	17	24,434	18
Western Europe	10,316	17	26,043	13	24,996	14
Eastern Europe	1,734	10	1,862	13	2,087	14
North America	11,875	33	13,450	18	12,759	17
South America	2,084	10	2,071	11	2,057	11
Asia	2,616	13	2,599	10	2,526	13
Other countries	787	14	1,438	10	1,555	11
Group total	**54,264**	**20**	**72,031**	**15**	**70,546**	**16**

Wages, salaries and other remunerations, SEK M	2000 Board and Presidents[1]	2000 of which variable salaries	2000 Other employees	2001 Board and Presidents[1]	2001 of which variable salaries	2001 Other employees	2002 Board and Presidents[1]	2002 of which variable salaries	2002 Other employees
AB Volvo									
Sweden	23.9	1.0	73.2	24.4	1.9	70.3	22.7	3.4	93.9
Subsidiaries									
Sweden	64.4	11.7	7,272.5	64.4	11.3	7,277.4	64.6	9.0	7,553.4
Western Europe	112.7	8.8	3,290.6	356.0	14.2	7,661.3	381.7	15.7	7,802.2
Eastern Europe	3.2	0.4	144.8	11.7	3.8	214.4	6.1	0.0	247.0
North America	103.5	16.3	3,484.6	174.5	14.3	7,135.9	170.1	13.2	6,200.9
South America	27.9	0.0	376.5	48.5	2.7	355.3	37.5	1.8	298.2
Asia	36.6	1.4	610.5	47.7	1.2	660.1	43.5	1.1	700.1
Other countries	5.5	–	134.7	13.0	–	231.1	9.2	0.0	295.7
Group total	**377.7**	**39.6**	**15,387.4**	**740.2**	**49.4**	**23,605.8**	**735.4**	**44.2**	**23,191.4**

Wages, salaries other remunerations and social-costs, SEK M	2000 Wages, salaries, remunerations	2000 Social costs	2000 of which pension costs	2001 Wages, salaries, remunerations	2001 Social costs	2001 of which pension costs	2002 Wages, salaries, remunerations	2002 Social costs	2002 of which pension costs
AB Volvo [2]	97.1	90.4	70.3	94.7	111.9	92.5	116.6	192.8	167.9
Subsidiaries	15,668.0	5,654.2	1,477.9	24,251.3	8,995.1	3,239.7	23,810.2	10,016.0	4,304.1
Group total [3]	**15,765.1**	**5,744.6**	**1,548.2**	**24,346.0**	**9,107.0**	**3,332.2**	**23,926.8**	**10,208.8**	**4,472.0**

1 Including current and former Board members, Presidents and Executive Vice Presidents.

2 Of the **Parent Company's** pension costs, 47.1 (21.9; 51.3) pertain to Board members and Presidents. The Company's outstanding pension obligations to these individuals amount to 334.7 (319.1; 301.8).

3 Of the **Group's** pension costs, 135.9 (100.3; 116.1) pertain to Board members and Presidents. The Group's outstanding pension obligations to these individuals amount to 490.0 (442.3; 397.6).

Note 31 Fees to the auditors

Fees and other remuneration to external auditors for fiscal year 2002 amounted to 157 (195;130), of which 67 (74;51) for auditing, distributed between PricewaterhouseCoopers, 63 (60; 38) and others, 4 (14;13), and 90 (121;79) pertaining to non-audit services from PricewaterhouseCoopers.

Auditing assignments involve examination of the annual report and financial accounting and the administration by the Board and the President, other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or implementation of such other tasks. All other tasks are defined as other assignments.

Note 32 Financial risks

The Volvo Group is exposed to various types of financial risks. The Volvo Group Financial Risk Policies form the basis for each Group company's action program. Monitoring and control is conducted continuously in each company as well as centrally. Most of the Volvo Group's financial transactions are carried out through Volvo's in-house bank, Volvo Treasury, which conducts its operations within established risk mandates and limits.

Foreign exchange risks

Volvo's currency risks are related to changes in contracted and projected flows of payments (commercial exposure), to payment flows related to loans and investments (financial exposure), and to the translation of assets and liabilities in foreign subsidiaries (equity exposure). The objective of the Volvo Group Currency Policy is to minimize the short-term impact of adverse exchange rate fluctuations on the Volvo Group's operating income, by hedging the Group's forecasted transaction exposure, including firm flows.

The objective is also to reduce the Group's balance sheet exposure to a minimum. Volvo Group Companies individually should not assume any currency risk.

Commercial exposure

According to the Volvo Group Currency Policy, forecasted currency flows representing firm exposure and forecasted exposure with a pre-fixed price in local currency should be hedged. Volvo uses forward exchange contracts and currency options to hedge these flows. In accordance with the Group's currency policy, between 50% and 80% of the net flow in each currency is hedged for the coming 6 months, 30% to 60% for months 7 through 12 and firm flows beyond 12 months should normally be fully hedged. The notional value of all forward and option contracts as of December 31, 2002 was SEK 20.9 billion (12.1; 16.7).

Volvo Group's outstanding derivative contracts pertaining to commercial exposure, December 31, 2002

The table shows forward contracts and option contracts to hedge future flows of commercial payments.

		Currencies			Other currencies	Fair value [2]
SEK M		Inflow USD	Inflow GBP	Inflow EUR	Net SEK	
Due date 2003	amount	538	200	613	1,089	
	rate [1]	9.56	14.50	9.22		
Due date 2004	amount	154	3	437	(409)	
	rate [1]	10.23	14.47	9.07		
Due date 2005	amount	99	(3)	–	(316)	
	rate [1]	10.23	15.01	–		
Total		**791**	**200**	**1,050**	**364**	
of which, option contracts		87	–	391	(405)	
Fair value of forward contracts [2]		**633**	**60**	**34**	**128**	**855**

1 Average forward contract rate.
2 Outstanding forward contracts valued to market rates.

Volvo Group's net flow per currency

		Currencies			Other Currencies	Total
SEK M		Inflow USD	Inflow GBP	Inflow EUR	Net SEK	
Net flow 2002	amount	735	369	1,057		
	rate [3]	9.7287	14.5816	9.1596		
Net flow SEK, [3]		**7,100**	**5,400**	**9,700**	**6,600**	**28,800**
Hedged portion, % [4]		**73**	**54**	**58**		

3 Average exchange rate during the financial year.
4 Outstanding currency contracts, regarding commercial exposure due in 2003, percentage of net flow 2002.

Financial exposure

Group companies operate in local currencies. Through loans and investments being mainly in the local currency, financial exposure is reduced. In companies which have loans and investments in foreign currencies, hedging is carried out in accordance with Volvo's financial policy, which means no currency risks is assumed.

Equity exposure

In conjunction with translation of the Group's assets and liabilities in foreign subsidiaries to Swedish kronor a risk arises that the currency rate will have an effect on the consolidated balance sheet. Companies in the Volvo Group are generally formed or acquired with a long-term perspective, where equity is used to fund real assets that are not to be realized within a foreseeable future.

As a consequence of the above, equity hedging will primarily be used if a foreign Volvo Group company is over capitalized. To avoid extensive equity exposure, the level of equity in Volvo Group companies will be kept at a commercially, legally and fiscally optimal level. At year-end 2002, net assets in subsidiaries and associated companies outside Sweden amounted SEK 23.8 billion.

Hedging of translation exposure from shareholdings in foreign associated companies or minority interest companies will be executed on a case-by-case basis.

Volvo Group outstanding derivatives – commercial exposure

	December 31, 2000			December 31, 2001			December 31, 2002		
	Notional amount	Book value	Estimated fair value	Notional amount	Book value	Estimated fair value	Notional amount	Book value	Estimated fair value
Foreign exchange forward contracts									
– receivable position	19,017	71	1,513	9,780	16	554	25,857	149	1,017
– payable position	24,910	(89)	(2,817)	20,022	(271)	(1,753)	10,210	(5)	(202)
Options – purchased									
– receivable position	808	–	2	173	–	0	4,484	–	94
– payable position	1,736	(3)	(4)	75	(1)	(1)	117	–	(1)
Options – written									
– receivable position	385	–	0	–	–	–	–	–	–
– payable position	568	–	0	–	–	–	3,458	–	(53)
Subtotal		(21)	(1,306)		(256)	(1,200)		144	855
Commodity forward contracts									
– receivable position	–	–	–	–	–	–	223	–	272
– payable position	–	–	–	–	–	–	88	–	(113)
Total		(21)	(1,306)		(256)	(1,200)		144	1,014

The notional amount of the derivative contracts represents the gross contract amount outstanding. To determine the estimated fair value, the major part of the outstanding contracts have been marked to market. Discounted cash flows have been used in some cases.

Interest-rate risks

Interest-rate risks relate to the risk that changes in interest-rate levels affect the Group's profit. By matching fixed-interest periods of financial assets and liabilities, Volvo reduces the effects of interest-rate changes. Interest-rate swaps are used to change the interest-rate periods of the Group's financial assets and liabilities. Exchange-rate swaps make it possible to borrow in foreign currencies in different markets without incurring currency risks.

Volvo also holds standardized futures and forward-rate agreements. The majority of these contracts are used to secure interest levels for short-term borrowing or placement.

Liquidity risks

Volvo ensures maintenance of a strong financial position by continuously keeping a certain percentage of sales in liquid assets. A proper balance between short- and long-term borrowing, as well as the ability to borrow in the form of credit facilities, are designed to ensure long-term financing.

Volvo Group outstanding derivatives – financial exposure

	December 31, 2000			December 31, 2001			December 31, 2002		
	Notional amount	Book value	Estimated fair value	Notional amount	Book value	Estimated fair value	Notional amount	Book value	Estimated fair value
Interest-rate swaps									
– receivable position	64,345	561	2,990	62,456	3,670	4,549	78,571	2,822	4,404
– payable position	57,488	(366)	(2,969)	86,328	(3,888)	(4,633)	73,257	(1,568)	(2,536)
Forwards and futures									
– receivable position	174,576	0	201	230,323	120	120	260,921	216	216
– payable position	201,657	(28)	(247)	250,390	(126)	(126)	255,503	(217)	(220)
Foreign exchange derivative contracts									
– receivable position	32,741	34	1,046	6,306	96	100	15,962	211	202
– payable position	21,668	(76)	(2,894)	21,465	(428)	(435)	5,443	(70)	(72)
Options purchased, caps and floors									
– receivable position	52	–	1	–	–	–	–	–	–
– payable position	–	–	–	–	–	–	200	–	(7)
Options written, caps and floors									
– receivable position	–	–	–	–	–	–	–	–	–
– payable position	55	–	0	–	–	–	–	–	–
Total		125	(1,873)		(556)	(425)		1,394	1,987

Credit risks in financial instruments

Credit risk in financial investments

The liquidity in the Group is invested mainly in local cash pools or directly with Volvo Treasury. Volvo Treasury invests the liquid funds in the money and capital markets. This concentrates the credit risk within the Group's in-house bank.

All investments must meet criteria for low credit risk and high liquidity. In accordance with Volvo's credit policy, counterparties for both investments and transactions in derivatives must in general have received a rating of "A" or better from one of the well-established credit-rating institutions.

Counterparty risks

The derivative instruments used by Volvo to reduce its foreign-exchange and interest-rate risk in turn give rise to a counterparty risk, the risk that a counterparty will not fulfill its part of a forward or option contract, and that a potential gain will not be realized. Transactions with derivative instruments are mainly conducted via Volvo Treasury which means that the counterparty risk is concentrated within the Group's in-house bank. Where appropriate, the Volvo Group arranges master netting agreements with the counterparty to reduce exposure. The credit exposure in interest-rate and foreign exchange contracts is represented by the positive fair value – the potential gain on these contracts – as of the reporting date. The risk exposure is calculated daily. The credit risk in futures contracts is limited through daily or monthly cash settlements of the net change in value of open contracts. The estimated exposure in foreign exchange contracts, interest-rate swaps and futures, options and commodity forward contracts amounted to 1,219; 4,620; 94 and 272 as of December 31, 2002.

Volvo does not have any significant exposure to an individual customer or counterparty.

Calculation of fair value of financial instruments

Volvo has used generally accepted methods to calculate the market value of the Group's financial instruments as of December 31, 2000, 2001 and 2002. In the case of instruments with maturities shorter than three months – such as liquid funds and certain current liabilities as well as certain short-term loans – the book value has been assumed to closely approximate market value.

Official exchange rates and prices quoted in the open market have been used initially for purposes of valuation. In their absence, the valuation has been made by discounting future cash flows at the market interest rate for each maturity. These values are estimates and will not necessarily be realized.

Estimated fair value of Volvo's financial instruments

	December 31, 2000		December 31, 2001		December 31, 2002	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Balance sheet items						
Investments in shares and participations						
fair value determinable [1]	27,589	20,955	25,245	17,661	25,220	15,537
fair value not determinable [2]	372	–	586	–	615	–
Long-term receivables and loans	28,646	29,095	32,432	32,860	30,581	29,066
Short-term receivables and loans	33,078	35,338	24,822	24,765	23,090	23,854
Marketable securities	9,568	9,603	13,514	13,399	16,707	16,659
Long-term loans and debts	40,670	41,792	54,130	56,903	53,123	55,244
Short-term loans	25,828	27,000	36,817	35,898	26,018	26,770
Off-balance-sheet items						
Volvo Group outstanding derivative contracts – commercial exposure	(21)	(1,306)	(256)	(1,200)	144	855
Volvo Group outstanding commodity contracts	–	–	–	–	–	159
Volvo Group outstanding derivative contracts – financial exposure	125	(1,873)	(556)	(425)	1,394	1,987

1 Pertains mainly to Volvo's holdings in Mitsubishi Motors Corporation 2000, and in Scania AB 2000–2002.
2 No single investment represents any significant amount.

Note 33 Net income and shareholders' equity in accordance with U.S. GAAP

A summary of the Volvo Group's net income and shareholders' equity determined in accordance with U.S. GAAP, is presented in the accompanying tables.

Application of U.S. GAAP would have the following effect on consolidated net income and shareholders' equity:

Net income	2000	2001	2002
Net income in accordance with Swedish accounting principles	4,709	(1,467)	1,393
Items increasing (decreasing) reported net income			
Derivative instruments and hedging activities (A)	(654)	(298)	1,772
Business combinations (B)	(91)	(744)	1,094
Shares and participations (C)	24	–	–
Interest costs (D)	(3)	18	22
Leasing (E)	16	13	15
Investments in debt and equity securities (F)	(548)	(153)	(9,616)
Restructuring costs (G)	(281)	(579)	–
Pensions and other post-employment benefits (H)	(170)	456	669
Alecta surplus funds (I)	(523)	111	410
Software development (J)	384	(212)	(212)
Product development (K)	–	(1,962)	(1,236)
Entrance fees, aircraft engine programs (L)	(336)	(324)	(219)
Tax effect of above U.S. GAAP adjustments (M)	600	821	(357)
Net increase (decrease) in net income	(1,582)	(2,853)	(7,658)
Net income (loss) in accordance with U.S. GAAP	**3,127**	**(4,320)**	**(6,265)**
Net income (loss) per share, SEK in accordance with U.S. GAAP	**7.40**	**(10.20)**	**(14.90)**
Weighted average number of shares outstanding (in thousands)	421,684	422,429	419,445

Shareholders' equity	2000	2001	2002
Shareholders' equity in accordance with Swedish accounting principles	88,338	85,185	78,278
Items increasing (decreasing) reported shareholders' equity			
Derivative instruments and hedging activities (A)	(1,286)	(1,584)	188
Business combinations (B)	1,317	4,125	5,219
Shares and participations (C)	36	36	36
Interest costs (D)	112	130	152
Leasing (E)	(163)	(149)	(134)
Investments in debt and equity securities (F)	(6,066)	(7,328)	(9,813)
Restructuring costs (G)	579	–	–
Pensions and other postemployment benefits (H)	109	272	(20)
Alecta surplus funds (I)	(523)	(412)	(2)
Software development (J)	754	542	330
Product development (K)	–	(1,962)	(3,263)
Entrance fees, aircraft engine programs (L)	(387)	(719)	(855)
Tax effect of above U.S. GAAP adjustments (M)	1,941	3,155	1,066
Net increase (decrease) in shareholders' equity	(3,577)	(3,894)	(7,096)
Shareholders' equity in accordance with U.S. GAAP	**84,761**	**81,291**	**71,182**

Significant differences between Swedish and U.S. accounting principles

A. Derivative instruments and hedging activities. Volvo uses forward exchange contracts and currency options to hedge the value of future commercial flows of payments in foreign currency and commodity purchases. Outstanding contracts that are highly certain to be covered by forecasted transactions are not assigned a value in the consolidated accounts.

Under U.S. GAAP hedge accounting is not applied for commercial derivatives, and therefore outstanding forward contracts and options are valued at market rates. The profits and losses that thereby arise are included when calculating income. Unrealized net gains for 2002 pertaining to forwards and options contracts are estimated at 870 (losses 944; losses 1,286).

Volvo uses derivative instruments to hedge the value of the Groups' financial position. In accordance with U.S. GAAP, all outstanding derivative instruments are valued at fair value. The profits and losses that thereby arise are included when calculating income. Only part of the Groups' hedges of financial exposure qualify for hedge accounting under U.S. GAAP and are accounted for as such. In those cases the hedged items are valued at fair value regarding the risk and period beeing hedged and included when calculating income.

	Net income			Shareholders' equity		
Accounting for derivative instruments and hedging activities	2000	2001 [1]	2002	2000	2001 [1]	2002
Derivatives Commercial exposure	(654)	342	1,814	(1,286)	(944)	870
Derivatives Financial exposure	–	(685)	43	–	(685)	(642)
Derivatives in fair value hedges		808	426	–	808	1,234
Fair value adjustment hedged items	–	(765)	(511)	–	(763)	(1,274)
Transition adjustment	–	2	–	–	–	–
Derivative instruments and hedging activities in accordance with U.S GAAP, December 31	**(654)**	**(298)**	**1,772**	**(1,286)**	**(1,584)**	**188**

1 The Volvo Group's Net income and Shareholders' Equity in accordance with U.S. GAAP in 2001 have been restated in the financial statements for 2002, due to a calculation error in the 2001 numbers.

B. Business combinations. Acquisitions of certain subsidiaries are reported differently in accordance with Volvo's accounting principles and U.S. GAAP. The difference is attributable primarily to reporting and amortization of goodwill.

Effective in 2002, Volvo has adopted SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets" in its determination of Net income and Shareholders' equity in accordance with U.S. GAAP. In accordance with the transition rules of SFAS 142, Volvo has identified its reporting units and determined the carrying value and fair value of each reporting unit as of January 1, 2002. No impairment loss has been recognized as a result of the transitional goodwill evaluation. In Volvo's income statement for 2002 prepared in accordance with Swedish GAAP, amortization of goodwill charged to income was 1,094. In accordance with SFAS 142, goodwill and other intangible assets with indefinite useful lives should not be amortized but rather evaluated for impairment annually. Accordingly, the amortization of goodwill reported under Swedish GAAP has been reversed in the determination of Net income and Shareholders' equity under U.S. GAAP. Furthermore, impairment tests have been performed for existing goodwill as of December 31, 2002. No impairment loss has been recognized as a result of these tests.

In 2001, AB Volvo acquired 100% of the shares in Renault V.I. and Mack Trucks Inc. from Renault SA in exchange for 15% of the shares in AB Volvo. Under Swedish GAAP, the goodwill attributable to this acquisition was set at SEK 8.4 billion while under U.S. GAAP the corresponding goodwill was set at SEK 11.5 billion. The difference was mainly attributable to determination of the purchase consideration. In accordance with Swedish GAAP, when a subsidiary is acquired through the issue of own shares, the purchase consideration is determined to be based on the market price of the issued shares at the time of the transaction is completed. In accordance with U.S. GAAP, such a purchase consideration is determined to be based on the market price of the underlying shares for a reasonable period before and after the terms of the transaction are agreed and publicly announced. The goodwill may be subject to adjustment pending resolution of the dispute between AB Volvo and Renault SA regarding the final value of acquired assets and liabilities in Renault V.I. and Mack Trucks.

In 1995, AB Volvo acquired the outstanding 50% of the shares in Volvo Construction Equipment Corporation (formerly VME) from Clark Equipment Company, in the U.S. In conjunction with the acquisition, goodwill of SEK 2.8 billion was reported. The shareholding was written down by SEK 1.8 billion, which was estimated to correspond to the portion of the goodwill that was attributable at the time of acquisition to the Volvo trademark. In accordance with U.S. GAAP, the goodwill of SEK 2.8 billion was amortized over its estimated useful life (20 years) until 2002 when Volvo adopted FAS 142 (see above).

	Net income			Shareholders' equity		
Goodwill	2000	2001	2002	2000	2001	2002
Goodwill in accordance with Swedish GAAP, December 31	(491)	(1,058)	(1,094)	4,969	13,013	11,297
Items affecting reporting of goodwill:						
Acquisition of Renault V.I. and Mack Trucks Inc.	–	(153)	430	–	2,899	3,329
Acquisition of Volvo Construction Equipment Corporation	(91)	(91)	51	1,317	1,226	1,277
Other acquisitions	–	–	613	–	–	613
Net change in accordance with U.S. GAAP	(91)	(244) [1]	1,094	1,317	4,125	5,219
Goodwill in accordance with U.S. GAAP, December 31	**(582)**	**(1,302)**	**0**	**6,286**	**17,138**	**16,516**

1 Income under U.S. GAAP was in total 744 lower than under Swedish GAAP, including 244 due to higher goodwill amortization and 500 due to other differences in purchase accounting.

C. Shares and participations. In calculating Volvo's share of earnings and shareholders' equity in associated companies in accordance with U.S. GAAP, differences between the accounting for these companies in accordance with Volvo's principles and U.S. GAAP have been reflected.

Income from investments in associated companies is reported before taxes in accordance with Swedish accounting principles, and after tax in accordance with U.S. GAAP. Taxes attributable to associated companies amounted to 65 (42; 244).

D. Interest costs. In accordance with U.S. GAAP, interest expense incurred in connection with the financing of the construction of property and other qualifying assets is capitalized and amortized over the useful life of the related assets. In Volvo's consolidated accounts, interest expenses are reported in the year in which they arise.

E. Leasing. Certain leasing transactions are reported differently in accordance with Volvo's accounting principles compared with U.S. GAAP. The differences pertain to sale-leaseback transactions prior to 1997.

F. Investments in debt and equity securities. In accordance with U.S. GAAP, Volvo applies SFAS 115: "Accounting for Certain Investments in Debt and Equity Securities." SFAS 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair market values, and for all debt securities. These investments are to be classified as either "held-to-maturity" securities that are reported at amortized cost, "trading" securities that are reported at quoted market prices with unrealized gains or losses included in earnings, or "available-for-sale" securities, reported at quoted market prices, with unrealized gains or losses being credited or debited to Other comprehensive income and thereby included in shareholders' equity.

As of December 31, 2002, unrealized losses after deducting for unrealized gains in "available-for-sale" securities amounted to 9,763 (7,211; 6,101). Sale of "available-for-sale" shares in 2002 provided SEK – (3,2 billion; –) and the capital gain, before tax, on sales of these shares amounted to SEK – (0,6 billion; –).

As set out above, all "available-for-sale" securities are valued at quoted market price at the end of each fiscal year with the change in value being credited or debited to Other comprehensive income. However, if a security's quoted market price has been below the carrying value for an extended period of time, U.S. GAAP include a presumption that the decline in value is "other than temporary". Under such circumstances, U.S. GAAP require that the value adjustment must be recorded in Net income with a corresponding credit to Other comprehensive income. Accordingly, value adjustments amounting to 9,683, mainly pertaining to Volvo's holding in Scania were charged to U.S. GAAP Net income during 2002. After these adjustments, the remaining value of unrealized losses before tax debited to Other comprehensive income amounted to 80 as of December 31, 2002.

In accordance with Swedish accounting principles, no write-downs have been made since the fair value of Volvo's investments is considered to be higher than the quoted market price of these investments. See further in Note 13.

Summary of debt and equity securities available for sale and trading	Book value	Market value	FAS 115-adjustment, gross	Tax and minority interests	FAS 115-adjustment, net
Trading, December 31, 2002	16,130	16,080	(50)	14	(36)
Trading, January 1, 2002	11,862	11,745	(117)	33	(84)
Change 2002			67	(19)	48
Available for sale					
Marketable securities	422	422	–	–	–
Shares and convertible debenture loan	27,338	17,575	(9,763)	22	(9,741)
Available for sale					
December 31, 2002	27,760	17,997	(9,763)	22	(9,741)
January 1, 2002	29,458	22,247	(7,211)	2,019	(5,192)
Change 2002			(2,552)	(1,997)	(4,549)

The book values and market values for these listed securities are distributed as follows:

	January 1, 2002		December 31, 2002	
	Book value	Market value	Book value	Market value
Available for sale				
Marketable securities	1,652	1,654	422	422
Shares and convertible debenture loan	27,806	20,593	27,338	17,575
Trading	11,862	11,745	16,130	16,080

G. Restructuring costs. Up to and including 2000, restructuring costs were in the Volvo Group's year-end accounts reported in the year that implementation of these measures was approved by each company's Board of Directors. In accordance with U.S. GAAP, costs are reported for restructuring measures only under the condition that a sufficiently detailed plan for implementation of the measures is prepared at the end of the accounting period. Effective in 2001, Volvo adopted a new Swedish accounting standard, RR16 Provisions, contingent liabilities and contingent assets, which is substantially equivalent to U.S. GAAP.

H. Provision for pensions and other post-employment benefits. The greater part of the Volvo Group's pension commitments are defined contribution plans in which regular payments are made to independent authorities or bodies that administer pension plans. There is no difference between U.S. and Swedish accounting principles in accounting for these pension plans.

Other pension commitments are defined-benefit plans; that is, the employee is entitled to receive a certain level of pension benefits, usually related to the employee's final salary. In these cases the annual pension cost is calculated based on the current value of future pension payments. In Volvo's consolidated accounts, provisions for pensions and pension costs for the year in the individual companies are calculated based on local rules and directives. In accordance with U.S. GAAP, provisions for pensions and pension costs for the year should always be calculated as specified in SFAS 87, "Employers Accounting for Pensions." The difference compared with local rules in Sweden (FAR4) lies primarily in the choice of actuarial method, discount rates and the fact that U.S. calculations of pension benefit obligations, in contrast to Swedish calculations, are based on salaries calculated at the time of retirement.

The following tables on pages 62–64 disclose information about assumptions, periodical costs, obligations and funded positions of the Volvo Group's most significant defined benefit plans. The tables further include reconciliations for reported costs and net provisions under U.S. GAAP and Swedish accounting principles.

The actuarial calculations have been made by use of the assumptions specified in the below table. The specified assumptions for discount rates reflect the discounts rates used for determination of the projected benefit obligations at the end of the year. The specified assumptions for expected return on plan assets reflect the assumptions used for determination of the net periodical pension costs. The expected return on plan assets in 2003 will generally be lower than in 2002, mainly as a consequence of the lower interest rates at the end of 2002.

	2000	2001	2002
Sweden			
Discount rate	5.5	5.5	5.5
Expected return on plan assets	7.0	7.0	7.0
Expected salary increases	3.0	3.0	3.0
United States			
Discount rate	7.5	7.0–7.25	6.75
Expected return on plan assets	9.0	9.0–9.5	9.0–9.5
Expected salary increases	6.0	5.0	3.5
France			
Discount rate	–	5.5	5.5
Expected salary increases	–	3.0	3.0
Great Britain			
Discount rate	5.75	5.75	5.5
Expected return on plan assets	6.5	7.0	7.0
Expected salary increases	3.75	3.75	3.5

Net periodical pension costs in accordance with U.S. GAAP	2000	2001	2002
Service costs	339	468	480
Interest costs	406	1,273	1,263
Expected return on plan assets	(535)	(1,435)	(1,214)
Amortization, net	(12)	36	137
Pension costs attributable to defined benefit plans in Sweden, United States, France and Great Britain	**198**	**342**	**666**
Pension costs attributable to other plans (mainly defined contribution plans)	2,203	2,534	3,137
Total pension costs in accordance with U.S. GAAP [1,2]	**2,401**	**2,876**	**3,803**
Total pension costs in accordance with Swedish accounting principles [1,2]	**2,231**	**3,332**	**4,472**
Adjustment of this year's income in accordance with U.S. GAAP, before tax	(170)	456	669

1 Excluding deduction attributable to Alecta surplus funds of 683 in 2000 under Swedish GAAP and 160 in 2000, 111 in 2001 and 410 in 2002 under U.S. GAAP. See (I) in this note.
2 Excluding costs for special termination benefits in connection with restructuring measures during 2001 amounting to 402 under Swedish and U.S. GAAP.

Obligations in defined benefit plans	Sweden Pensions (ITP plan)	United States Pensions	France Pensions	Great Britain Pensions	US other benefits
Obligations at December 31, 2000	**3,768**	**2,437**	**–**	**1,347**	**1,143**
Acquisitions and divestments, net	–	8,693	2,554	–	5,657
Service costs	97	286	30	56	88
Interest costs	198	847	143	86	513
Plan amendments	–	273	–	–	394
Termination benefits	–	263	139	–	129
Curtailments	–	(60)	–	–	(13)
Employee contributions	–	–	–	18	–
Actuarial (gains) and losses	99	1	37	41	32
Exchange rate translation	–	1,349	163	125	829
Benefits paid	(99)	(876)	(354)	(73)	(551)
Obligations at December 31, 2001	**4,063**	**13,213**	**2,712**	**1,600**	**8,221**
Acquisitions and divestments, net	–	1	–	–	–
Service costs	169	239	24	48	70
Interest costs	209	831	134	89	509
Plan amendments	–	368	–	–	(105)
Termination benefits	24	–	44	–	–
Curtailments	–	(26)	(8)	–	(6)
Employee contributions	–	–	–	17	–
Actuarial (gains) and losses	(366)	157	133	94	145
Exchange rate translation	–	(2,346)	(65)	(143)	(1,424)
Benefits paid	(105)	(896)	(492)	(42)	(579)
Obligations at December 31, 2002	**3,994**	**11,541**	**2,482**	**1,663**	**6,831**

Fair value of plan assets in funded plans	Sweden Pensions (ITP plan)	United States Pensions	France Pensions	Great Britain Pensions	US other benefits
Plan assets at December 31, 2000	**3,661**	**2,392**	**–**	**1,363**	**–**
Acquisitions and divestments, net	–	8,709	–	–	355
Actual return on plan assets	(162)	(810)	–	(140)	12
Employer contributions	14	109	–	42	211
Employee contributions	–	–	–	17	–
Exchange rate translation	–	1,268	–	115	34
Benefits paid	–	(914)	–	(73)	(475)
Plan assets at December 31, 2001	**3,513**	**10,754**	**–**	**1,324**	**137**
Actual return on plan assets	(358)	(1,516)	–	(208)	1
Employer contributions	–	60	–	56	97
Employee contributions	–	–	–	17	–
Exchange rate translation	–	(1,641)	–	(108)	(19)
Benefits paid	–	(887)	–	(42)	(144)
Plan assets at December 31, 2002	**3,155**	**6,770**	**–**	**1,039**	**72**

Net provisions for postemployment benefits	Sweden Pensions (ITP plan)	United States Pensions	France Pensions	Great Britain Pensions	US other benefits	Other plans	Total
Funded status at December 31, 2001	**(550)**	**(2,459)**	**(2,712)**	**(276)**	**(8,084)**		
Unrecognized actuarial (gains) and losses	1,155	2,004	–	279	(93)		
Unrecognized transition (assets) and obligations according to SFAS 87, net	(52)	–	–	(21)	34		
Unrecognized prior service costs	–	400	–	10	398		
Minimum liability adjustments	(546)	(1,417)	–	–	–		
Net provisions for postemployment benefits in accordance with U.S. GAAP at December 31, 2001	**7**	**(1,472)**	**(2,712)**	**(8)**	**(7,745)**	**(1,675)**	**(13,605)**
Funded status at December 31, 2002	**(839)**	**(4,771)**	**(2,482)**	**(624)**	**(6,759)**		
Unrecognized actuarial (gains) and losses	1,350	3,952	133	613	70		
Unrecognized transition (assets) and obligations according to SFAS 87, net	(33)	–	–	(18)	7		
Unrecognized prior service costs	–	600	–	9	225		
Minimum liability adjustments	(1,090)	(3,817)	–	(417)	–		
Net provisions for postemployment benefits in accordance with U.S. GAAP at December 31, 2002	**(612)**	**(4,036)**	**(2,349)**	**(437)**	**(6,457)**	**(1,657)**	**(15,548)**
Difference between U.S. GAAP and Swedish accounting principles	(397)	–	–	417	–	–	20
Net provisions for post-employment benefits in accordance with Swedish accounting principles	**(1,009)**	**(4,036)**	**(2,349)**	**(20)**	**(6,457)**	**(1,657)**	**(15,528)**
whereof reported as							
Prepaid pensions (receivables)	–	600	–	–	–	108	708
Provisions for postemployment benefits	(1,009)	(4,636)	(2,349)	(20)	(6,457)	(1,765)	(16,236)

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with an accumulated benefit obligation in excess of plan assets were 17,198; 16,492 and 10,963 at December 31, 2002 and 13,872; 13,351 and 11,142 at December 31, 2001.

Other post-employment benefit plans

In addition to its pension plans, certain subsidiaries sponsor unfunded benefit plans, mainly in the U.S., to provide health care and other benefits for retired employees who meet minimum age and service requirements. The plans are generally contributory, with retiree contributions being adjusted periodically, and contain other cost-sharing features such as deductibles and coinsurance. The estimated cost for health-care benefits is recognized on an accrual basis in accordance with the requirements of SFAS 106, "Employers' Accounting for Post-retirement Benefits Other than Pensions."

Net periodical costs for other benefits in accordance with U.S. GAAP:	2000	2001	2002
Service costs	45	88	70
Interest costs	76	513	509
Expected return on plan assets	–	(27)	0
Amortization, net	(4)	4	36
Net periodical benefit costs	**117**	**578**	**615**

An increase of one percentage point per year in healthcare costs would change the accumulated post-retirement benefit obligation as of December 31, 2002 by approximately 191, and the net post-retirement benefit expense by approximately 14. A decrease of 1% would decrease the accumulated value of obligations by about 180 and reduce costs by approximately 13. In 2001, an increase of 1% would increase the accumulated value of obligations by about 206 and increase costs by about 15; a decrease of 1% would reduce the accumulated value of obligations by about 194 and cut costs by about 14.

Calculations made as of December 31, 2002 show an annual increase of 10% in the weighted average per capita costs of covered health-care benefits; it is assumed that the percentage will decline gradually to 5% and then remain at that level.

The discount rates used in determining the accumulated post-retirement benefit obligation as of December 31, 2000, 2001 and 2002 were 7.5%, 7.0-7.25% and 6.75%, respectively.

I. Alecta surplus funds. In the mid-1990s and later years surpluses arose in the Alecta insurance company (previously SPP) since the return on the management of ITP pension plan exceeded the growth in pension obligations. As a result of decisions in December 1998, Alecta distributed, company by company, the surpluses that had arisen up to and including 1998. In accordance with a statement issued by a special committee of the Swedish Financial Accounting Standards Council, surplus funds that were accumulated in Alecta should be reported in companies when their present value can be calculated in a reliable manner. The rules governing how the refund was to be made were established in the spring of 2000 and an income amounting to 683 was included in the Group's income statement under Swedish GAAP during 2000. In accordance with U.S GAAP, the surplus funds should be recognized in the income statement when they are settled.

J. Software development. In accordance with U.S. GAAP (SOP 98–1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use") expenditures for software development should be capitalized and amortized over the useful lives of the projects. In Volvo's accounting in accordance with U.S. GAAP, SOP 98–1 is applied as of January 1999. In Volvo's accounts prepared under Swedish GAAP up to and including 2000, expenditures for software development were expensed as incurred. Effective in 2001, Volvo adopted a new Swedish accounting standard, RR15 Intangible assets. With regard to software development, the new standard is substantially equivalent to U.S. GAAP and consequently the difference between Swedish and U.S. GAAP is pertaining only to expenditures for software development during 1999 and 2000.

K. Product development. Effective in 2001, Volvo adopted a new Swedish accounting standard, RR15 Intangible assets. In accordance with the new standard, which conforms in all significant respects to the corresponding standard issued by the International Accounting Standards Committee (IASC), expenditures for development of new and existing products should be recognized as intangible assets if such expenditures with a high degree of certainty will result in future financial benefits for the company. The acquisition value of such intangible assets should be amortized over the useful lives of the assets. In accordance with the new standard, no retroactive application is allowed. Under U.S. GAAP, all expenditures for development of new and existing products should be expensed as incurred.

L. Entrance fees, aircraft engine programs. In connection with its participation in aircraft engine programs, Volvo Aero in certain cases pays an entrance fee. In Volvo's accounting these entrance fees are capitalized and amortized over 5 to 10 years. In accordance with U.S. GAAP, these entrance fees are expensed as incurred.

M. Tax effects of U.S. GAAP adjustments. Deferred taxes are generally reported for temporary differences arising from differences between U.S. GAAP and Swedish accounting principles. During 2002, a new tax legislation was enacted in Sweden which removed the possibility to offset capital losses on investments in shares held for operating purposes against income from operations. As a result of the new legislation, a tax expense of 2,123 was charged to Volvo's net income under U.S. GAAP to reduce the carrying value of deferred tax assets relating to investments in shares classified as "available-for-sale".

Comprehensive income (loss)	2000	2001	2002
Net income (loss) in accordance with U.S. GAAP	3,127	(4,320)	(6,265)
Other comprehensive income (loss), net of tax			
Translation differences	966	1,015	(2,222)
Unrealized gains and (losses) on securities (SFAS 115):			
Unrealized gains (losses) arising during the year	(3,787)	(1,532)	(2,425)
Less: Reclassification adjustment for (gains) and losses included in net income	(1)	733	7,558
Additional minimum liability for pension obligations (FAS 87)	(132)	(1,622)	(3,234)
Other	(119)	41	(165)
Other comprehensive income (loss), subtotal	(3,073)	(1,365)	(488)
Comprehensive income (loss) in accordance with U.S. GAAP	**54**	**(5,685)**	**(6,753)**

Supplementary U.S. GAAP information

Classification. In accordance with SFAS 95, "cash and cash equivalents" comprise only funds with a maturity of three months or less from the date of purchase. Some of Volvo's liquid funds (see Notes 19 and 20) do not meet this requirement. Consequently, in accordance with SFAS 95, changes in this portion of liquid funds should be reported as investing activities.

Parent Company

Corporate registration number 556012-5790.

Board of Directors' report

Income from investments in Group companies includes dividends in the amount of 770 (24,814; 589), write-down of shares of 531 (12,217; 372) and net group contributions delivered totaling 3,835 (3,450; received 928). Income from other shares and participations includes a dividend from Scania AB of 319 (637; 637) and in 2001 a capital gain of 595 from the sale of shares in Mitsubishi Motors Corporation.

The book value of shares and participations in Group companies amounted to 38,950 (38,140; 39,729), of which 38,537 (37,725; 39,314) pertained to shares in wholly owned subsidiaries. The corresponding shareholders' equity in the subsidiaries (including equity in untaxed reserves but excluding minority interests) amounted to 49,657 (39,752; 63,636).

Shares and participations in non-Group companies included 628 (659; 679) in associated companies that are reported in accordance with the equity method in the consolidated accounts. The portion of shareholders' equity in associated companies accruing to AB Volvo totaled 861 (844; 616). Shares and participations in non-Group companies included listed shares in Scania AB, Bilia AB, Deutz AG and Henlys Group Plc with a book value of 26,131. The market value of these holdings amounted to 16,502 at year-end. No write-downs have been made since the fair value of the investments is considered to be higher than the quoted market price of these investments. Further information regarding the holding in Scania is provided in Note 11 on page 72.

Financial net assets amounted to 3,281 (12,207; debt 5,178).

AB Volvo's risk capital (shareholders' equity plus untaxed reserves) amounted to 67,841 corresponding to 85% of total assets. The comparable figure at year-end 2001 was 82%.

Income statements

SEK M		2000	2001	**2002**
Net sales		377	500	**441**
Cost of sales		(377)	(500)	**(441)**
Gross income		–	–	**–**
Administrative expenses	Note 1	(393)	(424)	**(560)**
Other operating income and expenses	Note 2	93	0	**16**
Income from investments in Group companies	Note 3	1,558	9.599	**(3,599)**
Income from investments in associated companies	Note 4	(166)	22	**54**
Income from other investments	Note 5	663	1,258	**326**
Operating income		1,755	10,455	**(3,763)**
Interest income and similar credits	Note 6	266	455	**503**
Interest expenses and similar charges	Note 6	(353)	(467)	**(261)**
Other financial income and expenses	Note 7	(44)	(163)	**(34)**
Income after financial items		1,624	10,280	**(3,555)**
Allocations	Note 8	(133)	2	**–**
Taxes	Note 9	(115)	832	**1,070**
Net income		1,376	11,114	**(2,485)**

Balance sheets				
SEK M		Dec 31, 2000	Dec 31, 2001	**Dec 31, 2002**
Assets				
Non-current assets				
Rights	Note 10	13	0	**0**
Total intangible assets		13	0	**0**
Property, plant and equipment	Note 10	30	35	**31**
Total tangible assets		30	35	**31**
Shares and participations in Group companies	Note 11	39,729	38,140	**38,950**
Long-term receivables with Group companies		761	–	**–**
Other shares and participations	Note 11	28,587	26,224	**26,168**
Other long-term receivables	Note 12	266	1,282	**2,362**
Total financial fixed assets		69,343	65,646	**67,480**
Total non-current assets		69,386	65,681	**67,511**
Current assets				
Short-term receivables from Group companies		1,590	6,072	**2,543**
Other short-term receivables	Note 13	13,071	524	**250**
Short-term investments in Group companies	Note 14	–	17,873	**9,045**
Cash and bank accounts		7	7	**–**
Total current assets		14,668	24,476	**11,838**
Total assets		84,054	90,157	**79,349**
Shareholders' equity and liabilities				
Shareholders' equity	Note 15			
Share capital (441,520,885 shares, par value SEK 6)		2,649	2,649	**2,649**
Legal reserve		7,241	7,241	**7,241**
Total restricted equity		9,890	9,890	**9,890**
Unrestricted reserves		51,110	51,150	**58,908**
Net income		1,376	11,114	**(2,485)**
Total unrestricted equity		52,486	62,264	**56,423**
Total shareholders' equity		62,376	72,154	**66,313**
Untaxed reserves	Note 16	1,527	1,528	**1,528**
Provisions				
Provisions for pensions	Note 17	309	342	**425**
Other provisions	Note 18	117	37	**41**
Total provisions		426	379	**466**
Non-current liabilities	Note 19			
Liabilities to Group companies		4,230	4,455	**4,330**
Total non-current liabilities		4,230	4,455	**4,330**
Current liabilities				
Loans from Group companies		14,168	1,800	**1,081**
Trade payables		38	46	**36**
Other liabilities to Group companies		1,109	9,616	**5,312**
Other current liabilities	Note 20	180	179	**283**
Total current liabilities		15,495	11,641	**6,712**
Total shareholders' equity and liabilities		84,054	90,157	**79,349**
Assets pledged		–	–	–
Contingent liabilities	Note 21	133,856	150,295	**133,330**

Cash-flow statements

SEK M		2000	2001	**2002**
Operating activities				
Operating income		1,755	10,455	**(3,763)**
Depreciation and amortization		17	17	**2**
Other items not affecting cash	Note 22	631	16,309	**(815)**
Changes in working capital:				
Increase (–)/decrease (+) in receivables		207	(219)	**50**
Increase (+)/decrease (–) in liabilities and provisions		(620)	65	**(36)**
Interest and similar items received		148	662	**504**
Interest and similar items paid		(330)	(410)	**(263)**
Other financial items		7	(206)	**(8)**
Income taxes paid		(147)	(530)	**210**
Cash flow from operating activities		1,668	26,143	**(4,119)**
Investing activities				
Investments in fixed assets		(10)	(9)	**(1)**
Disposals of fixed assets		0	0	**3**
Shares and participations in Group companies, net	Note 22	(6,264)	15,849	**(1,544)**
Shares and participations in non-Group companies, net	Note 22	(1,209)	3,181	**66**
Cash flow after net investments		(5,815)	45,164	**(5,595)**
Financing activities				
Increase (+)/ decrease (–) in loans	Note 22	14,434	(15,659)	**(775)**
Loans granted, net	Note 22	–	60	**891**
Dividend to AB Volvo shareholders		(3,091)	(3,356)	**(3,356)**
Repurchase of own shares		(11,808)	(8,336)	**0**
Change in liquid funds		(6,280)	17,873	**(8,835)**
Liquid funds at January 1		6,287	7	**17,880**
Liquid funds at December 31		7	17,880	**9,045**

Liquid funds
Liquid funds include cash and bank balances and deposits at Volvo Treasury.

Notes to financial statements

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the two preceding years; the first figure is for 2001 and the second for 2000.

The accounting principles applied by Volvo are described in Note 1, pages 33–36. Reporting of Group contributions is in accordance with the pronouncement of the Swedish Financial Accounting Standards Council issued in 1998. Group contributions are reported among Income from investments in Group companies. Surplus funds in Alecta are accounted for in accordance with a statement issued by a special committee of the Swedish Financial Accounting Standards Council.

As of January 1, 2001, the Parent Company is applying the accounting standard, RR9 Income Taxes, issued by the Swedish Financial Accounting Standards Council.

Effective in 2002, all Income from investments are included as a part of the operating income rather than as earlier among financial items. The two previous years have been restated to conform to the changed classification.

Intra-Group transactions
Of the Parent Company's sales, 320 (353; 253) were to Group companies and purchases from Group companies amounted to 191 (188; 249).

Employees
The number of employees at year-end was 124 (122; 122). Wages, salaries and social costs amounted to 309 (207; 187). Information on the average number of employees as well as wages, salaries and other remuneration is shown in Note 30.

Fees to auditors
Fees and other remuneration paid to external auditors for the fiscal year 2002 totaled 23 (51; 42), of which 2 (3; 4) for auditing, distributed between PricewaterhouseCoopers, 2 (3; 4) and others, 0 (0; 0), and 21 (48; 38) related to non-audit services from PricewaterhouseCoopers.

Note 1 Administrative expenses

Administrative expenses include depreciation of 2 (17; 17) of which 2 (3; 4) pertain to machinery and equipment, – (1; –) to buildings and – (13; 13) to rights in the Volvo Ocean Race.

Note 2 Other operating income and expenses

Other operating income and expenses include surplus funds of – (3; 89) from Alecta.

Note 3 Income from investments in Group companies

Of the income reported, 770 (24,814; 589) pertained to dividends from Group companies. Group contributions delivered totaled a net of 3,835 (3,450; received 928). Divestments of shares resulted in capital loss of 3 (gains 452; 413). Write-downs of shareholdings amounted to 531 (12,217; 372).

In 2001 Herkules VmbH, a subsidiary and the holder of shares in Mitsubishi Motors Company, was sold to DaimlerChrysler, thus resulting in a capital gain of 172 in AB Volvo.

Income in 2000 included an additional capital gain of 382, pertaining to the sale of shares in Volvo Personvagnar Holding AB to Ford Motor Company.

Note 4 Income from investments in associated companies

Dividends from associated companies that are reported in the Group accounts in accordance with the equity method amounted to 44 (42; 49). The participation in Blue Chip Jet HB amounted to a loss of 25 (20; 28). Sale of shares in Eddo Restauranger AB resulted in a capital gain of 35. Income in 2000 included a net loss of 187 pertaining to sale of shares. This was mainly attributable to the sale of shares in AB Volvofinans.

Note 5 Income from other investments

Of the income reported, 326 (663; 662) pertained to dividends from other companies. The dividend from Scania AB was 319 (637; 637) and from Henlys Group Plc 7 (26; 23). In 2001 transfer of shares together with rights and obligations relating to Mitsubishi Motors Corporation to a subsidiary, Herkules VmbH, resulted in a capital gain of 595.

Note 6 Interest income and expenses

Interest income and similar credits amounting to 503 (455; 266) included interest in the amount of 503 (420; 141) from subsidiaries and interest expenses and similar charges totaling 261 (467; 353), included interest totaling 221 (451; 340), paid to subsidiaries.

Note 7 Other financial income and expenses

Other financial income and expenses include guarantee commissions from subsidiaries, unrealized gains (losses) pertaining to a hedge for a program of personnel options, costs for confirmed credit facilities as well as costs of having Volvo shares registered on various stock exchanges. In 2001 additional financial expenses attributable to a tax audit previously carried out are included.

Note 8 Allocations

	2000	2001	2002
Provision to tax allocation reserve	(250)	–	–
Reversal of tax equalization reserve	114	–	–
Allocation to additional depreciation	3	(1)	–
Utilization of replacement reserve	–	3	–
Total	**(133)**	**2**	**–**

Note 9 Taxes

	2000	2001	2002
Current taxes	(117)	(280)	(51)
Deferred taxes	2	1,112	1,121
Total taxes	**(115)**	**832**	**1,070**

Current taxes were distributed as follows:

Current taxes	2000	2001	2002
Current taxes for the period	(217)	–	–
Adjustment of current taxes prior periods	100	(280)	(51)
Total taxes	**(117)**	**(280)**	**(51)**

Provision has been made for estimated tax expenses that may arise as a consequence of the tax audit carried out mainly during 1992. Claims for which provisions are not deemed necessary amount to – (–; 297), which is included in contingent liabilities.

Deferred taxes relate to estimated tax on the change in tax loss carryforwards and temporary differences. Deferred tax assets are reported to the extent that it is probable that the amount can be utilized against future taxable income.

Deferred taxes related to change in tax-loss carryforwards amount to 1,111 (1,110; –) and to changes in other temporary differences to 10 (2; 2). No taxes have been debited or credited directly to equity.

Specification of tax income (expense) for the period	2000	2001	2002
Income before taxes	1,491	10,282	(3,555)
Tax according to applicable tax rate (28%)	**(417)**	**(2,879)**	**995**
Capital gains	43	81	1
Non-taxable dividends	296	7,353	350
Recognition of deferred tax assets	–	–	(70)
Non-deductible write-downs of shareholdings	(104)	(3,421)	(150)
Other non-deductible expenses	(41)	(39)	(11)
Other non-taxable income	8	17	6
Adjustment of current taxes prior periods	100	(280)	(51)
Tax income (expense) for the period	**(115)**	**832**	**1,070**

Specification of deferred tax assets	2000	2001	2002
Tax-loss carryforwards	–	1,110	2,221
Provision for doubtful receivables	1	1	1
Provision for pensions and other post-employment benefits	113	117	125
Other deductible temporary differences	4	2	4
Deferred tax assets	**118**	**1,230**	**2,351**

Note 10 Intangible and tangible assets

Acquisition cost	Value in balance sheet 2000	Value in balance sheet 2001	Investments	Sales/ scrapping	Reclassi-fications	Value in balance sheet 2002
Rights	52	52	–	–	–	52
Total intangible assets	**52**	**52**	**–**	**–**	**–**	**52**
Buildings	12	17	–	(2)	–	15
Land and land improvements	5	8	–	(1)	–	7
Machinery and equipment	49	47	–	–	–	47
Construction in progress	–	1	1	–	(1)	1
Total tangible assets	**66**	**73**	**1**	**(3)**	**(1)**	**70**

Accumulated depreciation	Value in balance sheet 2000 [2]	Value in balance sheet 2001 [2]	Depreciation [1]	Sales/ scrapping	Value in balance sheet 2002 [2]	Book value in balance sheet 2002 [3]
Rights	39	52	–	–	52	0
Total intangible assets	**39**	**52**	**–**	**–**	**52**	**0**
Buildings	1	2	–	(1)	1	14
Land and land improvements	–	–	–	–	–	7
Machinery and equipment	35	36	2	–	38	9
Construction in progress	–	–	–	–	–	1
Total tangible assets	**36**	**38**	**2**	**(1)**	**39**	**31**

The assessed value of buildings was 7 (8; 4) and of land 4 (4; 2). Investments in tangible assets amounted to 1 (10; 10). Capital expenditures approved but not yet implemented at year-end 2002 amounted to 2 (1; 1).

1 Including write-downs
2 Including accumulated write-downs
3 Acquisition value, less depreciation

Note 11 Investments in shares and participations

Holdings of shares and participations are specified in AB Volvo's holding of shares on pages 75–77. Changes in holdings of shares and participations are shown below.

	Group companies			Non-Group companies		
	2000	2001	2002	2000	2001	2002
Balance December 31, previous year	33,528	39,729	38,140	27,596	28,587	26,224
Acquisitions/New issue of shares	855	15,581	1,055	1,335	1	(25)
Divestments	(12)	(22,388)	(3)	(316)	(2,344)	(6)
Shareholder contributions	5,730	17,435	289	–	–	–
Write-downs	(372)	(12,217)	(531)	(28)	(20)	(25)
Balance, December 31	**39,729**	**38,140**	**38,950**	**28,587**	**26,224**	**26,168**

Shares and participations in Group companies
An investment of 1,054 was made in newly issued preference shares in VNA Holding Inc.

A shareholder contribution was made to Volvo China Investment Co Ltd of 107, whereupon the shareholdings were written down by the corresponding amount. Shareholder contributions were also made to Volvo Holding Mexico, 89, Volvo Technology Transfer AB, 50, Volvo Bussar AB, 28 and to Celero Support AB, 15.

Write-downs were carried out at the end of the year on holdings in Sotrof AB, 400.

2001: All shares in Renault V.I. that were acquired from Renault SA, were paid for with Volvo shares held by AB Volvo and were booked to an amount of 10,700. The shares were then sold group internal to Volvo Holding France SA.

The shares in Mack Trucks Inc were acquired from Renault V.I. for 3,225 and newly issued shares were subscribed for in the amount of 1,490. At the end of the year the holdings were written down by 1,490.

A shareholder contribution of 8,678 was made to the newly formed company Volvo Global Trucks AB, who then aquired the shares in Volvo Lastvagnar AB for the corresponding amount.

The shares in Volvo Powertrain AB and Volvo Parts AB were acquired from Volvo Lastvagnar AB.

The shares in Mitsubishi Motors Corporation together with all rights and obligations relating to the company, were given a total value of 3,010 and were used as a shareholder contribution to a newly established German subsidiary; Herkules VmbH. The company was then divested to DaimlerChrysler.

Shareholder contributions were made to Volvo Holding Sverige AB, 4,900, Volvo Aero AB, 299, Volvo Parts AB, 200, Volvo Holding Mexico, 159 and Volvo Technology Transfer AB, 100.

Write-downs were carried out on holdings in Sotrof AB, 6,966 and VFHS Finans, 3,460.

2000: Newly issued shares were subscribed for in VNA Holding Inc for 411, Volvo Truck & Bus Ltd, 211 and in Volvo China Investment Co Ltd for 194.

Shares in Eddo Restauranger AB were acquired group internal, whereafter shares with a book value of 6 were sold to Amica AB. The remaining holding with a book value of 6 is then accounted for as shares in non-Group companies.

Shareholder contributions were made to VFHS Finans AB, 3,460, Volvo Bussar AB, 1,054, Volvo Holding Sverige AB, 767 and Volvo Aero AB, 302.

Shares and participations in non-Group companies

The acquisition costs for Scania shares bought previous years have decreased by 25.

During 1999, AB Volvo acquired 43,5% of the capital and 28,6% of the voting rights in Scania, one of the world's leading manufacturers of trucks and buses. As from 2000, AB Volvo's holding in Scania is 45,5% of the capital and 30,6% of the voting rights. As a concession in connection with the European Commission's approval of AB Volvo's acquisition of Renault V.I. and Mack Trucks Inc., AB Volvo undertook to divest its holding in Scania within a time period of three years following approval of the transaction by the United States Department of Justice. The United States Department of Justice formally approved AB Volvo's acquisition of Renault V.I. and Mack Trucks Inc. during April 2001. The book value amounts to SEK 267 per share, which corresponds to the average acquisition value. At year-end, the price of the Scania B share was SEK 168.50 per share and the average price during 2002 was SEK 177. If Scania would be valued at the year-end price, a write-down of SEK 9,049 M would be necessary.

AB Volvo intends to divest the holding in Scania and discussions are held with a number of industrial buyers. AB Volvo's assessment is that a combined block of shares represents a higher value than the listed price on the stock exchange. Combined with valuations based on external assessments of Scania's future earnings capacity, this indicates a value at a level corresponding to the reported value. The value of the item is difficult to assess, but AB Volvo considers that the above factors combined justify that the book value is retained unchanged.

The participations in Blue Chip Jet HB were written down by 25, corresponding to the share of the year's income.

The remaining shares in Eddo Restauranger AB were divested to Amica AB.

2001: Total shares in Mitsubishi Motors Corporation, with a book value of 2,344, were transferred to a wholly-owned German subsidiary, which was then divested to DaimlerChrysler.

2000: Protorp Förvaltnings AB, with a book value of 12, was liquidated.

Shares in Bilia AB with a book value of 29 were sold when Bilia repurchased some of its outstanding shares.

Total shares in AB Volvofinans, with a book value of 253, were sold to the Group company Volvo Finance Holding AB.

10% of the participations in Blue Chip Jet HB were sold to Försäkringsaktiebolaget Skandia and Volvo Personvagnar AB.

Note 12 Other long-term receivables

	2000	2001	2002
Loans to external parties	137	–	–
Deferred tax assets	118	1,230	2,351
Other receivables	11	52	11
Total	**266**	**1,282**	**2,362**

As of 2001, deferred tax assets are reported as long-term receivables.

Note 13 Other short-term receivables

	2000	2001	2002
Income tax receivables	74	258	–
Accounts receivable	20	27	45
Prepaid expenses and accrued income	407	52	48
Other receivables	12,570	187	157
Total	**13,071**	**524**	**250**

In 2000 other receivables pertained mainly to a receivable from Ford Motor Company which was settled during 2001. The reserve for doubtful receivables amounted to 5 (5; 5) at the end of the year.

Note 14 Short-term investments in Group companies

Short-term investments in Group companies comprise deposits of 9,045 (17,873; –) in Volvo Treasury.

Note 15 Shareholders' equity

	Restricted equity			
	Share capital	Legal reserve	Unrestricted equity	Total shareholders' equity
Balance at December 31, 1999	**2,649**	**7,241**	**66,009**	**75,899**
Cash dividend	–	–	(3,091)	(3,091)
Repurchase of own shares	–	–	(11,808)	(11,808)
Net income 2000	–	–	1,376	1,376
Balance at December 31, 2000	**2,649**	**7,241**	**52,486**	**62,376**
Cash dividend	–	–	(3,356)	(3,356)
Repurchase of own shares	–	–	(8,336)	(8,336)
Issue of shares to Renault SA	–	–	10,356	10,356
Net income 2001	–	–	11,114	11,114
Balance at December 31, 2001	**2,649**	**7,241**	**62,264**	**72,154**
Cash dividend	–	–	(3,356)	(3,356)
Net income 2002	–	–	(2,485)	(2,485)
Balance at December 31, 2002	**2,649**	**7,241**	**56,423**	**66,313**

The distribution of share capital by class of shares is shown in Note 21 to the consolidated financial statements.

Note 16 Untaxed reserves

The composition of, and changes in, untaxed reserves:	Value in balance sheet 2000	Group internal transfer 2001	Allocations 2001	Value in balance sheet 2001	Allocations 2002	Value in balance sheet 2002
Tax allocation reserve	1,525	–	–	1,525	–	1,525
Accumulated additional depreciation						
Land	–	–	3	3	–	3
Machinery and equipment	2	–	(2)	–	–	–
Replacement reserve	–	3	(3)	–	–	–
Total	**1,527**	**3**	**(2)**	**1,528**	**–**	**1,528**

Note 17 Provisions for pensions

Provisions for pensions and similar benefits correspond to the actuarially calculated value of obligations not insured with third parties or secured through transfers of funds to pension foundations. The amount of pensions falling due within one year is included. AB Volvo has insured the pension obligations with third parties. Of the amount reported, 60 (10; 0) pertains to contractual obligations within the framework of the PRI (Pension Registration Institute) system.

In 1996, two Groupwide pension foundations for employees were formed to secure commitments in accordance with the ITP plan. The Volvo 1995 Pension Foundation pertained to pension funds earned through 1995 and the Volvo 1996 Pension Foundation pertained to funds earned beginning in 1996. During 2000 these two foundations merged into one foundation. Pension funds amounting to 0 (0; 0) have been transferred from AB Volvo to the Volvo Pension Foundation.

AB Volvo's pension costs in 2002 amounted to 168 (93; 70), after withdrawal from the Volvo Pension Foundation of – (–; 24).

The accumulated benefit obligation of all AB Volvo's pension obligations at year-end 2002 amounted to 761, which has been secured in part through provisions for pensions and in part through funds in pension foundations. Net asset value in the Pension Foundation, marked to market, accruing to AB Volvo was 60 lower than corresponding pension obligations. A provision was recorded to cover this deficit.

The accounting for surplus funds in Alecta is shown in Note 22 to the consolidated financial statements.

Note 18 Other provisions

Other provisions comprise provisions for taxes in the amount of 21 (24; 68).

Note 19 Non-current liabilities

Long-term debt matures as follows:

2004	4,258
2005	–
2006 or later	72
Total	**4,330**

Long-term liabilities to Group companies include loans of 1,054 (–; 3,104) from Volvo Treasury and 3,204 (3,329; –) from Renault V.I.

Note 20 Other current liabilities

	2000	2001	2002
Income tax liabilities	–	–	6
Wages, salaries and withholding taxes	30	30	38
Other liabilities	95	50	93
Accrued expenses and prepaid income	55	99	146
Total	**180**	**179**	**283**

No collateral is provided for current liabilities.

Note 21 Contingent liabilities

Of the contingent liabilities amounting to 133,330 (150,295; 133,856), 133,298 (149,829; 133,548) pertained to Group companies.

Guarantees for various credit programs are included in amounts corresponding to the credit limits. These guarantees amount to 129,471 (147,246; 130,691), of which guarantees on behalf of Group companies totaled 129,446 (146,786; 130,686). At the end of each year, the utilized portion amounted to 69,672 (72,804; 58,448) including 69,640 (72,793; 58,140) pertaining to Group companies.

Note 22 Cash flow statements

	2000	2001	2002
Other items not affecting cash			
Write-downs of shareholdings	400	12,237	557
Dividends and Group contributions	507	5,119	(1,408)
Gain on sale of shares	(227)	(1,047)	(32)
Other	(49)	–	68
Total	**631**	**16,309**	**(815)**

Further information is provided in Note 3–5.

	2000	2001	2002
Shares and participations in Group companies, net			
Investments	(6,675)	(7,671)	(1,616)
Disposals	411	23,520	72
Net investments in shares and participations in Group companies	**(6,264)**	**15,849**	**(1,544)**

Renault V.I. was transferred Group-internal 2001 for 10,700. Proceeds received from the sale of Volvo Personvagnar Holding AB resulted in a positive cash flow of – (12,539; 382). Other investments and sales of shares in Group companies are shown in Note 11.

	2000	2001	2002
Shares and participations in non-Group companies, net			
Investments	(1,328)	(1)	25
Disposals	119	3,182	41
Net investments in shares and participations in non-Group companies	**(1,209)**	**3,181**	**66**

During 2001 Mitsubishi Motors Corporation was sold for 3,182. Other investments and sales of shares in non-Group companies are presented in Note 11.

	2000	2001	2002
Increase/decrease in loans			
New loans	14,434	104	1,054
Amortization	–	(15,763)	(1,829)
Change in loans, net	**14,434**	**(15,659)**	**(775)**

	2000	2001	2002
Loans granted, net			
New loans granted	–	(40)	–
Amortization received	–	100	891
Change in loans granted, net	**–**	**60**	**891**

AB Volvo's holding of shares

AB Volvo's holding of shares and participations in non-Group companies	Registration number	Percentage holding [1]	Dec 31, 2001 Book value, SEK M	Dec 31, 2002 Book value, SEK M
Scania AB, Sweden [2]	556184-8564	46/31	24,351	24,325
Deutz AG, Germany [2]	–	11	670	670
Bilia AB, Sweden [2]	556112-5690	43	612	612
Henlys Group Plc, Great Britain [2]	–	10	524	524
Blue Chip Jet HB, Sweden	969639-1011	40	41	16
Eddo Restauranger AB, Sweden	–	–	7	–
Other investments			19	21
Total book value, non-Group companies			**26,224**	**26,168**

AB Volvo's holding of shares and participations in Group companies	Registration number	Percentage holding	Dec 31, 2001 Book value, SEK M	Dec 31, 2002 Book value, SEK M
Volvo Global Trucks AB, Sweden	556605-6759	100	8,420	8,420
Volvo Lastvagnar AB, Sweden	556013-9700	100	–	–
Volvo Lastvagnar Sverige AB, Sweden	556411-6878	100	–	–
Volvo Kuorma- ja Linja-autot Oy Ab, Finland	–	100	–	–
Volvo Truck Latvia Sia, Latvia	–	100	–	–
Volvo Truck Czech S R O, Czech Republic	–	100	–	–
Volvo Truck Slovak, Slovakia	–	100	–	–
Volvo Ukraine LLC, Ukraine	–	100	–	–
Volvo do o Beograd, Yugoslavia	–	100	–	–
Volvo Trucks (Deutschland) GmbH, Germany	–	100	–	–
Volvo Europa Truck NV, Belgium	–	100	–	–
Volvo Trucks (Schweiz) AG, Switzerland	–	100	–	–
Volvo Truck España, SA, Spain	–	100	–	–
Volvo Trucks Canada Inc., Canada	–	100	–	–
Volvo Trucks de Mexico, Mexico	–	100	–	–
Volvo do Brasil Veiculos Ltda, Brazil	–	100	–	–
Volvo Peru Sociedad Anonima, Peru	–	100	–	–
Volvo Truck (Thailand) Co. Ltd., Thailand	–	100	–	–
Volvo Truck East Asia (Pte) Ltd., Singapore	–	100	–	–
Volvo Truck Korea Ltd., South Korea	–	100	–	–
Volvo Truck Australia Pty Ltd., Australia	–	100	–	–
Volvo India Ltd., India	–	100	–	–
Renault V I, France	–	–	–	–
France Vehicules Industriels, France	–	100	–	–
Renault Trucks UK Ltd, Great Britain	–	100	–	–
Renault Trucks Nederland BV, Netherlands	–	100	–	–
Renault VI Belgique, Belgium	–	100	–	–
Renault LKW Deutschland GmbH, Germany	–	100	–	–
Renault Lastbiler Danmark A/S, Denmark	–	100	–	–
Renault Vehicules Industriels Suisse, Switzerland	–	100	–	–
Renault Vehiculos Industriales SA, Spain	–	100	–	–
Renault Trucks, España, Spain	–	100	–	–

1 Where two percentage figures are shown, the first refers to share capital and the second to voting rights.
2 The market value of the holdings is shown in Note 13 to the consolidated financial statements.

AB Volvo's holding of shares and participations in Group companies	Registration number	Percentage holding	Dec 31, 2001 Book value, SEK M	Dec 31, 2002 Book value, SEK M
Renault Vehicules Industriels Italia Spa, Italy	–	100	–	–
Renault LKW Osterreich GmbH, Austria	–	100	–	–
Renault Trucks Polska SP Z.OO, Poland	–	100	–	–
Renault Trucks Hungaria KFT, Hungaria	–	100	–	–
Renault Trucks CR, SRO, The Czech Republic	–	100	–	–
Renault Trucks Argentina, Argentina	–	100	–	–
SARL Renault Trucks Algerie, Algeria	–	100	–	–
Mack Trucks Inc, USA	–	100	3,225	3,225
Kansas City Mack Sales & Service, Inc., USA	–	100	–	–
Mack Canada, Canada	–	100	–	–
Mack Leasing System, Inc., USA	–	100	–	–
Mack de Venezuela, C.A., Venezuela	–	100	–	–
Mack Vehiculos Industriales, C.A., Venezuela	–	100	–	–
Mack Trucks South Africa Pty, South Africa	–	100	–	–
Mack Vehucolos Industriales de Mexico SA de CV, Mexico	–	100	–	–
Mack Trucks Australia Pty Ltd., Australia	–	100	–	–
Volvo Bussar AB, Sweden	556197-3826	100	2,885	2,912
Säffle Karosseri AB, Sweden	556058-3485	100	–	–
Carrus Oy, Finland	–	100	–	–
Volvo Busse Deutschland GmbH, Germany	–	100	–	–
Volvo Poland Sp.Zo. O, Poland	–	100	–	–
Prévost Holding BV, Canada [1]	–	50	–	–
Acrivia AB, Sweden	556540-1691	100	–	–
Volvo Construction Equipment NV, Beesd, The Netherlands	–	100	2,582	2,582
Volvo Wheel Loaders AB, Sweden	556310-1319	100	–	–
Volvo Construction Equipment Components AB, Sweden	556527-6820	100	–	–
Volvo Articulated Haulers AB, Sweden	556360-1615	100	–	–
Volvo Construction Equipment Customer Support AB, Sweden	556310-1301	100	–	–
Volvo Construction Equipment International AB, Sweden	556310-1293	100	–	–
Volvo Construction Equipment Cabs AB, Sverige	556527-6838	100	–	–
Volvo Construction Equipment Europe Ltd., Great Britain	–	100	–	–
Volvo Construction Equipment Europe GmbH, Germany	–	100	–	–
Volvo Compact Service Equipment GmbH, Germany	–	100	–	–
Volvo Motor Graders, Ltd., Canada	–	100	–	–
AB Volvo Penta, Sweden	556034-1330	100	421	421
Volvo Penta Norden AB, Sweden	556127-7533	100	–	–
Volvo Penta Central Europe GmbH, Germany	–	100	–	–
Volvo Penta Espana, SA, Spain	–	100	–	–
Volvo Penta Asia (Pte) Ltd., Singapore	–	100	–	–
Volvo Aero AB, Sweden	556029-0347	100	2,885	2,885
Volvo Aero Engine Services AB, Sweden	556328-9171	100	–	–
Volvo Aero Support AB, Sweden	556413-0184	100	–	–
Volvo Aero Norge AS, Norway	–	78	–	–

AB Volvo's holding of shares and participations in Group companies (cont.)	Registration number	Percentage holding	Dec 31, 2001 Book value, SEK M	Dec 31, 2002 Book value, SEK M
VNA Holding Inc, United States	–	100	2,456	3,510
Volvo Trucks North America, Inc., United States	–	100	–	–
Volvo Construction Equipment North America Inc., United States	–	100	–	–
Volvo Penta of The Americas, Inc., United States	–	100	–	–
Volvo Aero North America Inc., United States	–	100	–	–
Volvo Aero Services LP, USA	–	95	–	–
Volvo Treasury North America Inc., United States	–	100	–	–
Volvo Treasury AB, Sweden	556135-4449	100	3,044	3,044
Volvo Powertrain AB, Sweden	556000-0753	100	166	166
Volvo Parts AB, Sweden	556365-9746	100	200	200
Volvo Group Insurance Försäkrings AB, Sweden	516401-8037	100	182	182
Volvo Information Technology AB, Sweden	556103-2698	100	8	8
Volvo Financial Services AB, Sweden	556000-5406	100	486	486
Sotrof AB, Sweden	556519-4494	100	2,888	2,488
Volvo Technology Transfer AB, Sweden	556542-4370	100	236	286
Celero Support AB, Sweden	556039-1798	100	25	25
Volvo Holding Sverige AB, Sweden	556539-9853	100	5,693	5,693
Volvo Group Finance Europe BV, The Netherlands	–	100	1,003	1,003
Volvo Construction Equipment Korea Co. Ltd., South Korea	–	100	–	–
Volvo Truck & Bus Ltd., Great Britain	–	100	413	413
Volvo China Investment Co. Ltd., China	–	100	275	275
Volvo Holding Mexico, Mexico	–	100	189	278
Volvo Holding Danmark AS, Denmark	–	100	104	104
Volvo Norge AS, Norway	–	100	56	56
Volvo Bus de Mexico, Mexico	–	100	50	50
Other holdings			248	238
Total book value, Group companies [2]			**38,140**	**38,950**

1 Effective on October 1, 2001, Prévost Holding BV is a joint venture with Henlys Plc and reported in the Volvo Group accounts in accordance with the proportionate consolidation method.

2 AB Volvo's share of shareholders' equity in subsidiaries (including equity in untaxed reserves) was 49,657 (39,752).

Proposed disposition of unappropriated earnings

Group

As shown in the consolidated balance sheet at December 31, 2002, unrestricted equity amounted to SEK 61,536 M (70,239). Of this amount, SEK 0 M is estimated to be appropriated to restricted equity.

AB Volvo	SEK M
Retained earnings	58,908
Net income 2002	(2,485)
Total	56,423

The Board of Directors and the President propose that the above sum be disposed of as follows:

	SEK M
To the shareholders, a dividend of SEK 8.00 per share	3,356
To be carried forward	53,067
Total	56,423

Göteborg, February 6, 2003

Lars Ramqvist

Per-Olof Eriksson　Louis Schweitzer　Tom Hedelius

Leif Johansson　Finn Johnsson

Patrick Faure　Ken Whipple

Lars-Göran Larsson　Olle Ludvigsson　Johnny Rönnkvist

Our audit report was issued on February 6, 2003

Olof Herolf
Authorized Public Accountant
PricewaterhouseCoopers

Olov Karlsson
Authorized Public Accountant
PricewaterhouseCoopers

Auditors’ report for AB Volvo

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Volvo for the year 2002. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes evaluating the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to determine the liability, if any, to the Company of any Board member, or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, or the Company’s Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company’s and the Group’s financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors’ Report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Göteborg, February 6, 2003

Olof Herolf
Authorized Public Accountant
PricewaterhouseCoopers

Olov Karlsson
Authorized Public Accountant
PricewaterhouseCoopers

Eleven-year summary

Consolidated income statements SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Net sales	**83,002**	**111,155**	**155,866**	**171,511**	**156,060**	**183,625**	**212,936**	**125,019**	**130,070**	**189,280**	**186,198**
Cost of sales	(66,143)	(85,840)	(115,092)	(128,529)	(121,249)	(138,990)	(163,876)	(99,501)	(104,548)	(155,592)	(151,569)
Gross income	**16,859**	**25,315**	**40,774**	**42,982**	**34,811**	**44,635**	**49,060**	**25,518**	**25,522**	**33,688**	**34,629**
Research and development expenses	(6,243)	(4,438)	(4,652)	(7,343)	(8,271)	(8,659)	(10,104)	(4,525)	(4,876)	(5,391)	(5,869)
Selling expenses	(8,717)	(11,480)	(15,737)	(17,418)	(14,895)	(17,160)	(19,042)	(8,865)	(10,140)	(15,766)	(16,604)
Administrative expenses	(4,151)	(6,131)	(7,711)	(7,399)	(6,685)	(7,018)	(8,091)	(4,791)	(4,974)	(6,709)	(5,658)
Other operating income and expenses	517	(1,146)	(3,262)	(1,657)	(1,087)	(3,141)	(2,634)	(611)	622	(4,096)	(4,152)
Income (loss) from investments in associated companies	120	(1,749)	5,861	2,119	314	2,929	444	567	444	50	182
Income from other investments	157	444	1,667	788	9,007	1,168	4,526	170	70	1,410	309
Income from divestment of subsidiaries	–	–	–	3,032	–	–	–	26,695	–	–	–
Restructuring costs [1]	(1,450)	(1,600)	–	(1,817)	–	–	(2,331)	–	–	(3,862)	–
Operating income (loss)	**(2,908)**	**(785)**	**16,940**	**13,287**	**13,194**	**12,754**	**11,828**	**34,158**	**6,668**	**(676)**	**2,837**
Interest income and similar credits	3,694	4,041	2,927	3,801	4,530	3,197	1,268	1,812	1,588	1,275	1,217
Interest expenses and similar charges	(4,906)	(5,458)	(3,572)	(3,686)	(3,114)	(2,699)	(1,315)	(1,505)	(1,845)	(2,274)	(1,840)
Other financial income and expenses	(629)	(440)	83	(354)	(407)	(76)	(162)	131	(165)	(191)	(201)
Income (loss) after financial items	**(4,749)**	**(2,642)**	**16,378**	**13,048**	**14,203**	**13,176**	**11,619**	**34,596**	**6,246**	**(1,866)**	**2,013**
Taxes	138	(468)	(2,783)	(3,741)	(1,825)	(2,583)	(3,140)	(2,270)	(1,510)	326	(590)
Minority interests in net income (loss)	1,291	(356)	(365)	(45)	99	(112)	(42)	(104)	(27)	73	(30)
Net income (loss)	**(3,320)**	**(3,466)**	**13,230**	**9,262**	**12,477**	**10,481**	**8,437**	**32,222**	**4,709**	**(1,467)**	**1,393**

1 In 1995 write-down of goodwill pertaining to Volvo Construction Equipment.

Consolidated income statements with Financial Services reported in accordance with the equity method SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Net sales	**81,858**	**109,978**	**154,668**	**166,541**	**150,425**	**178,531**	**205,712**	**116,382**	**120,392**	**180,615**	**177,080**
Cost of sales						(135,027)	(158,077)	(92,772)	(97,131)	(149,477)	(145,453)
Gross income						**43,504**	**47,635**	**23,610**	**23,261**	**31,138**	**31,627**
Research and development expenses						(8,659)	(10,104)	(4,525)	(4,876)	(5,391)	(5,869)
Selling expenses						(16,763)	(18,468)	(8,117)	(9,285)	(14,663)	(15,393)
Administrative expenses						(6,889)	(7,950)	(4,632)	(4,651)	(6,474)	(5,464)
Other operating income and expenses						(3,015)	(2,515)	(587)	309	(3,071)	(2,989)
Income from Financial Services						375	681	1,066	1,499	325	490
Income (loss) from investments in associated companies						3,033	354	478	341	(86)	126
Income from other investments						1,168	4,526	170	70	1,408	309
Income from divestment of subsidiaries						–	–	26,695	–	–	–
Restructuring costs						–	(2,331)	–	–	(3,862)	–
Operating income (loss)	**(2,908)**	**(785)**	**16,940**	**13,287**	**13,194**	**12,754**	**11,828**	**34,158**	**6,668**	**(676)**	**2,837**

Consolidated balance sheets											
SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Intangible assets	298	2.284	4,545	5,626	2,277	3,284	5,778	6,618	6,925	17,525	17,045
Property, plant and equipment	18,377	25,922	25,991	25,094	26,458	30,793	36,207	19,788	22,231	33,234	30,799
Assets under operating leases	1,753	2,235	2,205	2,847	4,968	13,501	22,285	12,337	14,216	27,101	23,525
Shares and participations	30,494	26,299	18,548	18,087	12,412	4,583	3,393	29,213	30,481	27,798	27,492
Inventories	18,368	21,390	23,380	23,929	23,148	27,993	32,128	21,438	23,551	31,075	28,305
Customer financing receivables	9,083	8,019	9,351	10,336	15,552	32,304	46,798	34,313	41,791	48,784	46,998
Interest bearing receivables	405	602	1,516	2,766	4,080	4,667	4,735	18,617	19,228	8,079	5,490
Other receivables [1]	16,469	26,323	28,597	26,708	25,603	27,087	34,197	24,019	26,352	39,946	33,990
Liquid funds	21,760	21,442	24,449	23,306	26,661	20,603	20,224	29,269	15,968	27,383	25,578
Assets	**117,007**	**134,516**	**138,582**	**138,699**	**141,159**	**164,815**	**205,745**	**195,612**	**200,743**	**260,925**	**239,222**
Shareholders' equity [1]	29,721	27,088	43,332	51,200	57,876	61,951	69,375	97,692	88,338	85,185	78,278
Minority interests	3,919	6,686	838	605	504	899	860	544	593	391	247
Provision for postemployment benefits	5,085	6,139	6,097	6,890	3,150	3,296	2,936	2,130	2,632	14,647	16,236
Other provisions	11,653	14,235	13,914	14,602	14,988	19,657	25,187	14,832	14,941	18,427	16,721
Loans	42,641	42,675	33,551	28,166	31,886	41,217	64,230	53,345	66,233	81,568	72,437
Other liabilities	23,988	37,693	40,850	37,236	32,755	37,795	43,157	27,069	28,006	60,707	55,303
Shareholders' equity and liabilities	**117,007**	**134,516**	**138,582**	**138,699**	**141,159**	**164,815**	**205,745**	**195,612**	**200,743**	**260,925**	**239,222**
Assets pledged	4,114	4,613	6,527	5,434	6,503	6,743	5,388	3,930	2,990	3,737	3,610
Contingent liabilities	6,808	8,656	7,581	7,450	6,188	5,406	6,737	6,666	6,789	10,441	9,334

1 Effective in 1997, adjustment was made to conform with the Swedish Financial Accounting Standard Council's recommendation, RR9, Income Taxes. See Note 1 to the consolidated financial statements.

Consolidated balance sheet excluding Financial Services [1]											
SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Intangible assets			4,544	5,623	2,258	3,262	5,692	6,518	6,781	17,366	16,919
Property, plant and equipment			25,246	23,430	24,720	28,755	33,944	17,318	19,652	30,370	27,789
Assets under operating leases			0	0	49	1,366	1,817	1,611	4,245	15,020	11,155
Shares and participations			20,782	20,699	16,359	9,894	11,744	35,296	37,366	35,145	34,750
Inventories			23,047	23,813	23,042	27,756	31,883	21,053	22,998	30,557	27,564
Customer financing receivables			0	0	0	227	384	9	15	114	99
Interest bearing receivables			1,516	2,720	4,060	4,664	4,715	18,617	19,286	12,426	8,495
Other receivables			28,596	26,110	24,312	25,802	31,398	21,075	24,882	38,815	34,256
Liquid funds			21,811	20,637	23,170	16,605	15,439	24,465	10,958	24,874	24,154
Assets			**125,542**	**123,032**	**117,970**	**118,331**	**137,016**	**145,962**	**146,183**	**204,687**	**185,181**
Shareholders' equity			43,332	51,200	57,876	61,951	69,375	97,692	88,338	85,185	78,278
Minority interests			703	351	448	859	804	544	593	391	247
Provision for post-employment benefits			6,060	6,855	3,126	3,266	2,904	2,118	2,619	14,632	16,218
Other provisions			11,806	12,525	12,618	15,962	19,435	9,861	8,277	14,085	13,893
Loans			24,266	16,301	13,432	1,047	5,018	12,206	18,233	29,710	22,494
Other liabilities			39,375	35,800	30,470	35,246	39,480	23,541	28,123	60,684	54,051
Shareholders' equity and liabilities			**125,542**	**123,032**	**117,970**	**118,331**	**137,016**	**145,962**	**146,183**	**204,687**	**185,181**

1 Financial Services reported in accordance with the equity method.

Consolidated cash-flow statements SEK bn	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Operating income [1]	(2.9)	(0.8)	16.9	13.3	13.2	12.8	11.8	7.5	6.7	(0.7)	2.8
Depreciation	3.1	3.8	5.1	5.6	5.4	6.8	9.6	5.2	6.3	10.0	10.8
Other items not affecting cash [2]						(3.5)	(4.9)	(0.3)	(0.4)	0.5	2.0
Change in working capital [2]	4.6	3.5	(8.9)	(7.3)	(11.2)	4.7	1.5	(1.0)	(3.3)	6.4	1.0
Financial items and income tax [2]						(0.4)	(2.0)	(1.7)	(1.3)	(2.1)	(1.3)
Cash flow from operating activities	**4.8**	**6.5**	**13.1**	**11.6**	**7.4**	**20.4**	**16.0**	**9.7**	**8.0**	**14.1**	**15.3**
Investments in fixed assets	(2.9)	(3.5)	(4.3)	(6.5)	(8.2)	(9.9)	(10.5)	(4.9)	(5.4)	(8.1)	(6.7)
Investments in leasing assets	(1.3)	(1.7)	(2.5)	(2.6)	(3.9)	(9.8)	(12.7)	(5.6)	(5.7)	(5.8)	(5.2)
Disposals of fixed assets and leasing assets	0.3	0.8	1.4	1.3	2.0	1.8	2.6	1.6	2.1	2.6	3.2
Customer financing receivables, net	(3.7)	1.9	(1.5)	(1.6)	(4.8)	(15.5)	(12.8)	(7.1)	(4.5)	(3.7)	(5.7)
Shares and participations, net	(0.2)	0.5	8.2	2.0	14.1	10.7	5.5	(25.9)	(1.6)	3.9	(0.1)
Acquired and divested subsidiaries and other business units, net	0.3	0.4	–	(4.4)	(0.9)	(1.3)	(5.6)	31.0	0.0	13.0	(0.2)
Cash flow after net investments	**(2.7)**	**4.9**	**14.4**	**(0.2)**	**5.7**	**(3.6)**	**(17.5)**	**(1.2)**	**(7.1)**	**16.0**	**0.6**
Increase (decrease) in loans	3.2	(5.9)	(8.3)	1.5	6.8	5.6	19.5	16.3	8.1	6.2	(0.1)
Loans to external parties, net	0.5	(0.2)	(0.9)	(0.9)	(1.9)	(0.4)	(0.3)	(3.2)	0.3	0.2	1.7
Repurchase of own shares	–	–	–	–	–	–	–	–	(11.8)	(8.3)	–
Dividend to AB Volvo shareholders	(1.2)	(0.6)	(0.6)	(1.5)	(1.9)	(2.0)	(2.2)	(2.6)	(3.1)	(3.4)	(3.4)
Other	0.4	0.2	(1.3)	0.7	(5.0)	(5.9)	(0.2)	(0.1)	0.0	0.1	0.1
Change in liquid funds, excluding translation differences	**0.2**	**(1.6)**	**3.3**	**(0.4)**	**3.7**	**(6.3)**	**(0.7)**	**9.2**	**(13.6)**	**10.8**	**(1.1)**
Translation differences on liquid funds	1.8	1.3	(0.3)	(0.7)	(0.3)	0.3	0.3	(0.2)	0.3	0.6	(0.7)
Change in long-term securities holdings	0.9	–	–	–	–	–	–	–	–	–	–
Change in liquid funds	**2.9**	**(0.3)**	**3.0**	**(1.1)**	**3.4**	**(6.0)**	**(0.4)**	**9.0**	**(13.3)**	**11.4**	**(1.8)**

1 1999, excluding gain on sale of Volvo Cars of SEK 26.7 billion.

2 Reported on a single line in 1992–1996.

Operating cash flow excluding Financial Services SEK bn	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Operating income				12.9	12.8	12.4	11.1	6.4	5.2	(1.0)	2.3
Depreciation				4.8	4.4	5.0	6.4	3.1	3.8	7.0	7.8
Other items not affecting cash						(4.0)	(5.5)	(0.5)	(1.6)	0.0	1.0
Change in working capital				(6.3)	(11.1)	3.4	0.7	(1.7)	(3.0)	6.0	0.4
Financial items and income taxes						(0.5)	(2.3)	(1.7)	(0.8)	(2.3)	(1.1)
Cash flow from operating activities				**11.4**	**6.1**	**16.3**	**10.4**	**5.6**	**3.6**	**9.7**	**10.4**
Investments in fixed assets				(6.4)	(8.0)	(9.5)	(10.2)	(4.7)	(5.1)	(7.7)	(6.3)
Investments in leasing assets				(0.8)	(0.8)	(0.5)	(0.9)	(0.5)	(0.6)	(0.5)	(0.1)
Disposals of fixed assets and leasing assets				1.2	1.8	1.0	1.5	0.8	0.7	1.1	1.1
Customer-financing receivables, net				–	–	0.3	(0.3)	0.1	0.0	0.8	0.0
Operating cash flow				**5.4**	**(0.9)**	**7.6**	**0.5**	**1.3**	**(1.4)**	**3.4**	**5.1**

Exports from Sweden SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Volvo Group, total	30,344	36,130	43,330	56,059	54,589	58,569	64,401	52,719	46,251	50,394	52,730

Salaries, wages and other remuneration (including social costs) SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Volvo Group, total	16,857	19,489	24,156	27,248	25,997	26,951	30,064	19,832	21,510	33,453	34,136

Key ratios [5]	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gross margin, % [1, 2]	20.3	22.8	26.2	25.1	22.3	24.4	23.2	20.3	19.3	17.2	17.9
Research and development expenses as percentage of net sales [1, 2]	7.5	4.0	3.0	4.3	5.3	4.9	4.9	3.9	4.1	3.0	3.3
Selling expenses as percent of net sales [1, 2]	10.5	10.3	10.1	10.2	9.5	9.4	9.0	7.0	7.7	8.1	8.7
Administration expenses as percentage of net sales [1, 2]	5.0	5.5	4.9	4.3	4.3	3.9	3.9	4.0	3.9	3.6	3.1
Operating margin, %	(3.6)	(0.7)	11.0	8.0	8.8	7.1	5.7	29.3	5.5	(0.4)	1.6
Return on shareholders' equity, %	neg	neg	36.5	19.3	23.7	17.2	13.0	34.9	5.0	neg	1.7
Interest coverage, times	0.2	0.6	5.5	4.6	5.5	5.8	9.6	23.1	4.5	neg	2.2
Self-financing ratio, % [3]	122	148	247	151	73	115	78	108	89	125	176
Self-financing ratio excluding Financial Services, % [3]				190	87	181	108	127	72	137	196
Net financial position, SEK M	(18,117)	(20,592)	(6,999)	201	10,672	16,956	12,232	28,758	9,392	(7,042)	(6,063)
Net financial position as percentage of shareholders' equity and minority interests	(53.9)	(61.0)	(15.9)	0.4	18.3	27.0	17.4	29.3	10.6	(8.2)	(7.7)
Shareholders' equity and minority interests as percentage of total assets	28.8	25.1	31.9	37.4	41.4	38.1	34.1	50.2	44.3	32.8	32.8
Shareholders' equity and minority interests as percentage of total assets, excluding Financial Services [4]			35.1	41.9	49.4	53.1	51.2	67.3	60.8	41.8	42.4
Shareholders' equity as percentage of total assets	25.4	20.1	31.3	36.9	41.0	37.6	33.7	49.9	44.0	32.6	32.7

1 Key ratios are stated in accordance with the new 1997 Annual Accounts Act. Figures for the years 1992 through 1996 have been adjusted to conform with the new principle.

2 1992–1996 including Financial Services. As from 1997 Financial Services is accounted by the equity method.

3 As of 1999, Volvo's cash flow statement is presented in accordance with the Swedish Financial Accounting Standards Council's recommendation, Reporting of Cash Flow, RR7. Values in prior years are adjusted in accordance with the new presentation form.

4 Financial Services had a marginal effect on the percentage of risk capital and minority capital prior to 1994.

5 Effective in 1997, adjustment was made to conform with the Swedish Financial Accounting Standard Council's recommendation, RR9, Income Taxes. See Note 1, to the consolidated financial statements. Income per share is calculated as net income divided by average number of shares.

Volvo share statistics

Data per share (adjusted for issues and splits) [1]	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Income, SEK [1]	(8.60)	(8.90)	31.80	20.20	26.90	23.20	19.10	73.00	11.20	(3.50)	3.30
Dividend, SEK	1.55	1.55	3.40	4.00 [8]	4.30	5.00	6.00	7.00	8.00	8.00	8.00 [9]
Share price at year-end, SEK (B share)	69	108	140	136	151	213	186	220	156.50	176	142
Direct return, % (B share) [2]	2.3	1.4	2.4	2.9	2.9	2.3	3.2	3.2	5.1	4.5	5.6
Effective return, % (B share) [3]	13	60	32	0	30	46	(10)	22	(23)	17.6	(14.8)
Price/earnings ratio (B share) [4]	neg	neg	4	7	6	9	9	3	14	neg	43
EBIT multiple [5]	neg	36	7	7	16	9	11	10	10	25	23
Payout ratio, % [6]	neg	neg	11	20	16	22	31	10	71	neg	242
Shareholders' equity, SEK [7]	77	70	98	110	125	140	157	221	222	203	187
Return on shareholders' equity	neg	neg	36.5	19.3	23.7	17.2	13.0	34.9	5.0	neg	1.7

Other share data	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Number of shareholders at year-end	163,800	147,300	182,700	206,700	176,800	225,500	210,600	238,000	230,000	214,000	211,000
Number of Series A shares outstanding at year-end, millions	25.3	25.3	142.2	142.2	142.2	138.6	138.6	138.6	124.7	131.7	131.7
Number of Series B shares outstanding at year-end, millions	52.3	52.3	301.9	321.4	321.4	302.9	302.9	302.9	272.6	287.8	287.8
Average number of outstanding shares, millions			415.9	458.9	463.6	452.5	441.5	441.5	421.7	422.4	419.4
Number of Series A shares traded in Stockholm during the year, millions	16.6	32.8	54.1	23.2	23.7	23.7	34.5	27.0	42.4	40.3	27.3
Number of Series B shares traded in Stockholm during the year, millions	169.7	465.5	363.3	363.3	316.4	362.7	371.3	479.6	391.2	344.4	349.4
Number of A and B shares traded in London during the year, millions	178.9	150.7	287.5	232.8	301.0	260.8	425.5	215.8	143.0	169.0	60.8
Number of shares traded in ADR, NASDAQ during the year, millions	9.4	11.5	19.0	73.5	83.0	51.8	50.5	54.9	16.0	15.0	11.0

1 Effective in 1997, adjustment was made to conform with the Swedish Financial Accounting Standard Council's recommendation, RR9, Income Taxes. See Note 1 to the consolidated financial statements. Income per share is calculated as net income divided by average number of shares outstanding.

2 Dividend in SEK per share divided by share price at year-end.

3 Share price at year-end, including dividend paid during the year, divided by share price at beginning of the year, including redemption 1997 and distribution of one share of Swedish Match 1996.

4 Share price at year-end divided by income per share.

5 Market value at year-end minus net financial position and minority interests divided by operating income excluding restructuring costs.

6 Dividend divided by income per share.

7 Shareholders' equity divided by number of shares outstanding at year-end.

8 Plus one share of Swedish Match per Volvo share, price of SEK 21.74 (weighted average first ten trading days following listing).

9 Proposed by the Board of Directors.

The largest shareholders in AB Volvo, December 31, 2002 [1]	Number of shares	% of total votes [2]	Share capital, % [2]
Renault SA	88,304,177	20.0	20.0
Franklin Templeton funds	26,049,296	1.5	5.9
Robur fonder (savings funds)	14,570,794	5.8	3.3
Alecta (former SPP)	13,858,100	4.0	3.1
SHB	8,976,256	5.2	2.0
AMF Pensionsförsäkringar AB (labor market insurance)	7,387,000	3.0	1.7
Skandia (insurance)	7,374,466	4.1	1.7
Nordea fonder (saving funds)	7,113,750	1.5	1.6
SEB fonder (savings funds)	6,938,404	2.3	1.6
Fjärde AP-fonden (labor fund)	6,777,795	2.2	1.5
Total	**187,350,038**	**49.6**	**42.4**

Distribution of shares, December 31, 2002 Volvo shareholder owning	Number of shareholders	% of total votes [2]	Share of capital, % [2]
1–1,000 shares	198,883	6.3	7.2
1,001–10,000 shares	10,726	4.7	5.9
10,001–100,000 shares	716	3.4	4.6
100,001–	246	85.6	82.3
Total	**210,571**	**100**	**100**

1 Following the repurchase of own shares, AB Volvo held 5% of the Company's shares on Dec 31,2002.

2 Based on all registered shares.

Business area statistics

Net sales SEK M		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Trucks [1]	Western Europe	13,520	14,025	21,121	22,548	21,244	22,280	27,837	30,006	30,415	60,841	61,406
	Eastern Europe	518	599	948	1,299	1,721	2,274	3,089	2,265	3,158	5,526	6,424
	North America	6,933	11,817	13,951	13,069	8,510	12,206	17,659	22,303	17,048	33,630	33,721
	South America	484	3,188	4,780	4,641	2,759	3,832	3,777	2,190	3,111	3,993	3,277
	Asia	1,675	2,170	2,474	2,863	2,577	2,410	2,047	2,010	3,432	4,659	5,919
	Other markets	1,130	330	1,379	1,330	1,443	1,503	1,267	1,492	1,911	7,919	8,005
	Total	**24,260**	**32,129**	**44,653**	**45,750**	**38,254**	**44,505**	**55,676**	**60,266**	**59,075**	**116,568**	**118,752**
Buses	Western Europe	2,581	3,380	3,838	4,709	4,660	5,082	5,528	5,735	6,767	6,263	6,695
	Eastern Europe	3	62	102	34	80	190	366	226	182	373	409
	North America	1	43	34	736	1,575	2,314	5,574	6,871	7,723	6,847	3,838
	South America	728	897	1,005	1,087	853	1,002	910	469	732	757	366
	Asia	572	986	868	844	1,112	1,562	1,519	943	1,269	1,839	2,022
	Other markets	566	119	289	285	247	432	389	469	514	596	705
	Total	**4,451**	**5,487**	**6,136**	**7,695**	**8,527**	**10,582**	**14,286**	**14,713**	**17,187**	**16,675**	**14,035**
Construction Equipment [2]	Western Europe				4,199	7,163	7,836	9,557	9,901	10,029	10,326	10,383
	Eastern Europe				112	93	263	336	193	255	341	454
	North America				1,403	3,385	5,680	6,548	5,725	5,823	6,145	5,667
	South America				556	598	991	957	498	776	847	709
	Asia				339	937	1,036	1,092	1,903	2,484	2,773	3,048
	Other markets				307	628	847	882	662	626	703	751
	Total				**6,916**	**12,804**	**16,653**	**19,372**	**18,882**	**19,993**	**21,135**	**21,012**
Volvo Penta	Western Europe	1,478	1,541	1,753	2,065	2,048	2,219	2,725	2,986	3,204	3,789	3,846
	Eastern Europe	0	0	0	1	2	34	23	26	30	38	99
	North America	483	859	1,326	1,139	1,142	1,332	1,412	1,770	2,257	2,175	2,261
	South America	92	74	92	99	109	136	153	134	160	213	127
	Asia	407	434	464	458	486	643	476	692	794	988	1,141
	Other markets	82	78	107	116	98	102	142	153	154	177	195
	Total	**2,542**	**2,986**	**3,742**	**3,878**	**3,885**	**4,466**	**4,931**	**5,761**	**6,599**	**7,380**	**7,669**
Volvo Aero	Western Europe	2,146	2,281	2,400	2,590	2,950	3,682	4,231	4,560	4,651	4,788	3,422
	Eastern Europe	0	0	13	27	8	6	47	16	42	87	28
	North America	1,244	1,326	1,104	1,100	1,071	3,066	3,502	4,557	5,040	5,841	4,573
	South America	13	4	0	4	4	257	284	193	134	187	177
	Asia	6	5	66	66	89	264	336	491	701	708	497
	Other markets	9	11	5	3	21	201	184	136	145	173	140
	Total	**3,418**	**3,627**	**3,588**	**3,790**	**4,143**	**7,476**	**8,584**	**9,953**	**10,713**	**11,784**	**8,837**
	Other and eliminations [1]	9,034	10,912	10,636	4,321	2,669	3,436	4,781	6,807	6,825	7,073	6,775
Net sales excl Financial Services		**43,705**	**55,141**	**68,755**	**72,350**	**70,282**	**87,118**	**107,630**	**116,382**	**120,392**	**180,615**	**177,080**
Financial Services	Western Europe	1,144	1,177	1,198	4,758	5,384	4,461	5,465	6,300	6,240	5,314	5,573
	Eastern Europe					0	0	86	185	257	360	424
	North America				6	54	509	1,152	1,620	2,626	3,216	3,344
	South America					153	72	297	455	452	451	403
	Asia					0	0	0	1	0	24	49
	Other markets				206	44	52	224	76	103	130	132
	Total	**1,144**	**1,177**	**1,198**	**4,970**	**5,635**	**5,094**	**7,224**	**8,637**	**9,678**	**9,495**	**9,925**
	Eliminations	–	–	–	–	–	–	–	–	–	(830)	(807)
Volvo Group excluding divested operations		**44,849**	**56,318**	**69,953**	**77,320**	**75,917**	**92,212**	**114,854**	**125,019**	**130,070**	**189,280**	**186,198**
Cars		44,598	58,158	73,598	83,340	83,589	96,453	103,798	–	–	–	–
Other divested operations and eliminations		(6,445)	(3,321)	12,315	10,851	(3,446)	(5,040)	(5,716)	–	–	–	–
Volvo Group total		**83,002**	**111,155**	**155,866**	**171,511**	**156,060**	**183,625**	**212,936**	**125,019**	**130,070**	**189,280**	**186,198**

Effective in 1997, the Volvo Group's accounting per market area reflects geographical definitions, based on an ISO standard. The figures for 1992–1996 have been adjusted to conform with the new principle.

1 Net sales 1992-2001 have been restated in accordance with new organization effective from 2002.

2 Subsidiary in the Volvo Group as of July 1995. Net sales for the Construction Equipment business area in the years 1992 through 1995, calculated using the average exchange rate for the US dollar in each year, amounted to 7,890, 9,665,12,084 and 13,684.

Operating income SEK M	1992	1993 [8]	1994 [7]	1995 [6]	1996 [5]	1997 [4]	1998 [3]	1999 [2]	2000	2001 [1]	2002
Trucks [9]	(889)	585	4,051	5,020	783	1,707	2,769	3,247	1,414	(2,066)	1,189
Buses	71	313	318	405	331	550	(37)	224	440	(916)	(94)
Construction Equipment	–	–	–	717	1,162	1,436	626	1,709	1,594	527	406
Volvo Penta	(184)	125	223	212	(27)	181	(63)	314	484	658	647
Volvo Aero	261	143	60	103	153	472	527	584	621	653	5
Financial Services	224	323	271	355	244	375	681	1,066	1,499	325	490
Other	581	(2,297)	7,533	1,422	9,377	3,624	3,950	319	616	143	194
Volvo Group excluding divested operations	**64**	**(808)**	**12,456**	**8,234**	**12,023**	**8,345**	**8,453**	**7,463**	**6,668**	**(676)**	**2,837**
Cars	(2,972)	23	2,599	490	1,080	4,409	3,375	26,695	–	–	–
Other divested operations	–	–	1,885	4,563	91	–	–	–	–	–	–
Operating income (loss) Volvo Group	**(2,908)**	**(785)**	**16,940**	**13,287**	**13,194**	**12,754**	**11,828**	**34,158**	**6,668**	**(676)**	**2,837**

1 Operating income in 2001 included restructuring costs mainly related to the integration of Mack and Renault of SEK 3,862 M of which 3,106 in Trucks, 392 in Buses and 364 in Construction Equipment.
2 Effective January 1, 1999, Volvo Cars was reported as a divested operation. The capital gain from the divestment was SEK 26,695 M.
3 Restructuring costs in 1998 amounted to SEK 1,650 M of which 46 in Trucks, 422 in Buses, 910 in Construction Equipment and 158 in Volvo Penta. In addition operating income included a capital gain from the sale of shares in Pharmacia UpJohn amounting to SEK 4,452 M.
4 Operating income in 1997 included a capital gain from the sale of shares in Pripps Ringnes amounting to SEK 3,027 M.
5 Operating income in 1996 included a capital gain from the sale of shares in Pharmacia UpJohn amounting to SEK 7,766 M.
6 Operating income in 1995 included write-down of goodwill pertaining to Volvo Construction Equipment, consolidated as from July 1, 1995, amounting to SEK 1,817 M.
7 Operating income in 1994 included a capital gain from the sale of shares in Investment AB Cardo amounting to SEK 2,597 M and AB Custos amounting to SEK 916 M.
8 Operating income in 1993 included a provision of SEK 1,600 M relating to excess value in Volvo Trucks, which was estimated to arise in connection with exchange of shares with Renault.
9 Refers to Volvo Trucks for 1992–2000.

Operating margin %	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Trucks	(3.7)	1.8	9.1	11.0	2.0	3.8	5.0	5.4	2.4	(1.8)	1.0
Buses	1.6	5.7	5.2	5.3	3.9	5.2	(0.3)	1.5	2.6	(5.5)	(0.7)
Construction Equipment [1]	–	–	–	10.4	9.1	8.6	3.2	9.1	8.0	2.5	1.9
Volvo Penta	(7.2)	4.2	6.0	5.5	(0.7)	4.1	(1.3)	5.5	7.3	8.9	8.4
Volvo Aero	7.6	3.9	1.7	2.7	3.7	6.3	6.1	5.9	5.8	5.5	0.1
Volvo Group excluding divested operations	**0.1**	**(1.5)**	**18.1**	**11.4**	**17.1**	**9.6**	**7.9**	**6.4**	**5.5**	**(0.4)**	**1.6**
Operating margin, total	**(3.6)**	**(0.7)**	**11.0**	**8.0**	**8.8**	**7.1**	**5.7**	**29.3**	**5.5**	**(0.4)**	**1.6**

1 Included in the Volvo Group as of mid-year 1995. Operating margin for Volvo Construction Equipment for the years 1992 to 1995 amounted to (5.5), 5.2, 13.4 and 12.3.

Return on operating capital, excluding restructuring costs %	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Trucks	neg	8	>25	>25	10	18	>25	>25	9	4	5
Buses	5	18	22	18	12	17	8	4	6	neg	neg
Construction Equipment	–	–	–	>25	23	23	18	19	16	9	4
Volvo Penta	neg	11	19	17	neg	14	7	>25	>25	>25	>25
Volvo Aero [1]	22	11	5	13	19	>25	23	19	25	20	1

1 As of 1997, return on operating capital for Aero excludes Volvo Aero Services.

Depreciation and amortization SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Trucks	594	704	839	937	1,023	1,252	1,493	1,375	1,478	3,742	3,667
Buses	70	88	65	99	121	136	218	280	320	355	324
Construction Equipment	–	–	–	143	302	394	996	475	579	599	624
Volvo Penta	95	36	58	70	68	71	67	77	77	65	80
Volvo Aero	214	216	209	219	231	215	224	333	410	437	436
Financial Services				45	59	71	95	134	145	181	211
Other	136	160	155	123	158	288	354	365	372	431	378
Volvo Group excluding divested operations	**1,109**	**1,204**	**1,326**	**1,636**	**1,962**	**2,427**	**3,447**	**3,039**	**3,381**	**5,810**	**5,720**
Cars	1,577	1,869	2,149	2,283	2,345	2,557	2,880	–	–	–	–
Other divested operations	0	152	1,025	953	206	–	–	–	–	–	–
	2,686	**3,225**	**4,500**	**4,872**	**4,513**	**4,984**	**6,327**	**3,039**	**3,381**	**5,810**	**5,720**
Assets under operating leases [1]	433	552	607	784	838	1,812	3,299	2,132	2,870	4,151	5,124
Volvo Group, total	**3,119**	**3 ,777**	**5,107**	**5,656**	**5,351**	**6,796**	**9,626**	**5,171**	**6,251**	**9,961**	**10,844**

1 Company vehicles included up to and including 1993.

Research and development expenses SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Trucks	2,258	1,365	1,399	1,760	2,078	2,051	2,301	2,524	2,709	3,614	4,175
Buses	251	240	265	306	343	434	617	576	614	498	396
Construction Equipment	–	–	–	221	555	627	715	786	844	674	685
Volvo Penta	166	154	148	177	183	213	270	287	368	287	352
Volvo Aero	194	196	160	150	155	205	248	216	238	211	173
Other	28	21	21	30	36	74	114	136	103	107	88
Volvo Group excluding divested operations	**2,897**	**1,976**	**1,993**	**2,644**	**3,350**	**3,604**	**4,265**	**4,525**	**4,876**	**5,391**	**5,869**
Cars	3,346	2,462	2,502	4,561	4,901	5,055	5,839	–	–	–	–
Other divested operations	–	–	157	138	20	–	–	–	–	–	–
Volvo Group total	**6,243**	**4,438**	**4,652**	**7,343**	**8,271**	**8,659**	**10,104**	**4,525**	**4,876**	**5,391**	**5,869**

Figures for years 1992 through 1996 have been adjusted to conform with the new Annual Accounts Act.

Number of employees at year-end Number	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Trucks	19,480	17,780	19,790	21,450	20,860	22,090	22,560	23,330	24,320	44,180	43,470
Buses	2,620	2,610	2,600	3,620	3,750	4,220	8,690	8,860	9,060	6,230	6,660
Construction Equipment	–	–	–	7,610	7,300	8,550	9,680	8,900	8,830	7,780	8,410
Volvo Penta	1,540	1,420	1,540	1,570	1,420	1,400	1,490	1,400	1,480	1,370	1,410
Volvo Aero	4,290	4,040	3,770	3,890	3,740	4,170	3,990	4,550	4,240	4,040	3,660
Financial Services	210	220	230	450	560	710	860	1,160	1,220	1,080	1,060
Other	3,530	3,130	2,120	2,370	3,090	3,840	5,190	5,270	5,120	6,240	6,490
Volvo Group, excluding divested operations	**31,670**	**29,200**	**30,050**	**40,960**	**40,720**	**44,980**	**52,460**	**53,470**	**54,270**	**70,920**	**71,160**
Cars	28,450	26,800	29,080	31,050	29,600	27,920	27,360	–	–	–	–
Other divested operations	–	17,640	16,420	7,040	10	–	–	–	–	–	–
Volvo Group, total	**60,120**	**73,640**	**75,550**	**79,050**	**70,330**	**72,900**	**79,820**	**53,470**	**54,270**	**70,920**	**71,160**

Capital expenditures SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Trucks	912	725	979	2,063	2,576	2,397	2,552	2,468	3,175	5,725	4,546
Buses	101	64	54	124	199	276	320	571	364	324	229
Construction Equipment	–	–	–	204	286	484	630	566	397	565	656
Volvo Penta	24	35	96	79	67	86	133	126	134	197	236
Volvo Aero	199	157	170	180	173	413	448	793	614	681	494
Financial Services				79	166	253	329	140	302	405	370
Other and corporate capital expenditures	117	412	227	317	250	410	512	508	444	390	282
Volvo Group 1	**1,353**	**1,393**	**1,526**	**3,046**	**3,717**	**4,319**	**4,924**	**5,172**	**5,430**	**8,287**	**6,813**
Cars	1,562	2,072	1,596	2,540	4,425	5,544	5,625	–	–	–	–
Other divested operations	–	–	1,152	905	58	–	–	–	–	–	–
Volvo Group total	**2,915**	**3,465**	**4,274**	**6,491**	**8,200**	**9,863**	**10,549**	**5,172**	**5,430**	**8,287**	**6,813**
Assets under operating leases 1	**888**	**1,000**	**1,255**	**1,655**	**2,369**	**3,290**	**4,816**	**5,578**	**5,709**	**5,852**	**5,424**
Divested operations	464	678	1,240	930	1,482	6,483	7,838	–	–	–	–
Volvo Group total 2	**1,352**	**1,678**	**2,495**	**2,585**	**3,851**	**9,773**	**12,654**	**5,578**	**5,709**	**5,852**	**5,424**

1 Excluding divested operations. 2 Until 1996 including company vehicles.

Market area statistics

Net sales excluding Financial Services SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Western Europe	27,932	30,874	39,518	40,301	40,610	44,190	54,156	59,858	61,942	93,147	92,331
Eastern Europe	536	666	1,100	1,512	1,906	2,769	4,074	2,714	3,676	6,383	7,437
Europe total	**28,468**	**31,540**	**40,618**	**41,813**	**42,516**	**46,959**	**58,230**	**62,572**	**65,618**	**99,530**	**99,768**
North America	8,625	14,052	16,521	17,510	15,729	24,699	34,705	41,382	38,029	54,630	50,206
South America	2,296	4,102	5,859	6,289	4,302	6,438	6,339	3,487	4,730	6,018	4,667
Asia	2,932	3,693	4,013	5,128	5,290	5,936	5,490	6,027	8,765	10,862	12,644
Other markets	1,415	1,787	1,765	1,610	2,445	3,086	2,866	2,914	3,250	9,575	9,795
Volvo Group excl divested operations	**43,736**	**55,174**	**68,776**	**72,350**	**70,282**	**87,118**	**107,630**	**116,382**	**120,392**	**180,615**	**177,080**
Cars	44,598	58,158	73,598	83,340	83,589	96,453	103,798	–	–	–	–
Other divested operations and eliminations	(6,445)	(3,321)	12,315	10,851	(3,446)	(5,040)	(5,716)	–	–	–	–
Volvo Group total	**81,889**	**110,011**	**154,689**	**166,541**	**150,425**	**178,531**	**205,712**	**116,382**	**120,392**	**180,615**	**177,080**
of which, Sweden	10,117	12,087	12,524	10,034	9,264	9,995	11,192	12,842	13,920	12,928	12,120

Effective in 1997, The Volvo Group's accounting per market area reflects geographical definitions based on an ISO standard.
The accounting for the years 1992–1996 has been adjusted to conform with the new principle.

Capital expenditures SEK M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Sweden	1,004	970	824	1,962	2,333	2,558	2,622	1,789	2,453	4,638	3,699
Europe, excluding Sweden	230	264	279	421	608	609	913	966	985	1,946	1,600
North America	55	96	331	502	558	601	735	1,425	1,538	1,370	1,080
South America					3	414	371	512	237	118	121
Asia					3	102	230	441	187	180	194
Other markets	64	63	92	161	212	35	53	39	30	35	119
Volvo Group 1	**1,353**	**1,393**	**1,526**	**3,046**	**3,717**	**4,319**	**4,924**	**5,172**	**5,430**	**8,287**	**6,813**
Cars	1,562	2,072	1,596	2,540	4,425	5,544	5,625	–	–	–	–
Other divested operations	–	–	1,152	905	58	–	–	–	–	–	–
Volvo Group total	**2,915**	**3,465**	**4,274**	**6,491**	**8,200**	**9,863**	**10,549**	**5,172**	**5,430**	**8,287**	**6,813**
Assets under operating leases 1	**888**	**1,000**	**1,255**	**1,655**	**2,369**	**3,290**	**4,816**	**5,578**	**5,709**	**5,852**	**5,424**
Divested operations	464	678	1,240	930	1,482	6,483	7,838	–	–	–	–
Volvo Group total 2	**1,352**	**1,678**	**2,495**	**2,585**	**3,851**	**9,773**	**12,654**	**5,578**	**5,709**	**5,852**	**5,424**

1 Excluding divested operations.
2 Until 1996 including company vehicles.

Employees Number	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Sweden	39,130	43,980	44,880	47,000	43,330	43,650	43,900	24,840	25,030	24,350	25,420
Europe, excluding Sweden	12,040	16,280	18,040	16,930	15,290	16,100	17,880	11,900	12,320	27,800	27,130
North America	5,540	6,950	6,100	7,860	6,900	8,450	12,100	11,880	11,410	12,670	12,440
South America	1,520	3,400	3,400	3,620	2,130	2,000	1,980	1,930	2,100	2,090	2,020
Asia	1,380	2,170	2,380	2,830	2,260	1,720	3,340	2,480	2,570	2,550	2,590
Other markets	510	860	750	810	420	980	620	440	840	1,460	1,560
Volvo Group total	**60,120**	**73,640**	**75,550**	**79,050**	**70,330**	**72,900**	**79,820**	**53,470**	**54,270**	**70,920**	**71,160**

Vehicles invoiced Number	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Heavy trucks (>16 tons)	43,030	47,280	63,560	71,360	59,100	63,930	78,690	81,240	76,470	117,180	120,200
Medium-heavy trucks (7–15.9 tons)	5,100	3,950	4,940	5,130	4,580	5,050	4,590	3,850	5,360	17,310	16,220
Light trucks (<7 tons)										20,820	20,710
Total trucks	**48,130**	**51,230**	**68,500**	**76,490**	**63,680**	**68,980**	**83,280**	**85,090**	**81,830**	**155,310**	**157,130**
Buses and bus chassis	**5,580**	**5,450**	**5,770**	**6,830**	**7,410**	**8,730**	**10,200**	**9,500**	**11,015**	**9,953**	**9,059**
Cars	**307,310**	**302,110**	**351,000**	**374,640**	**368,250**	**386,440**	**399,680**	–	–	–	–

		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Trucks	Total Europe	22,200	17,100	27,000	34,160	34,970	34,470	42,350	42,530	46,140	98,040	96,290
	Western Europe	21,250	16,240	25,450	32,330	32,310	31,040	37,810	39,630	42,050	90,460	87,490
	Eastern Europe	950	860	1,550	1,830	2,660	3,430	4,540	2,900	4,090	7,580	8,800
	North America	16,720	21,860	26,460	27,090	16,850	20,900	29,310	34,300	23,610	34,650	36,510
	South America	3,590	5,900	8,320	7,800	4,980	6,970	6,020	3,900	4,530	5,790	5,360
	Asia	4,120	4,840	4,830	5,270	4,850	4,710	3,760	2,720	5,560	6,600	9,140
	Other markets	1,500	1,530	1,890	2,170	2,030	1,930	1,840	1,640	1,990	10,230	9,830
	Total	**48,130**	**51,230**	**68,500**	**76,490**	**63,680**	**68,980**	**83,280**	**85,090**	**81,830**	**155,310**	**157,130**
Buses	Total Europe	2,360	2,610	3,040	3,570	3,840	4,190	3,860	3,630	3,994	3,115	3,413
	Western Europe	2,320	2,520	2,900	3,510	3,770	4,030	3,580	3,430	3,870	2,899	3,076
	Eastern Europe	40	90	140	60	70	160	280	200	124	216	337
	North America	10	30	10	340	750	1,110	2,730	3,640	3,869	3,128	1,945
	South America	1,780	1,320	1,630	1,510	1,460	1,350	1,510	710	980	1,009	495
	Asia	1,270	1,050	780	920	1,060	1,410	1,650	1,000	1,659	2,209	2,639
	Other markets	160	440	310	490	300	670	450	520	513	492	567
	Total	**5,580**	**5,450**	**5,770**	**6,830**	**7,410**	**8,730**	**10,200**	**9,500**	**11,015**	**9,953**	**9,059**

Effective in 1997, The Volvo Group's accounting per market area reflects geographical definitions based on an ISO standard. The accounting for the years 1992–1996 has been adjusted to conform with the new principle.

Environmental performance of Volvo production plants Absolute values related to net sales	1998	1999	2000	2001	2002
Energy consumption (GWh;MWh/SEK M)	1,779; 16.5	1,815; 15.6	1,656; 13.8	2,586;14.3	2,564; 14.5
CO_2 emissions (1,000 tons; tons/SEK M)	201; 1.9	184; 1.6	172; 1.4	316; 1.7	307; 1.7
Water consumption (1,000 m^3;m^3/SEK M)	5,281; 49.1	6,729; 57.8	6,138; 51.0	9,187; 50.9	9,202; 52.0
NOx emissions (tons;kilos/SEK M)	489; 4.5	478; 4.1	464; 3.9	730; 4.0	726; 4.1
Solvent emissions (tons;kilos/SEK M)	1,079; 10.0	1,332; 11.4	1,422; 11.8	1,816; 10.1	1,896; 10.7
Sulphur dioxide emissions (tons; kilos/SEK M)	59; 0.5	77; 0.7	59;0.5	308; 1.7	173; 1.0
Hazardous waste (tons; kg/SEK M)	10,820; 101	15,596; 134	17,170; 143	20,306; 112	20,531; 116
Net sales, SEK bn	107.6	116.4	120.4	180.6	177.1

Definitions

Definitions of key ratios

Capital expenditures
Capital expenditures include investments in property, plant and equipment, as well as in intangible assets. Investments pertaining to assets under operating leases are not included.

Investments in fixed assets included in the Group's cash flow statement include only capital expenditures that have reduced the Group's liquid funds during the year.

Equity ratio
Shareholders' equity divided by total assets.

Income per share
Net income divided by the weighted average number of shares outstanding during the period.

Interest coverage
Income divided by interest expense and similar charges. Income includes operating income and interest income and similar credits.

Net financial position
Cash and bank accounts, marketable securities and interest-bearing short- and long-term receivables reduced by short- and long-term interest-bearing loans and provisions for post-employment benefits. Net debt in Financial Services is not included since the interest expense on these liabilities is charged against operating income and does not affect consolidated interest net.

Operating cash flow, excluding Financial Services
Cash flow from operating activities with deductions for net investments in fixed assets and leasing assets.

Operating margin
Operating income divided by net sales.

Return on operating capital
Operating income divided by average operating capital. Operating capital consists of operating assets (tangible and intangible assets, receivables and inventories) reduced by non interest-bearing liabilities and other provisions. This ratio is used only for Volvo's business areas, not for the Group as a whole.

Return on shareholders' equity
Net income divided by average shareholders' equity.

Self-financing ratio
Cash flow from operating activities (see Cash flow statement) divided by net investments in fixed assets and leasing assets.

Annual General Meeting, April 9

The Annual General Meeting of AB Volvo will be held in Göteborg in Lisebergshallen (entrance from Örgrytevägen) on Wednesday April 9, 2003, at 2:00 p.m.

Notice

Shareholders who wish to participate must:

be recorded in the share register maintained by VPC AB (Swedish Central Securities Depository) not later than March 28, 2003, give notice of intention to attend not later than 12:00, Thursday, April 3, 2003

- by telephone, +46 31 66 00 00 beginning March 7
- by mail addressed to AB Volvo (publ), Legal Department, SE-405 08 Göteborg, Sweden
- by e-mail agm@volvo.com

When giving notice, shareholders should state their:

- name
- personal number (registration number)
- address and telephone number

Shareholders whose shares are held in the trust department of a bank or by a brokerage firm should request that the shares be temporarily reregistered in the shareholder's name several banking days prior to March 28, 2003.

April 14 has been proposed as the record date for payment of dividends, which are expected to be distributed on April 17.

Volvo's Nomination Committee

The following persons were named members of Volvo's Nomination Committee at the 2002 Annual General Meeting:

Thomas Halvorsen	The Fourth Swedish National Pension Fund
Lars Ramqvist	Chairman of the Board of AB Volvo
Bengt Hane	Representative for shareholders with smaller holdings
Shemaya Lévy	Renault SA
Lars Otterbeck	Alecta

The Nomination Committee is responsible for submitting to the Annual General Meeting the names of candidates to serve as members of the Board of Directors and as auditors and deputy auditors. The Committee also proposes the amount of the fees to be paid to the holders of these positions.

Publication dates

Volvo Annual Report 2002	March12, 2003
Form 20-F US GAAP 2002	April, 2003
Three months ended March 31, 2003	April 28, 2003
Six months ended June 30, 2003	July 23, 2003
Nine months ended September 30, 2003	October 23, 2003
Report on 2003 operations	February, 2004
Annual Report 2003	March, 2004

The reports are available on www.volvo.com on date of publication and are also sent directly to all shareholders who have advised Volvo that they wish to receive Group financial information.

The above information can also be ordered from Celero Support AB, DDC, Dept 63356 ARUN, SE-405 08 Göteborg, Sweden. Telephone: +46 31-66 10 47. Telefax: +46 31-66 20 20. E-mail: volvoinf@volvo.com

Historical and current time series reflecting the Volvo Group's financial development, market information and share data are published regularly on www.volvo.com.

Production sites

Mack Trucks

North America
Hagerstown, Macungie, New River Valley

Australia
Brisbane

Renault Trucks

Europe
Blainville, Bourg en Bresse, Limoges, St Priest, Vénissieux, Villaverde

Volvo Trucks

North America
New River Valley

South America
Curitiba

Europe
Göteborg, Köping, Skövde, Umeå, Ghent

Africa
Gaborone

Australia
Brisbane

Asia
Bangalore, Bangkok*, Kuala Lumpur*

Buses

North America
St Claire, St Eustache, Mexico City

South America
Curitiba

Europe
Borås, Säffle, Tampere, Turku, Aabenraa, Heilbronn, Wroclaw

Africa
Gaborone

Asia
Bangalore, Bangkok, Kuala Lumpur**, Shanghai*, Xian*

Construction Equipment

North America
Asheville, Goderich

South America
Pederneiras

Europe
Arvika, Braås, Eskilstuna, Hallsberg, Konz-Könen, Belley, Wroclaw

Asia
Changwon

Volvo Penta

North America
Lexington

Europe
Göteborg, Skövde, Vara

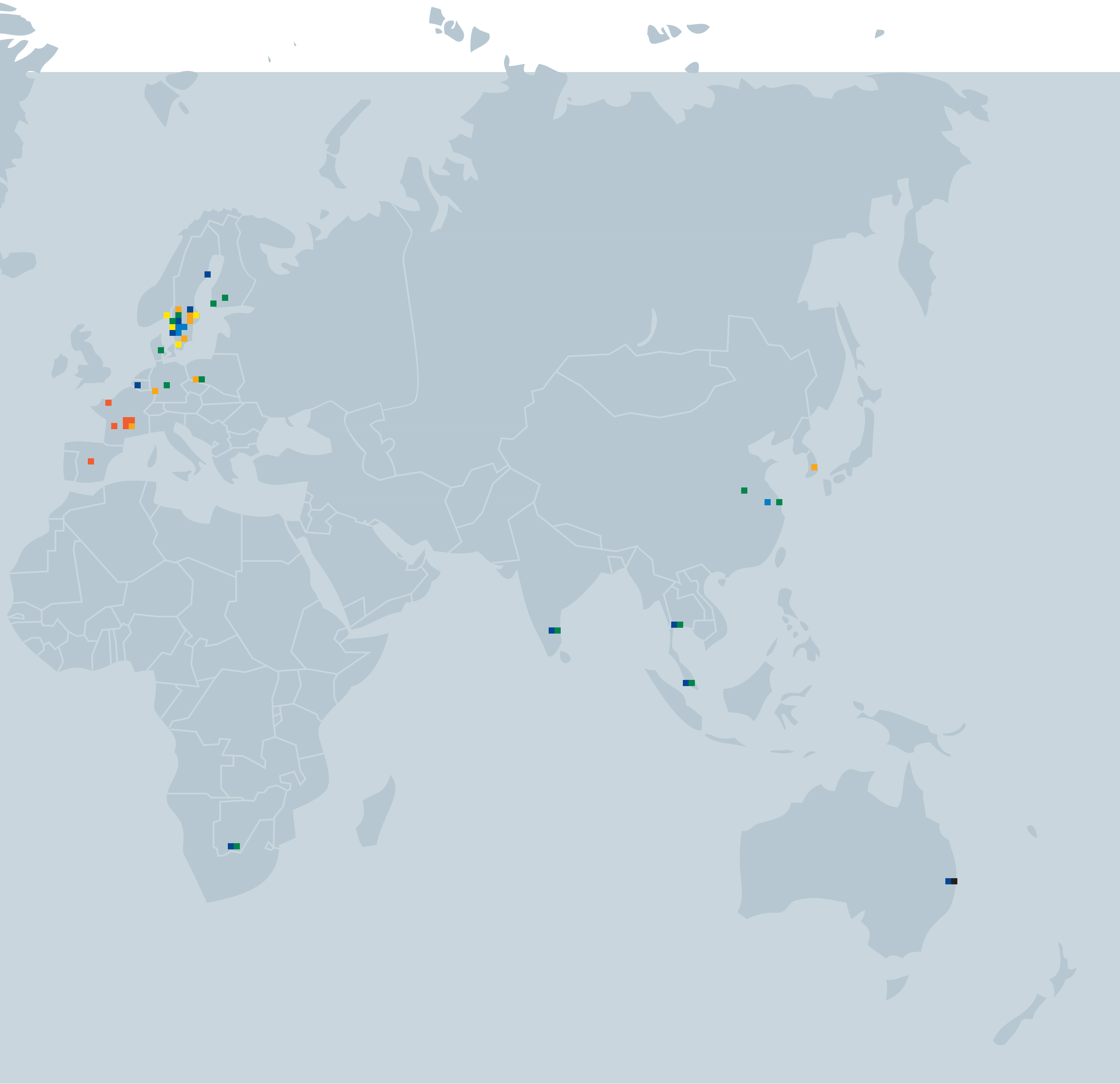
Asia
Wuxi

Volvo Aero

North America
Boca Raton

Europe
Bromma, Malmö, Trollhättan, Kongsberg

* Owned < 50%
** Independent partner



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