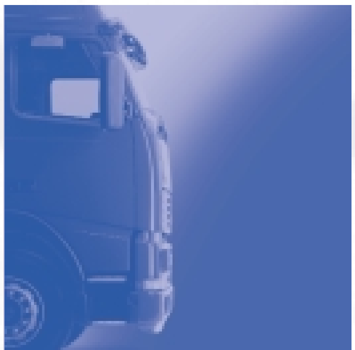
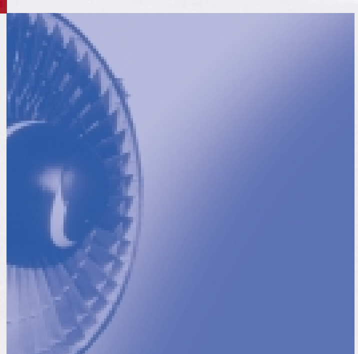
VOLVO

First three months 2000





First three months	2000	1999
Net sales, SEK M	30,546	27,072
Operating income, excluding items affecting comparability, SEK M	1,425	1,258
Items affecting comparability, SEK M [1)]	–	26,695
Operating income, SEK M	1,425	27,953
Income after financial items, SEK M	1,888	27,999
Net income, SEK M	1,267	27,557
Income per share excluding items affecting comparability and gains on sales of shares during most recent 12-months period, SEK	13.10	12.70
Return on shareholders' equity excluding items affecting comparability and gains on sales of shares, %	6.0	8.5

1) Items affecting comparability in 1999 pertained to the sale of Volvo Cars.

■ Substantial increases in sales in Buses, Construction Equipment and Marine and Industrial Power Systems. Group net sales rose 13%, to SEK 30,546 M.

■ Operating income amounted to SEK 1,425 M, an increase of 13%, excluding items affecting comparability. Operating margin rose somewhat to 4.7% (4.6).

■ As from January 1, 2000, all of Volvo's finance operations have been organized in Finance, a new Groupwide unit. Finance's operating income for the first three months of the year amounted to SEK 398 M (167) of which SEK 210 M (19) consisted of capital gains on sale of parts of Volvia's securities portfolio.

■ Continuing positive trend of Group's net income to SEK 1,267 M, an increase of 33% compared with the first quarter of 1999 (excluding items affecting comparability). Income per share in the first quarter amounted to SEK 2.90 (2.20).

■ Continued strong order bookings for Trucks in Europe, with a leveling off in North America.

■ The EU Commission rejected Volvo's application to acquire Scania.

■ After the close of the first quarter, AB Volvo and Renault concluded an agreement in principle under the terms of which Volvo is acquiring Renault's truck operations, Renault VI/Mack, in exchange for 15% of the shares in AB Volvo.

Comments by the Chief Executive Officer

On April 25 we reached an agreement in principle with Renault to acquire Renault's truck operations, RVI/Mack, in exchange for 15% of the shares in AB Volvo. As a result of the acquisition, we increase our truck volume nearly two-fold and become the second largest manufacturer of heavy trucks in the world, with annual sales of approximately 151,000 heavy trucks and 13,000 medium-heavy trucks. Positions in Western Europe and North America are strengthened significantly, with market shares of 28% and 24%, respectively. The acquisition is expected to yield savings of about SEK 3.5 billion annually after two years and an additional SEK 3 billion long term thereafter. Combined with stronger global presence, this increases our growth potential and creates conditions for added value for customers, employees and shareholders.

The intention is to implement the acquisition through the buy back of a total of 15% of the total number of shares in Volvo, after authorization by the Annual General Meeting. The shares are intended to be transferred to Renault as payment for the shares in Renault VI/Mack. Accordingly, the acquisition price will be SEK 14 billion, which is the average value of 15% of Volvo's A and B shares during the most recent ten trading days prior to the announcement of the transaction. Assuming that the acquisition is approved by the affected competition authorities, the transaction is expected to be completed during the latter part of the current year.

With regard to the Group's current operations, the trend of business in the first quarter continued to be favorable. All business areas reported higher sales and net sales for the Group rose 13%. Operating income amounted to slightly more than SEK 1.4 billion, also up 13%. Income per share was SEK 2.90.

If we examine the business areas, we see that Volvo Construction Equipment (Volvo CE) began the year stronger than ever before. This was accomplished in a business climate in which competitors are showing weaker profitability. Volvo CE

increased sales in North America despite a weakening total market. It is also pleasing that the strong position we created in South Korea has now gained ever increasing importance since the asian market has definitely turned upward. Volvo CE's operating income increased by 71%, to SEK 311 M. In terms of value, the order backlog is 40% larger than at the end of March 1999.

Volvo Trucks' deliveries increased 2%, to a new record volume, with net sales of slightly more than SEK 15 billion. Operating income declined from SEK 830 M to SEK 645 M; however, due to weaker sales in North America and changeover costs for the new medium-heavy truck. Volvo Trucks has given priority to profitability rather than volume in North America, with somewhat smaller market shares as a consequence. The order backlog is 17% smaller than a year ago but has increased by 7% since the first of the year.

Bus sales were much stronger than in the first quarter of 1999 and the market for heavy buses appears to be stable. In contrast to the year-earlier period, Volvo Buses, which is gradually improving its performance, reported positive results. The business area intends to reduce purchasing costs by 10% during the year by increasing the coordination of the companies acquired in recent years.

Volvo Aero continues to deliver good results but is experiencing a decline in the market for commercial aircraft in North America. In January, Volvo Aero concluded an important agreement to supply engine components for the F18 (Super Hornet), the United States' new-generation fighter aircraft.

The trend in Volvo Penta is highly favorable. The business area is continuing to capture market shares and its sales increased by nearly 30%, to SEK 1.6 billion in the first quarter. Sales of marine engines were higher in both Europe and North America, while sales of industrial engines rose in all markets.

The stopping of the acquisition of Scania by the EU Commission was disappointing, and meant that we lost some momentum. Despite this, the damage was limited. Only a small number of people within the Group had been involved, since it had not been possible to begin the integration. Volvo's holding in Scania was acquired for approximately SEK 24 billion, or an average of SEK 266 per share. Of course, we view the holding on commercial terms and we are considering various alternatives in this regard.

Another important change for the Group since the first of the year involves our formation of the Finance business unit. Our objective in forming the new unit is to be able to more aggressively develop various types of financial services linked to our products. This is a step in our efforts to broaden and strengthen our offer to the customers and provide more complete transport solutions. In Volvo's financial reporting, the change means that parts of the business areas' net sales and income have been transferred to the new unit, which reported operating income of SEK 398 M in the first quarter.

During the second quarter, we foresee continuing very high demand in Europe and increasing activity in Asia primarily, but also in South America. Order bookings for heavy trucks in North America are lower than last year. We believe that we have adapted production to the lower level of demand more rapidly than our competitors. We have an interesting year ahead of us, with exciting and highly competitive products on the way to our markets.

Leif Johansson

Volvo Group – First three months of 2000

Significant events and structural transactions during the beginning of 2000

Volvo forms global truck company with Renault VI and Mack

AB Volvo and Renault have reached an agreement in principle whereby Volvo receives 100% of the shares in Renault's truck company, Renault VI/Mack, in exchange for 15% of the shares in AB Volvo. In accordance with the proposed general authorization from the shareholders at this year's Annual General Meeting regarding the buy back of shares, Volvo's Board of Directors intends to acquire shares amounting to 15% of the total number of shares in the company. The intention is to transfer these shares to Renault as payment for the shares in Renault VI/Mack. Renault has declared its intention to remain as an owner in Volvo for at least three years and in the future to increase its ownership in Volvo to a maximum of 20% through purchases on the market.

Volvo's Nominating Committee has advised the Company's Board of Directors that it intends to propose that Louis Schweitzer, CEO of Renault, and another person designated by Renault be elected to Volvo's Board.

Renault VI's bus business, organized in the Iris bus company that is owned jointly with Iveco, is not included in Volvo's acquisition of RVI. Nor is Renault's holding in Nissan Diesel in Japan.

Stronger positions

With the acquisition of Renault VI/Mack, Volvo will become the largest manufacturer of heavy trucks in Europe and the second largest in the world. Following the acquisition, Volvo will have a substantial global market presence, with strong positions in Europe and North America. Volvo's and Renault VI/Mack's combined share of the market for heavy trucks in Western Europe will be approximately 28 percent and in North America will amount to approximately 24 percent.

Benefits of coordination

Volvo's acquisition of Renault VI/Mack offers substantial opportunities for savings, in part in the areas of purchasing and drivelines. It is estimated that the total gains from coordination will amount to approximately SEK 3,5 billion annually after only two years. Over a longer term, the gradual integration of the two companies and their product programs will yield further savings amounting to approximately SEK 3 billion. Roughly half of the savings will be achieved in purchasing, but opportunities for major savings have also been identified in the engine sector, in part by adapting future families of engines to both Volvo's and Renault VI/Mack's product programs.

Financial effects

The merged Volvo and Renault VI/Mack had pro forma sales of SEK 178 billion in 1999. The pro forma operating income, including amortization of goodwill but excluding items affecting comparability and synergy gains, totaled SEK 8 billion. The number of trucks delivered, pro forma, amounted to 151,000 heavy trucks and 13,000 medium-heavy trucks.

The price to Volvo for Renault VI/Mack will be SEK 14 billion, which is the average value of 15% of Volvo's Series A and Series B shares during the ten business days immediately preceding announcement of the transaction.

The acquisition involves goodwill amounting to approximately SEK 10 billion for Volvo, which will be amortized over 20 years. Income per share for the Volvo Group in 1999 was SEK 12.40. Including Renault VI/Mack pro forma 1999, income per share increases to SEK 13.10 (including amortization of goodwill, but excluding items affecting comparability and synergy effects).

Conditions

The proposed transaction is subject to the conditions that the required approvals are received from the appropriate authorities on terms that are acceptable to the parties, and that the necessary agreements with Renault are concluded.

Timetable

Shareholders at Volvo's Annual General Meeting on April 26 will vote on a proposal to authorize the Company's Board of Directors to repurchase and transfer Volvo shares. Assuming that the Meeting approves such authorization, Volvo – before midyear – will repurchase 10% of the total number of shares outstanding in Volvo. When the acquisition of Renault VI/Mack has been approved by the affected authorities, Volvo will transfer these shares to Renault in exchange for 100% of the shares in Renault VI/Mack. Thereafter, Volvo will make a new buy back program in order to transfer the remaining 5% Volvo shares to Renault. The parties intends to submit applications for approval of the acquisition of Renault VI/Mack by the appropriate competition authorities as soon as possible. Assuming that the necessary approvals are obtained, it is expected that the acquisition can be effected during the latter part of the current year, at the earliest.

Volvo's planned acquisition of Scania

On March 14, 2000, the EU Commission rejected Volvo's application for approval of the fair competitive aspects of the proposed acquisition of Scania. The Commission's decision was based on the view that a merger of Volvo and Scania would result in less competition in the markets for heavy trucks and buses, notably in the Nordic countries.

Volvo's offer to Scania's shareholders, as well as the acquisition of Scania shares held by Investor, was conditional upon the necessary approvals being obtained from the regulatory authorities concerned. Based on the Commission's decision to not approve Volvo's acquisition of Scania, Volvo cannot fulfill the agreement to acquire Investor's holding in Scania, nor can it implement the public offer to Scania's shareholders.

Volvo's present holding in Scania

amounts to 30.6% of the voting rights and 45.5% of the share capital in the company. The shares were acquired at an average price of SEK 266 per share, or a total of slightly more than SEK 24 billion.

New business unit for Volvo's finance operations

Finance operations are increasing in importance for the Volvo Group. To strengthen financing support to the business areas and the Group's customers, all of Volvo's finance operations have been organized in Finance, a new Groupwide unit that was formed January 1, 2000. The new unit comprises all of Volvo's sales-financing operations, including the associated company Volvofinans, Volvo Treasury, Volvo's insurance operations including Volvia and the Group's real estate company Danafjord.

Effective in 2000, the Finance business unit is being reported separately. Accordingly, among other, the accounting for Volvo's five business areas now excludes both sales and earnings derived from sales financing. Prior year-amounts have been restated for comparability.

Volvo Aero divested components manufacturing

At the end of February 2000, in accordance with the agreement in principle reached in December 1999, the Swedish engineering group Finnveden took over Volvo Aero's Truck Engine Parts Division (TEPD) in Trollhättan. TEPD, which has annual sales of approximately SEK 300 M, manufactures components used in trucks. The sale was part of Volvo Aero's program of concentrating on core operations.

Net sales by market area — SEK M

	% of total	First three months 2000	19999	Change in %
Western Europe	54	16,606	15,545	+7
Eastern Europe	3	814	582	+40
North America	32	9,673	8,276	+17
South America	3	1,055	994	+6
Asia	6	1,748	1,132	+54
Other countries	2	650	543	+20
Total	**100**	**30,546**	**27,072**	**+13**

Consolidated income statements — SEK M

	First three months 2000	1999
Net sales	**30,546**	**27,072**
Cost of sales	(24,561)	(21,328)
Gross income	**5,985**	**5,744**
Research and development expenses	(1,182)	(1,085)
Selling expenses	(2,297)	(2,122)
Administrative expenses	(1,229)	(1,207)
Other operating income and expenses	148	(72)
Items affecting comparability [1]	–	26,695
Operating income	**1,425**	**27,953**
Income from investments in associated companies	365	19
Income from other investments	10	1
Interest income and similar credits	500	608
Interest expenses and similar charges	(389)	(709)
Other financial income and expenses	(23)	127
Income after financial items	**1,888**	**27,999**
Taxes	(629)	(435)
Minority interests in net (income) loss	8	(7)
Net income	**1,267**	**27,557**

1) Items affecting comparability for 1999 concerns gain on sale of Volvo Cars to Ford Motor Company.

Income and financial position

Net sales

Net sales of the Volvo Group in the first quarter of 2000 amounted to SEK 30,546 M, an increase of 13% compared with the first quarter of 1999. All business areas showed substantial gains in net sales. The increase for Volvo Trucks, 6%, was attributable primarily to Western Europe. In the North American market, net sales decreased by 1%. Volvo Buses reported a significant increase in sales, up 43%, related primarily to markets in Europe and North America and deliveries to Iran. The Construction Equipment and Marine and Industrial Power Systems business areas also reported substantial increases in sales with 15% and 29%, respectively. Sales of both business areas were higher in all markets. Net sales of Volvo Aero rose by 5%, as did those of Volvo's new business unit, Finance.

Group sales increased in all market areas. Net sales in North America rose 17%. But the leveling off that could be detected during the second half of last year continued. In Western Europe, the increase in net sales amounted to 7%, with Sweden accounting for more than half of that figure in terms of value. Net sales in Volvo's growth markets – Eastern Europe, Asia and South America – developed favorably and their percentage of total Group sales increased to 12%, from 10% for both the first quarter and the full year 1999. The stabilization of sales in South America and Eastern Europe that was noted during the latter half of 1999 continued, and sales in the two regions in the first quarter of this year increased by 6% and 40%, respectively, compared with the year-earlier period. Volvo Trucks accounted for a large part of the increase in both Eastern Europe and Asia.

The number of Volvo trucks delivered during the first quarter of 2000 rose by 2%, to 20,226 (19,799), compared with the year-earlier period, and the number of buses and bus chassis increased 44%, to 2,626 (1,822).

Operating income

Group operating income in the first quarter of 2000 amounted to SEK 1,425 M, an increase of SEK 167 M, excluding income from the sale of Volvo Cars. All business areas except Volvo Trucks and Volvo Aero reported higher operating income and operating margins than in the first quarter of 1999.

Operating income, excluding Finance, amounted to SEK 1,027 M (1,091), a slight decrease compared with the year-earlier period, despite a strong trend of sales in all business areas and considerably improved profitability in the excavator sector. The negative effects of foreign exchange movements due to a weaker euro, higher costs of product development, sales and administration in most business areas, and in the case of Volvo Trucks; lower volumes in North America and an unfavorable sales mix in Europe as well as changeover costs in connection with the introduction of a new medium-heavy truck contributed to the decrease.

Operating income of the Finance business unit increased by SEK 231 M, from SEK 167 M to SEK 398 M. Operating income in the first quarter included capital gains of SEK 210 M (19) on sales of parts of the securities portfolio in the Volvia company.

The operating margin was 4.7%, compared with 4.6%, excluding items affecting comparability, in the year-earlier period.

Income from investments in associated companies

Income from investments in associated companies, primarily Scania, Bilia and Volvofinans, amounted to SEK 365 M (19). After amortization of goodwill, income from the investment in Scania amounted to SEK 341 M.

Net interest income

Net interest income in the first quarter of 2000 amounted to SEK 111 M, compared with net interest expense of SEK 101 M a year earlier. The improvement relative to the first quarter of 1999 was due primarily to higher average net financial assets, reduced borrowing and lower interest rates in Brazil.

Taxes

Tax expense amounted to SEK 629 M (435). The average tax rate was 33%,

Condensed income statement – Finance — SEK M

	First three months	
	2000	1999
Net sales	**2,206**	**2,098**
Operating income	**398**	**167**
Income from associated companies	19	23
Income after financial items	**417**	**190**
Taxes	(133)	(56)
Net income	**284**	**134**

Gross and operating margin — %

	First three months	
	2000	1999
Gross margin	19.6	21.2
Research and development expenses in % of net sales	3.9	4.0
Selling expenses in % of net sales	7.5	7.8
Administrative expenses in % of net sales	4.0	4.5
Operating margin, excluding items affecting comparability	4.7	4.6
Operating margin	4.7	103.3

Consolidated balance sheets — SEK M

	Volvo Group, excl Finance [1]		Finance		Volvo Group total	
	March 31, 2000	Dec 31, 1999	March 31, 2000	Dec 31, 1999	March 31, 2000	Dec 31, 1999
Assets						
Intangible assets	6,748	6,518	108	100	6,856	6,618
Property, plant and equipment	17,827	17,318	2,465	2,470	20,292	19,788
Assets under operating leases	3,911	1,611	10,580	10,726	14,491	12,337
Shares and participations	36,975	35,296	758	744	30,741	29,213
Long-term sales finance receivables	–	–	18,223	17,817	18,223	17,817
Long-term interest-bearing receivables	5,459	17,605	–	–	5,459	17,605
Other long-term receivables	2,415	2,337	136	147	2,551	2,484
Inventories	22,576	21,053	453	385	23,029	21,438
Short-term sales finance receivables	12	9	16,467	16,487	16,479	16,496
Short-term interest bearing receivables	14,004	1,012	–	–	14,004	1,012
Other short-term receivables	20,313	18,738	2,980	2,797	23,293	21,535
Marketable securities	20,830	17,990	3,258	2,966	24,088	20,956
Cash and bank	12,877	6,475	1,508	1,838	14,385	8,313
Total assets	**163,947**	**145,962**	**56,936**	**56,477**	**213,891**	**195,612**
Shareholders' equity and liabilities						
Shareholders' equity	99,038	97,692	6,992	6,827	99,038	97,692
Minority interests	540	544	–	–	540	544
Provision for post-employment benefits	2,196	2,118	13	12	2,209	2,130
Other provisions	9,762	9,861	5,270	4,971	15,032	14,832
Loans	25,044	12,206	41,366	41,139	66,410	53,345
Other liabilities	27,367	23,541	3,295	3,528	30,662	27,069
Shareholders' equity and liabilities	**163,947**	**145,962**	**56,936**	**56,477**	**213,891**	**195,612**

1) The new business unit, Finance, is reported in accordance with the equity method. Internal receivables and liabilities attributable to finance operations have been excluded.

which was comparable to the year-earlier level excluding the gain on the sale of Volvo Cars that did not give rise to a taxable capital gain. Tax expense consists of both current and deferred taxes.

Minority interest in income

Minority interest in the Volvo Group consists largely of the Henlys Group's holding in Prévost Car Inc. (49%), and the minority interests in The AGES Group (14%) and Volvo Aero Norge A/S (22%).

Net income

Net income amounted to SEK 1,267 M (27,557) and the return on shareholders' equity, excluding items affecting comparability and a gain on the sale of shares, was 6.0% (8.5).

The Volvo Group's total assets

As of March 31, 2000, total assets of the Volvo Group amounted to SEK 213.9 billion, an increase of SEK 18.3 billion compared with assets at December 31, 1999. The Group's liquid funds increased by SEK 9.2 billion, due primarily to increased borrowings during the period in preparation for the planned acquisition of Scania. The remaining portion of the increase was largely attributable to investments in shares and fixed assets, and to a larger amount of capital tied up in operations during the first quarter.

Shareholders' equity

Shareholders' equity, which amounted to SEK 99.0 billion, increased by SEK 1.3 billion. The increase was largely attributable to net income during the period.

Net financial assets

Net financial assets amounted to SEK 25.9 billion. The decline since year-end is specified in the table below.

The Volvo Group's cash flow

The cash flow after net investments during the first three months of the year was negative in the amount of SEK 3.7 billion. The Group's operating cash flow, excluding the Finance unit, was negative in the amount of SEK 1.4 billion, due largely to higher investments, increased amounts of capital tied up prior to the second quarter when the volume of business is greater, and to large payments of income tax. Investments in Scania shares gave rise to a negative cash flow of SEK 1.3 billion during the first three months of the year.

Cash flow statements — SEK billion

	Volvo Group, excl Finance		Finance		Volvo Group total	
First three months	2000	1999	2000	1999	2000	1999
Operating income [1]	1.0	1.1	0.4	0.2	1.4	1.3
Depreciation and amortization	0.9	0.8	0.6	0.4	1.5	1.2
Other non-cash items	0.0	0.0	0.1	0.1	0.1	0.1
Change in working capital	(1.6)	(1.6)	(0.2)	0.2	(1.8)	(1.4)
Financial items and income taxes	(0.5)	(0.2)	(0.1)	0.0	(0.6)	(0.2)
Cash flow from operating activities	**(0.2)**	**0.1**	**0.8**	**0.9**	**0.6**	**1.0**
Investments:						
Investments in fixed assets	(1.3)	(0.9)	0.0	0.0	(1.3)	(0.9)
Investment in leasing vehicles	0.0	0.0	(1.0)	(0.9)	(1.0)	(0.9)
Disposals of fixed assets and leasing vehicles	0.1	0.2	0.5	0.2	0.6	0.4
Sales Finance receivables, net	0.0	(0.3)	(0.5)	(1.0)	(0.5)	(1.3)
Operating cash flow	**(1.4)**	**(0.9)**				
Investments in shares, net	(1.3)	(5.3)	0.0	0.0	(1.3)	(5.3)
Loans to external parties, net	(0.9)	0.1	0.0	0.0	(0.9)	0.1
Acquired and divested operations, net	0.1	32.4	0.0	0.0	0.1	32.4
Cash flow after net investments	**(3.5)**	**26.3**	**(0.2)**	**(0.8)**	**(3.7)**	**25.5**
External financing						
Increase in bond loans and other loans					12.8	(1.0)
					9.1	**24.5**
Translation difference on liquid funds					0.1	(0.2)
Increase/decrease in liquid funds					**9.2**	**24.3**

1) 1999 excluding gain on sale of Volvo Cars.

In the cash flow statements, the effects of major acquisitions and divestments of subsidiaries are excluded from "Other receivables" in the balance sheet. The effects of foreign exchange movements in connection with the translation of the accounts of foreign subsidiaries to Swedish kronor have also been excluded since they do not affect cash flow.

Change of Net financial assets, SEK billion [1] — SEK billion

Dec 31, 1999		**28,8**
Cash flow from operating activities	(0.2)	
Capital expenditures, net	(1.2)	
Operating cash flow, excluding Finance		**(1.4)**
Acquisition of shares in Scania		(1.3)
Other		(0.2)
March 31, 2000		**25.9**

1) Effective in 2000, the Group's net financial assets are calculated exclusive of the Finance business unit, since interest income and interest expense in finance operations are included in Group operating income. The change resulted in a reduction in net financial assets of SEK 2.2 billion.

Financial review by business area

Trucks

Net sales by market area, SEK M	First three months 2000	1999	Change in %
Europe	9,024	8,682	+4
North America	4,465	4,531	(1)
South America	588	460	+28
Asia	695	281	+147
Other countries	357	261	+37
Total	**15,129**	**14,215**	**+6**

The total market for heavy trucks in Western Europe was strengthened during the first quarter of the year, compared with the year-earlier period. The total market for heavy trucks in North America increased slightly but the industry was characterized by excess production and growing inventories in distribution channels. The markets in Asia and Eastern Europe showed signs of increased demand, but from low levels. Activity in Brazil continued to be weak.

During the first quarter of the year Volvo delivered 20,226 medium-heavy and heavy trucks, 2% more than in the comparable 1999 period. Total deliveries in Europe rose 6%, to 11,449 trucks. The inventory situation in North America has affected the industry, resulting in an emphasis on volume that caused declining prices. Volvo has elected to refrain from unprofitable transactions and has adapted production capacity to current conditions. Deliveries declined 14%, to 6,424 trucks. Deliveries in South America rose 2%, to 905 trucks.

Volvo Trucks' total order bookings during the first quarter of the year amounted to 21,412 (21,420) trucks. Order bookings in Europe rose 14%, to 12,732 trucks. Orders booked in North America declined by 31%, to 5,532 trucks. As a result of this decrease, combined with the higher rate of production in 1999, the order backlog as of March 31, 2000 was 17% lower than at the end of the year-earlier quarter. The order backlog has increased 7% since January 1, 2000.

In Western Europe, at the end of the first two months of the year, Volvo had a 15.3% (15.7) share of the market for heavy trucks. As of March 31, 2000, Volvo's share of the market for Class 8 trucks in the United States was 10.0% (11.7) and its share of the market in Brazil was 24.3% (27.1). Volvo Trucks' net sales increased by 6%, to SEK 15,129 M, in the first quarter.

Operating income amounted to SEK 645 M (830). The decrease was attributable to a lower volume of sales in North America, unfavorable sales mix in Europe, a weaker euro, and to changeover costs prior to the introduction of a new medium-heavy truck. The operating margin was 4.3% (5.8).

Net sales — SEK M

	First three months		Change	12 months moving	Jan–Dec
2000	1999	in %	figures	1999	
Trucks	15,129	14,215	+6	63,924	63,010
Buses	3,838	2,688	+43	15,863	14,713
Construction Equipment	4,649	4,040	+15	19,491	18,882
Marine and Industrial Power Systems	1,585	1,230	+29	6,116	5,761
Aero	2,286	2,167	+5	10,072	9,953
Finance	2,206	2,098	+5	8,745	8,637
Other	3,087	2,657	+16	12,364	11,934
Eliminations	(2,234)	(2,023)	–	(8,082)	(7,871)
Volvo Group	**30,546**	**27,072**	**+13**	**128,493**	**125,019**

Operating income — SEK M

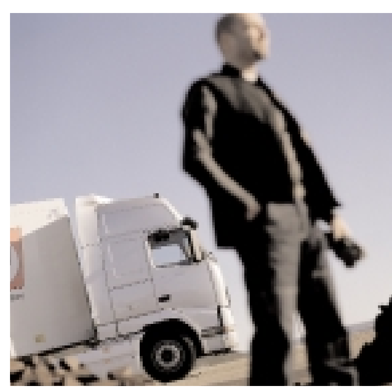
	First three months 2000	1999	12 months moving figures	Jan–Dec 1999
Trucks	645	830	3,062	3,247
Buses	33	(64)	321	224
Construction Equipment	311	182	1,838	1,709
Marine and Industrial Power Systems	103	45	372	314
Aero	110	139	555	584
Finance	398	167	1,208	977
Other	(175)	(41)	(463)	(329)
Operating income [1]	**1,425**	**1,258**	**6,893**	**6,726**
Items affecting comparability	–	26,695	–	26,695
Operating income	**1,425**	**27,953**	**6,893**	**33,421**

1) Excluding items affecting comparability 1999.

Operating margin — %

	First three months 2000	1999
Trucks	4.3	5.8
Buses	0.9	(2.4)
Construction Equipment	6.7	4.5
Marine and Industrial Power Systems	6.5	3.7
Aero	4.8	6.4
Finance	18.0	8.0
Operating margin [1]	**4.7**	**4.6**
Operating margin	**4.7**	**103.3**

1) Excluding items affecting comparability 1999.



In January this year the new Volvo FH12 model was designated “Truck of the Year 2000”. Volvo thereby became the first company to win the industry’s most prestigious award five times. The FH12 also became the first truck model to earn the title twice.

In April 2000, Volvo introduced its new “FL” medium-heavy truck, designed primarily for distribution operations in urban areas, as well as for service and light-construction applications. The model offers many technical innovations derived from Volvo’s successful heavy-truck program.

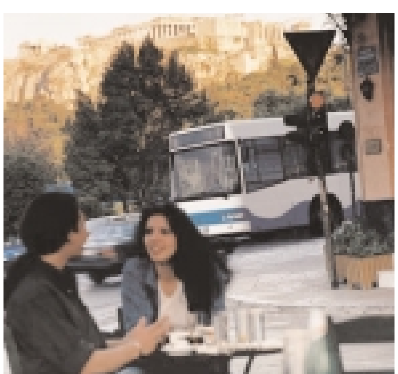
Buses

Net sales by market area, SEK M	First three months 2000	1999	Change in %
Europe	1,654	1,183	+40
North America	1,700	1,077	+58
South America	127	114	+11
Asia	267	256	+4
Other countries	90	58	+55
Total	**3,838**	**2,688**	**+43**

The total market for heavy buses in the first quarter of 2000 was approximately the same as in the comparable 1999 period. The total market in Europe continued to be stable. The market for heavy buses in North America was also stable. The market in South America, notably in Brazil, has begun to recover. There are also signs of stronger demand in Asia.

Volvo delivered 2,626 (1,822) buses and bus chassis in the first quarter this year, 44% more than in the first three months of 1999. Deliveries of complete buses produced by Volvo amounted to 45% (49) of the total.

The order backlog at the end of the first quarter of 2000 was 8% higher than at the end of the first quarter of 1999.



Net sales increased to SEK 3,838 M (2,688), as a result of strong sales in North America and Europe and deliveries to Iran. Operating income amounted to SEK 33 M compared with a loss of SEK 64 M in the year-earlier period. The improvement was attributable to increased volume and lower costs of purchased materials. A high capacity utilization at the Borås plant and a favorable earnings trend for European body works are other contributing factors to the improved earnings. The operating margin was 0.9% (neg. 2.4).

Construction Equipment

Net sales by market area, SEK M	First three months 2000	1999	Change in %
Europe	2,469	2,226	+11
North America	1,345	1,181	+14
South America	175	100	+75
Asia	499	378	+32
Other countries	161	155	+4
Total	**4,649**	**4,040**	**+15**

The world market for heavy construction equipment increased by slightly more than 5% during the first quarter of the year, compared with the first quarter of 1999. The market in Europe was nearly 15% larger while the market in North America declined by more than 5%. In Asia, where the total market for heavy construction equipment increased by approximately 5%, the upturn in South Korea, with an increase of nearly 50%, was especially significant. Before the economic crisis, the South Korean market had been as large as the German market, which is the largest in Europe.

The world market for light construction equipment, the compact segment, continued to grow, increasing by nearly 10% compared with the first quarter of 1999. The increase in both North America and Europe amounted to approximately 20%.

Volvo CE’s net sales increased by 15%, to SEK 4,649 M (4,040) in the first three months, the largest first-quarter amount in the company’s history. The order backlog at the end of the first quarter was in terms of value 40% larger than on the same date a year earlier, and 13% larger than at the end of 1999.

Operating income rose by 71%, to SEK 311 M (182), as a result of improved productivity, lower costs and sharply higher earnings in excavators. Operating

income, too, was the best ever recorded by Volvo CE in a first quarter. The operating margin was 6.7% (4.5).

New generations of Volvo’s excavators and the new Series D wheel loaders were introduced to the dealers in Europe during the first quarter and were very well received. Other products launched recently include a new generation of motor graders and the compact excavators that are now being introduced in the fast-growing market for compact equipment in North America. To meet the strong demand for compact excavators, the plant in South Korea will be utilized to a greater extent than earlier to produce such equipment along with heavy excavators, wheel loaders and assembly of articulated haulers.

Marine and Industrial Power Systems

Net sales by market area, SEK M	First three months 2000	1999	Change in %
Europe	809	694	+17
North America	542	366	+48
South America	35	25	+40
Asia	165	114	+45
Other countries	34	31	+10
Total	**1,585**	**1,230**	**+29**

Demand for Volvo Penta’s marine engines for leisure craft remained high during the first quarter in Europe and in North America. The order bookings for gasoline engines in the US exceeded expectations, while sales of Swedish-built diesel engines also continued to increase.

The focus on industrial engines in North America resulted in increased market penetration. Several significant orders for industrial engines were landed in the Middle East, mainly in Saudi Arabia.

Net sales increased to SEK 1,585 M, 29% higher than in the first quarter of 1999. Sales of marine engines were higher in Europe, North America and Asia. Sales of industrial engines increased in all markets. The increase in North America was the most significant.

The significant growth in sales and the increased productivity of the company contributed to a strong operating income, SEK 103 M (45) and to a higher operating margin, 6.5% (3.7).

Continued increased order bookings results in a high delivery rate and high capacity utilization at Volvo Penta's assembly plants in Vara, Sweden and Lexington, Tennessee, USA and for heavy-duty diesel engines in Volvo Truck's engine plant in Skövde, Sweden.

The establishment of the assembly plant in Wuxi, China, which was inaugurated at the beginning of January this year, has developed highly favorably, with a growing customer base.

Aero

Net sales by market area, SEK M	First three months 2000	1999	Change in %
Europe	996	1,062	(6)
North America	1,082	872	+24
South America	30	74	(59)
Asia	140	134	+4
Other countries	38	25	+52
Total	**2,286**	**2,167**	**+5**

World air traffic increased by slightly more than 3% in January, compared with the same month in 1999. The growth in traffic is thus lower than the long-term growth rate.

Record high deliveries of new aircraft have resulted in overcapacity, which in turn increased the competition among airlines and combined with rising fuel costs, created major profitability problems for many airlines. During the early part of 2000, the airlines have begun to raise ticket prices to compensate for the higher costs.

Volvo Aero's net sales increased by 5%, to SEK 2,286 (2,167). Excluding the divestment of Truck Engine Parts Division (TEPD), the increase was 7%.

Operating income amounted to SEK 110 M (139). The decrease in income was primarily due to lower profitability in The AGES Group. As a result of the large increase in production capacity for commercial aircraft in recent years, many airlines are choosing to "park" parts of their fleets. The need for spare parts is thereby reduced, which in turn increases the competition and pressure on prices among companies in the after-market, including The AGES Group.

In January 2000, a contract was signed with General Electric Aircraft Engines whereby Volvo Aero has a stake in an aircraft engine program and, beginning at the end of 2000 will supply components for engines used in the American F18 (Super Hornet) fighter aircraft. For Volvo Aero, the contract involves production amounting to at least SEK 3 billion during the next 15 to 20 years. This is the first time that Volvo Aero has been part of a military aircraft engine program that was not connected with the Swedish Air Force.

Finance

The income statements, balance sheets and cash flow statements for the Finance business unit consists of the Group's sales-financing operations, including the associated company Volvofinans, Volvo Treasury, Volvo's insurance operations including Volvia and Danafjord, the Group's real estate company.

In the markets where Finance offers financing, the degree of penetration relative to sales of new trucks was approximately 27%, compared with penetration of approximately 23% in the year-earlier period. The increase took place mainly in the United States.

Total assets as of March 31, 2000 amounted to SEK 56.9 billion, of which SEK 46.3 billion was in the credit portfolio. Adjusted to reflect foreign exchange movements, the credit portfolio increased by 1% in the first quarter. Roughly 76% of the credit portfolio consisted of truck-related financing, 9% involved bus financing, and 10% pertained to financing of construction equipment. The remaining 5% was primarily the remaining financing of passenger cars.

Operating income for the first three months of the year amounted to SEK 398 M, of which SEK 210 M consisted of capital gains on sale of parts of Volvia's securities portfolio. Adjusted to reflect these items, operating income was 18% higher that in the first quarter of 1999.

Total reserves amounted to 3.0% (3.3) of the credit portfolio, of which the reserve for residual-value risk amounted to 0.4% (0.7). Confirmed credit losses in the first quarter amounted to SEK 68 M, which was SEK 8 M less than a year earlier.

Number of employees

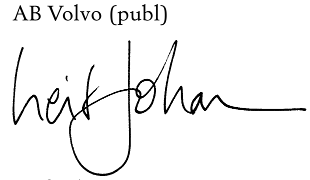
As of March 31, 2000, the Volvo Group had 53,217 employees, compared with 53,470 at the beginning of the year.

Proposal to buy back and transfer Company shares

On March 28, 2000 the Board of Directors of AB Volvo voted to recommend that shareholders at the Annual General Meeting authorize the Board to buy back Company shares. Assuming that the proposal is adopted by the Meeting, this authorization will enable the Board during the period preceding the next Annual General Meeting, to decide to buy back Company shares. The number of Series A and/or Series B shares repurchased must be such that, after each acquisition, the Company does not hold more than 10% of the total number of AB Volvo shares. It is proposed that any repurchase take place in the open market and or through an offer to the shareholders. The proposed authorization also includes the possibility for the Board to transfer repurchased shares, with preferential rights to shareholders for financing of company acquisitions and as payment in connection with company acquisitions.

Göteborg, April 26, 2000

AB Volvo (publ)



Leif Johansson
President and Chief Executive Officer

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

Quarterly figures

Volvo Group					SEK M
	1/1999	2/1999	3/1999	4/1999	1/2000
Net sales	**27,072**	**33,905**	**28,829**	**35,213**	**30,546**
Cost of sales	(21,328)	(26,951)	(23,255)	(27,967)	(24,561)
Gross income	**5,744**	**6,954**	**5,574**	**7,246**	**5,985**
Research and development expenses	(1,085)	(1,194)	(1,104)	(1,142)	(1,182)
Selling expenses	(2,122)	(2,234)	(2,130)	(2,379)	(2,297)
Administrative expenses	(1,207)	(1,308)	(1,214)	(1,062)	(1,229)
Other operating income and expenses	(72)	(73)	71	(537)	148
Items affecting comparability	26,695	–	–	–	–
Operating income	**27,953**	**2,145**	**1,197**	**2,126**	**1,425**
Income from investments in associated companies	19	88	371	89	365
Income from other investments	1	189	8	(28)	10
Interest income and similar credits	608	400	386	418	500
Interest expenses and similar charges	(709)	(299)	(217)	(280)	(389)
Other financial income and expenses	127	15	(102)	91	(23)
Income after financial items	**27,999**	**2,538**	**1,643**	**2,416**	**1,888**
Taxes	(435)	(550)	(570)	(715)	(629)
Minority interests	(7)	(48)	(5)	(44)	8
Net income	**27,557**	**1,940**	**1,068**	**1,657**	**1,267**
Depreciations included above	1,188	1,381	1,325	1,277	1,534
Income per share, SEK[1]	**62.40**	**4.40**	**2.40**	**3.80**	**2.90**
Average number of shares, million	441.5	441.5	441.5	441.5	441.5

1) Income per share is calculated as net income divided by the weighted average number of shares outstanding during the period.

Gross and operating margin					%
	1/1999	2/1999	3/1999	4/1999	1/2000
Gross margin	21.2	20.5	19.3	20.6	19.6
Research and development expenses in % of net sales	4.0	3.5	3.8	3.2	3.9
Selling expenses in % of net sales	7.8	6.6	7.4	6.8	7.5
Administravie expenses in % of net sales	4.5	3.9	4.2	3.0	4.0
Operating margin, excluding items affecting comparability	4.6	6.3	4.2	6.0	4.7
Operating margin	103.3	6.3	4.2	6.0	4.7

Net sales					SEK M
	1/1999	2/1999	3/1999	4/1999	1/2000
Trucks	14,215	16,533	14,222	18,040	15,129
Buses	2,688	4,275	3,360	4,390	3,838
Construction Equipment	4,040	5,948	4,107	4,788	4,649
Marine and Industrial Power Systems	1,230	1,540	1,400	1,591	1,585
Aero	2,167	2,532	2,412	2,842	2,286
Finance	2,098	2,035	2,211	2,293	2,206
Other	2,657	2,964	2,884	3,429	3,087
Eliminations	(2,023)	(1,922)	(1,767)	(2,160)	(2,234)
Net sales	**27,072**	**33,905**	**28,829**	**35,213**	**30,546**

Operating income

SEK M	1/1999	2/1999	3/1999	4/1999	1/2000
Trucks	830	859	442	1 116	645
Buses	(64)	121	13	155	33
Construction Equipment	182	784	390	353	311
Marine and Industrial Power Systems	45	128	92	49	103
Aero	139	175	80	190	110
Finance	167	190	285	335	398
Other	(41)	(112)	(104)	(73)	(175)
Operating income [1]	**1,258**	**2,145**	**1,198**	**2,125**	**1,425**
Items affecting comparability	26,695	–	–	–	–
Operating income	**27,953**	**2,145**	**1,198**	**2,125**	**1,425**

1) Excluding items affecting comparability.

Operating margin

%	1/1999	2/1999	3/1999	4/1999	1/2000
Trucks	5.8	5.2	3.1	6.2	4.3
Buses	(2.4)	2.8	0.4	3.5	0.9
Construction Equipment	4.5	13.2	9.5	7.4	6.7
Marine and Industrial Power Systems	3.7	8.3	6.6	3.1	6.5
Aero	6.4	6.9	3.3	6.7	4.8
Finance	8.0	9.3	12.9	14.6	18.0
Other	(1.5)	(3.8)	(3.6)	(2.1)	(5.7)
Operating margin [1]	**4.6**	**6.3**	**4.2**	**6.0**	**4.7**
Operating margin	**103.3**	**6.3**	**4.2**	**6.0**	**4.7**

1) Excluding items affecting comparability.

Key ratios

12 months moving figures unless otherwise stated	April 1999– March 2000	Jan–Dec 1999
Income per share, SEK	13.50	73.00
Income per share, excluding items affecting comparability and gain on sales of shares, SEK	13.10	12.40
Return on shareholders' equity, %	6.2	34.9
Return on shareholders' equity excluding items affecting comparability and gain on sales of shares, %	6.0	8.0
Net financial assets at end of period, SEK billion	25.9	28.8
Net financial assets at end of period as percentage of shareholders' equity and minority interests	26.0	29.3
Shareholders' equity and minority interests as percentage of total assets	46.6	50.2
Shareholders' equity and minority interests excluding Finance, as percentage of total assets	60.7	67.3

Trucks, units invoiced

	First three months 2000	First three months 1999	Change in %
Europe	11,449	10,751	+6
Western Europe	10,542	10,319	+2
Eastern Europe	907	432	+110
North America	6,424	7,446	(14)
South America	905	889	+2
Asia	1,147	452	+154
Other markets	301	261	+15
Total trucks	**20,226**	**19,799**	**+2**

Volvo buses/bus chassies, units invoiced

	First three months 2000	First three months 1999	Change in %
Europe	1,000	752	+33
North America	888	609	+46
South America	148	164	(10)
Asia	528	255	+107
Other markets	62	42	+48
Total, buses/ bus chassis	**2,626**	**1,822**	**+44**

Change in Volvo Group's financial reporting as a result of new Finance business unit

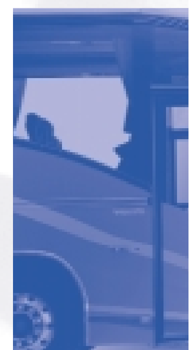
Effective January 1, 2000, Volvo's operations in sales financing, real estate and insurance were combined into a separate business unit, designated Finance. Accordingly, in presenting the Volvo Group's sales and operating income per segment the Finance unit is reported separately from the five business areas. Comparable figures for 1999 were adjusted in accordance with the new organization.

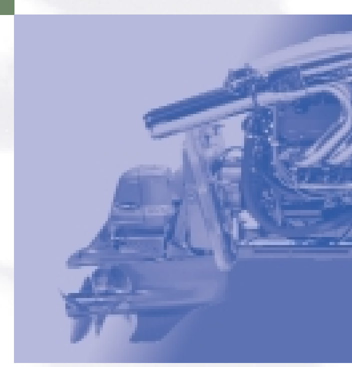
In conjunction with forming the Finance business unit, adaptation has been made to the principles for classifying financial income and expenses in Volvo's insurance and real estate operations.

As of January 1, 2000, financial income and expenses in these operations are reported in the Volvo Group's operating income. The items were included previously in Volvo's net interest. Comparable figures for 1999 were adjusted in accordance with the new classification principle. As a result of the above, an adjustment was also made regarding the definitions of the Volvo Group's financial net assets. As of January 1, 2000, the Group's financial net assets are calculated excluding the Finance business unit since financial income and expenses within Finance are reported in the Group's operating income. At the beginning of 2000, the new definition resulted in a reduction in Volvo's financial net assets of SEK 2.2 billion.

Change in classification of overhead expenses in Volvo's spare parts operations

Effective January 1, 2000, a restatement occurred regarding Volvo's production cost calculations for spare parts. Accordingly, overhead expenses in the Group's spare parts handling, which were previously included among administrative costs, are reported as of 2000 among costs for goods sold. Comparable figures for 1999 were adjusted to reflect the change in classification





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