VOLVO

AB Volvo

Press Information

Volvo - three months ended March 31, 2001

First three months	2001	2000
Net sales, SEK M	43 750	28 274
Operating income excl items affecting comparability, SEK M *	502	1 800
Operating income, SEK M	(817)	1 800
Income after financial items, SEK M	(1 251)	1 888
Net income, SEK M	(801)	1 267
Sales growth, %	55%	13%
Income per share excluding items affecting comparability, during most recent 12 months period, SEK	8.6	13.1
Return on shareholders' equity, excluding items affecting comparability, %	3.9	6.0

* Items affecting comparability pertain to restructuring costs of SEK 1.3 billion. Volvos operating income during the first quarter 2001 was also favorably affected with 490 MSEK attributable to capitalization of development costs. See further "Accounting principles", on page 19.

- Volvo's acquisition of Renault's truck business completed. A comprehensive integration is in progress.

- Net sales of the Volvo Group increased by 55%, to SEK 43,750 M in the first three months of 2001. Adjusted for acquired companies net sales reached the same level as last year.

- Operating income, excluding items affecting comparability, in the first quarter of 2001 amounted to SEK 502 M, compared with SEK 1,800 M a year earlier. A continuing weak development in North America during the first three months of 2001 had an adverse effect on the result.

- Continued strong development for Volvo Penta and Volvo Aero.

Comments by the Chief Executive Officer

During the first quarter, the acquisition of Mack and Renault VI was concluded. The Group's truck and engine volumes are thereby doubled, which means that Group sales have increased 55 percent compared with the first quarter of 2000. However, first quarter earnings are clearly unsatisfactory. Global Trucks, Construction Equipment and Buses are seriously affected by the sharp economic downturn in North America. Financial Services' financial performance was also adversely affected due to increased credit losses. The downturn could not be offset by strong performance elsewhere in the world, and the very strong first quarters reported by Volvo Aero and Volvo Penta.

The adaptation to a weakening business climate now has top priority. We do not foresee any immediate recovery in North America, while the decline in order bookings in Europe necessitates preparations for new measures.

To counteract the downturn in North America, an action program was adopted last year. During the first quarter, Global Trucks decided to reduce the workforce by an additional 1,400 persons, in addition to the 1,800 that had been laid off from truck operations last year. Further actions will be implemented, if necessary.

Despite signs of some stagnation, the European market remains stable, particularly in the eastern and southern regions. With its strong presence in southern Europe, Renault VI reached its highest sales level ever. Global Trucks' profitability in Europe was strong, although order bookings were down.

The diminished activity in the market also impacted Volvo Buses, where reduced demand was noted in the first quarter. The concentration of Buses' European manufacturing to Poland have continued.

Sales to the growth regions, Eastern Europe, Asia and South America continued to increase, mainly in South America, where Global Trucks deliveries rose by 34 percent.

Volvo Penta enjoyed a highly positive trend, and continued to win market shares. Operating income was up 62 percent, with demand for marine and industrial power systems continuing to be strong.

Volvo Aero also reported a favorable first quarter, particularly in aerospace components.

In April, an agreement was reached with DaimlerChrysler which entailed that we sell our shareholding and other interests in Mitsubishi Motors Corporation ("MMC") to DaimlerChrysler for approximately SEK 3 billion. Volvo Trucks' cooperation with MMC on a medium-heavy truck program is thus ended. Volvo intends to invest the SEK 650 M capital gain in a new medium-heavy truck program, which will be developed with Volvo Trucks' and Renault's combined resources.

The agreement is a logical outcome of DaimlerChrysler having taken control of MMC, and that the Volvo Group, through Renault VI, is gaining the same volumes in the medium-heavy segment that MMC would have provided. Developing the future medium-heavy truck program in-house will simplify and accelerate the entire process. The decision to abandon the cooperation with MMC was also facilitated by our strong growth in Asia where, among other developments, truck sales doubled last year. In this way, we are maintaining strong growth in the region by our own means.

To secure the coordination gains made possible through the acquisition of Mack and Renault V.I., Volvo has decided on product plans for the next product generation, which will impact the Group's industrial and commercial structure. For the period to and including 2003, it is estimated that restructuring costs will total slightly more than SEK 4 billion, of which SEK 1.3 billion was utilized during the first quarter. The actions taken will make yearly savings of about SEK 3.5 billion possible at the end of 2002. Long term, the benefits of coordination will yield additional savings of about SEK 3 billion per year.

The need to rapidly achieve a more cost-effective base is not only of importance to our truck operations. It is equally important for Buses, Construction Equipment and Penta, which will all benefit from the doubling of our engine volumes.

At present, business conditions are troubling, but in the longer term we can discern highly favorable possibilities for increasing profitability. We have a number of very competitive products in the market and feel that customers have confidence in them.

The integration work with Renault VI and Mack which began directly after the beginning of the year, is functioning very well, with plans for the first 100 days now completed. We aim to emerge strongly when business conditions in North America start to turn upwards.

Leif Johansson

Significant events in the beginning of 2001

Volvo forms Volvo Global Trucks
On January 2, 2001, AB Volvo's acquisition of Renault's truck operations, Mack and Renault V.I., became effective. Under the terms of the acquisition AB Volvo acquired all the shares of Renault V.I. in exchange for 15% of AB Volvo's shares. On January 2, 2001, 10% of AB Volvo’s shares were transferred to Renault S.A. as partial payment and on February 9, 2001, the additional 5% of the Volvo shares were transferred to Renault S.A. as final payment for the shares of Renault V.I. In connection with the acquisition of Mack and Renault V.I., Renault V.I. Finance was acquired for approximately FRF 154 M.

Divestment of shares in Mitsubishi Motors Corporation (“MMC”)
On April 11, 2001, Volvo reached an agreement with DaimlerChrysler covering Volvo’s cooperation with MMC. According to the agreement, Volvo will transfer its 3.3% shareholding in MMC to DaimlerChrysler together with all of Volvo’s rights and obligations in relation to MMC. The distribution of the MMC Canter truck will be taken over by DaimlerChrysler in November 2001. The purchase price to be paid by DaimlerChrysler is approximately USD 297 M. The transaction remains subject to approval of all relevant authorities.

New members of the Volvo Board
At AB Volvo’s Annual General Meeting held on April 25, 2001, Louis Schweitzer, Patrick Faure and Ken Whipple were elected new members of the AB Volvo Board. Louis Schweitzer is Chairman and CEO of Renault S.A. and Patrick Faure is Executive Vice President of Renault S.A. Ken Whipple was employed within the Ford Motor Company for a total of 40 years prior to his retirement in 1999. Among other positions, he served as CEO of Ford Financial Services Group and as President of the Ford Credit Company. Ken Whipple is a member of the Board of CMS Energy Corporation and Galileo International, Inc. He has also been a member of the Board of Governors of the World Economic Forum. Board members Sören Gyll and Sören Mannheimer declined reelection to the AB Volvo Board. In addition, the following members were reelected: Lars Ramqvist (Chairman), Per-Olof Eriksson, Tom Hedelius, Finn Johnsson and Leif Johansson.

Divestment of the insurance operations in Volvia
On February 8, 2001,Volvia reached an agreement covering the divestment of its insurance operations. The buyer is the If insurance company, with which Volvia has had a close cooperation. The purchase price for the operations amounts to SEK 562 M. The divestment will be completed and accounted for in the second quarter of 2001. The divestment of the insurance operations will have a marginal effect on the Group’s ongoing business.

Volvo’s repurchase of Company shares
During the beginning of 2001, Volvo effected an additional repurchase of 10% of the total number of shares outstanding in AB Volvo. On February 9, 2001, 5% of the shares were transferred to Renault S.A. as final payment for the shares of Renault V.I. As a result, Volvo holds 5% of the total number A shares outstanding and 5% of the total number of B shares outstanding, corresponding to 5% of the voting rights and 5% of the share capital of AB Volvo.

The Volvo Group in the first quarter of 2001

Net sales

Net sales of the Volvo Group for the first three months 2001 amounted to SEK 43,750 M, compared with SEK 28,274 M in 2000, an increase of 55%. Adjusted for acquired companies and the effects of foreign exchange movements net sales decreased by 2%.

All business areas with the exception of Buses reported an increase in net sales. Global Trucks, Aero and Penta reached the targeted growth rate of greater than 10%.

With the combined truck operations of Mack, Renault and Volvo Trucks, net sales of Global Trucks' doubled and amounted to SEK 29,962 M. The North American market continued to weaken in the first quarter of 2001, with a resulting negative impact on truck sales. The company was able to increase its share of the market in North America despite a decline in deliveries by 37%. In Europe the market share increased by 1.4% compared with the year-earlier period.

Except in North America, Group net sales developed well in all market areas. Sales in Western Europe, which constitute more than 50% of the Group total, increased by 57%. Sales in the North American market increased by 47%. The increases were attributable to the acquired operations of Mack and Renault V.I. The favorable trend of business continued in Asia and Group sales there rose by 11%. Eastern Europe and South America also reported strong growth during the year and the increases relative to 2000 amounted to 58% and 43%, respectively. The increases for the other markets were attributable mainly to Australia.

Net sales by market area	**First three months**		**Change**	
SEK M	**2001**	**2000**	**in %**	**% of total**
Western Europe	23 697	15 069	+57	54
Eastern Europe	1 199	759	+58	3
North America	13 441	9 131	+47	31
South America	1 379	964	+43	3
Asia	1 941	1 748	+11	4
Other markets	2 093	603	+247	5
Total	**43 750**	**28 274**	+55	**100**

The percentage of net sales attributable to Volvo's growth markets – Asia, Eastern Europe and South America – amounted to 10% of Group sales.

Income from investments in associated companies

Income from investments in associated companies – primarily Bilia and Petro Stopping Center – amounted to SEK 2 M (356). In the first quarter of 2000, an amount of SEK 341 M pertaining to Scania was reported as income from investments in associated companies. As of the second quarter of 2000, Volvo's holding in Scania is not reported in accordance with the equity method.

Operating income

Operating income, excluding items affecting comparability for the Group for the first three months 2001 amounted to SEK 502 M compared with 1,800 M last year. The operating income during the first quarter 2001 was favorably affected with SEK 490 M attributable to capitalization of development costs (see further on page 19). The impact was distributed between Global Trucks, SEK 387 M, Buses SEK 37 M, Construction Equipment, SEK 31 M, Marine and industrial power systems, SEK 23 M and Aero, SEK 12 M. Operating income for 2000 included gains on the securities portfolio in Volvia of SEK 210 M.

Global Trucks' operating income for the first three months 2001, was SEK 150 M compared with SEK 645 M in 2000. The downturn in North America is continuing, with declining deliveries and a severe competitive situation. Including amortization of goodwill, the acquisition of Mack and Renault V.I. had only a minor impact on Global Trucks operating income for the first quarter.

The operating loss in Buses for the first three months 2001 amounted to SEK 83 M compared with an income of SEK 33 M in 2000. The loss is mainly contributed by lower volumes and low capacity utilization especially in North America.

Operating income within Construction Equipment decreased to SEK 81 M (311), largely due to a shift in the market and product mix, but also to production cuts made in order to adapt to the current market situation in North America.

Marine and Industrial Power Systems and Aero both reported higher operating income in 2001 than in 2000, Operating margins reached 9.6% and 6.1% respectively, exceeding preceding year's levels.

Operating income within Financial Services were negatively effected by the weakening market situation in North America with decline in demand and increased credit losses.

The Group's operating margin, excluding items affecting comparability, for the first three months amounted to 1.1%, compared with 6.4% in 2000.

Net interest expense
Net interest expense for the first three months 2001 amounted to SEK 273 M compared with SEK 237 M for the fourth quarter 2000. The increase is mainly due to increased net debt as a result of the repurchase of Company shares and the acquisition of Mack and Renault V.I.

Taxes
During the first quarter 2001, a tax income of 422 was reported (tax expense of 629). The tax income mainly consisted of higher amounts of deferred tax assets.

Restructuring costs
To secure the coordination gains made possible through the acquisition of Mack and Renault V.I., Volvo has decided on product plans for the next product generation, which will impact the Group's industrial and commercial structure. For the period to and including 2003, it is estimated that restructuring costs will total slightly more than SEK 4 billion.

Since January 1, 2001, Volvo applies new accounting standards that limit the possibilities to allocate a provision for the decided actions in the first quarter. See accounting principles on page 19.

During the first quarter, restructuring costs of SEK 1.3 billion were charged against earnings, of which SEK 0.5 billion relate to costs for personnel reductions as a direct result of the market decline in North America. The balance includes costs of coordinating purchasing and engine development.

The remaining restructuring measures, mainly connected with decided product plans, will be announced later and the costs of about SEK 3 billion will be charged against earnings as incurred during the period 2001 to 2003.

The actions taken make substantial cost savings possible. At the end of 2002, savings at a pace of about SEK 3.5 billion annually are estimated, most of which in purchasing and drivelines. Long term, the successive integration of the companies and their product programs will yield additional annual coordination gains of an estimated SEK 3 billion.

Consolidated income statements*	First three months	
SEK M	2001	2000
Net sales	**43 750**	**28 274**
Cost of sales	(36 236)	(22 828)
Gross income	**7 514**	**5 446**
Research and development expenses	(1 394)	(1 182)
Selling expenses	(3 378)	(2 107)
Administrative expenses	(1 659)	(1 163)
Other operating income and expenses	(696)	0
Income from Financial Services	113	450
Income from investments in shares	2	356
Items affecting comparability	(1 319)	0
Operating income	**(817)**	**1 800**
Interest income and similar credits	411	500
Interest expenses and similar charges	(684)	(389)
Other financial income and expenses	(161)	(23)
Income after financial items	**(1 251)**	**1 888**
Taxes	422	(629)
Minority interests in net (income) loss	28	8
Net income	**(801)**	**1 267**
Income per share, SEK	(1.90)	2.90

** Financial Services reported in accordance with the equity method, see accounting principles on page 19.*

Key operating ratios	First three months	
%	2001	2000
Gross margin	17.2	19.3
Research and development expenses in % of net sales	3.2	4.2
Selling expenses in % of net sales	7.7	7.5
Administrative expenses in % of net sales	3.8	4.1
Operating margin*	1.1	6.4
Operating margin	(1.9)	6.4

** Excluding items affecting comparability*

Condensed income statement - Financial Services	First three months	
SEK M	2001	2000
Net sales	**2 240**	**2 272**
Income (loss) after financial items	**113**	**450**
Taxes	(6)	(133)
Net income	**107**	**317**

	Jan - March	Jan - Dec
Key ratios – Financial Services	2001	2000
Return on shareholders' equity, %	5.3	14.1
Equity ratio at end of period, %	12.0	11.5
Assets growth, %	7.6	17.8

Consolidated balance sheets	Volvo Group excl Financial Services 1)		Financial Services		Volvo Group total	
SEK M	March 31	Dec 31	March 31	Dec 31	March 31	Dec 31
Assets						
Intangible assets	15 008	6 781	155	144	15 163	6 925
Property, plant and equipment	30 452	19 652	2 631	2 579	33 083	22 231
Assets under operating leases	14 679	4 245	12 715	11 883	25 482	14 216
Shares and participations	38 689	37 366	686	778	30 804	30 481
Long-term customer finance receivables	474	10	24 911	23 026	25 259	22 909
Long-term interest-bearing receivables	6 113	5 091	25	23	6 115	5 032
Other long-term receivables	9 745	2 186	85	90	9 786	2 232
Inventories	35 526	22 998	649	553	36 175	23 551
Short-term customer finance receivables	351	5	20 794	19 168	20 716	18 882
Short-term interest bearing receivables	21 907	14 195	1,0	1,0	14 390	14 196
Other short-term receivables	31 539	22 696	2 546	2 627	32 936	24 120
Marketable securities	4 108	5 682	3 634	3 886	7 742	9 568
Cash and bank	6 616	5 276	2 756	1 764	8 866	6 400
Total assets	**215 207**	**146 183**	**71 588**	**66 522**	**266 517**	**200 743**
Shareholders' equity and liabilities						
Shareholders' equity	90 512	88 338	8 571	7 663	90 512	88 338
Minority interests	591	593	0	0	591	593
Provision for post-employment benefits	11 494	2 619	13	13	11 507	2 632
Other provisions	15 243	8 277	7 016	6 620	22 294	14 941
Loans	37 860	18 233	53 203	49 048	82 505	66 233
Other liabilities	59 507	28 123	2 785	3 178	59 108	28 006
Shareholders' equity and liabilities	**215 207**	**146 183**	**71 588**	**66 522**	**266 517**	**200 743**

1) Financial Services reported in accordance with the equity method.

The Volvo Group's total assets at March 31, 2001 amounted to SEK 266.5 billion, corresponding to an increase of SEK 65.8 billion compared with year-end 2000. The acquisition of Mack and Renault V.I. represented an increase of SEK 56.1 billion. In addition, changed exchange rates increased total assets by SEK 9.8 billion.

The purchase price for the shares of Mack and Renault V.I. has been established to SEK 10.7 billion, based on the Volvo share price at the date of the acquisition (January 2, 2001). As of March 31, 2001, goodwill related to the acquisition has been estimated to an amount of SEK 7.3 billion. The estimated goodwill amount might be subject to change during 2001, as the fair value of all acquired assets and liabilities has not been established during the first three months of 2001. However, any such adjustment is not likely to increase the goodwill amount.

Shareholders’ equity as of March 31, 2001, amounted to SEK 90.5 billion and net debt amounted to SEK 10.6 billion. The change in shareholders’ equity and net debt since year-end are specified in the tables below.

Change of Net financial position	First three months	
Beginning of period		**9.4**
Cash flow from operating activities	0.3	
Investments in fixed assets, net	(1.9)	
Customer Finance receivables, net	0.1	
Investments in shares, net	(0.2)	
Acquired and divested operations	3.7	
Cash-flow after net investments, excluding Financial Services		**2.0**
Debt in acquired and divested operations*		(10.6)
Repurchase of own shares		(8.3)
Currency effect		(2.2)
Other		(0.9)
Total change		**(20.0)**
Net financial position at March 31		**(10.6)**

** Refers to debt in Mack, Renault V.I. and Arrow Truck sales*

Key ratios **12 month figures unless otherwise stated**	**Apr 00 - Mar 01**	**Jan – Dec 2000**
Sales growth	13.5	3.4
Income per share, SEK	6.40	11.20
Income per share, excluding items affecting comparability, SEK	8.60	11.20
Return on shareholders' equity	2.9	5.0
Return on shareholders' equity excluding items affecting comparability, %	3.9	5.0
Net financial position at end of period, SEK billion	(10.6)	9.4
Net financial position at end of period as percentage of shareholders' equity and minority interests	(11.6)	10.6
Shareholder' equity and minority interests as percentage of total assets	34.2	44.3
Shareholders' equity and minority interests excluding Financial Services, as percentage of total assets	42.3	60.8

Change in shareholders' equity **SEK bn**	**2001**	**2000**
Beginning of period	88.3	97.7
Translation differences	1.0	0.1
Repurchase of own shares	(8.3)	-
Issue of shares to Renault SA	10.4	-
Net income	(0.8)	1.3
Other changes	(0.1)	(0.1)
Balance at March 31	**90.5**	**99.0**

Number of Volvo shares **Millions**	**March 31 2001**	**Dec 31 2000**	**March 31 2000**
Number of shares outstanding	419.4	397.4	441.5
Average number of shares outstanding during the period	431.4	421.7	441.5
Company shares held by AB Volvo	22.1	44.2	-

Cash flow statements, bn First three months	2001	2000
Operating activities		
Operating income	(0.9)	1.4
Add depreciation and amortization	1.8	0.9
Other non-cash items	(0.1)	(0.4)
Change in working capital	0.5	(1.6)
Financial items and income taxes	(1.0)	(0.5)
Cash flow from operating activities	0.3	(0.2)
Investing activities		
Investments in fixed assets	(1.9)	(1.3)
Investment in leasing vehicles	(0.2)	0.0
Disposals of fixed assets and leasing vehicles	0.2	0.1
Customer finance receivables, net	0.1	0.0
Investments in shares, net	(0.2)	(1.3)
Acquired and divested operations	3.7	0.1
Cash-flow after net investments excl Financial Services	**2.0**	**(2.6)**
Cash-flow after net investments, Financial Services	**(1.4)**	**(0.2)**
Cash-flow after net investments, Volvo Group total	**0.6**	**(2.8)**
Financing activities		
Increase in bond loans and other loans	8.4	12.8
Loans to external parties, net	(0.6)	(0.9)
Repurchase of own shares	(8.3)	-
Other	0.0	-
Change in liquid funds excl translation differences	**0.1**	**9.1**
Translation difference on liquid funds	0.5	0.1
Change in liquid funds	**0.6**	**9.2**

The Volvo Group's cash flow

Cash flow after net investments, excluding Financial Services amounted to SEK 2.0 billion in the first quarter (negative 2.6). Excluding the effect from acquired companies and shares, cash flow was negative of SEK 1.5 billion (negative 1.4). The effect from the Group's lower earnings was offset by lower build-up of working capital than in the year-earlier period. The change in the Group's net financial position ment a reduced cash flow due to interests. The cash-flow impact in connection with company acquisitions mainly pertained to acquired liquid funds within Mack and Renault V.I. The purchase price paid for Mack and Renault V.I. has not affected cash flow since the payment was made with Company shares of AB Volvo.

Cash flow after net investments within Financial Services was negative in the amount of SEK 1.4 billion (negative 0.2), mainly related to net growth of the credit portfolio.

During the beginning of 2001, Volvo repurchased 10% of the total number of outstanding shares, 5% of the repurchased shares were transferred to Renault S.A. In total, the repurchase of shares reduced liquid funds by SEK 8.3 billion. Net funding contributed SEK 8.4 billion to liquid funds during the first quarter.

Condensed cash-flow statement, Financial Services First three months	2001	2000
Cash flow from operating activities	**0.7**	**0.8**
Net investments in credit portfolio etc	(2.1)	(1.0)
Cash-flow after net investments	**(1.4)**	**(0.2)**

Financial review by business area

Net sales	**First three months**		**Change**	**12 months**	**Jan-Dec**
SEK M	**2001**	**2000**	**in %**	**moving values**	**2000**
Global Trucks	29 962	15 129	+98	77 029	62 196
Buses	3 715	3 838	(3)	17 064	17 187
Construction Equipment	4 688	4 649	+1	20 032	19 993
Marine and Industrial Power Systems	1 736	1 585	+10	6 750	6 599
Aero	2 607	2 286	+14	11 034	10 713
Other	3 399	3 087	+10	12 981	12 669
Eliminations	(2 357)	(2 300)	-	(9 022)	(8 965)
Volvo Group	**43 750**	**28 274**	**+55**	**135 868**	**120 392**

Operating income	**First three months**		**12 months**	**Jan-Dec**
SEK M	**2001**	**2000**	**moving values**	**2000**
Global Trucks	150	645	919	1 414
Buses	(83)	33	324	440
Construction Equipment	81	311	1 364	1 594
Marine and Industrial Power Systems	167	103	548	484
Aero	160	110	671	621
Financial Services	113	450	1 059	1 396
Other	(86)	148	485	719
Operating income, excl items affecting comparability	**502**	**1 800**	**5 370**	**6 668**
Items affecting comparability*	(1 319)	-	(1 319)	-
Operating income	**(817)**	**1 800**	**4 051**	**6 668**

** items affecting comparability pertain to restructuring costs*

Operating margin	**First three months**	
%	**2001**	**2000**
Global Trucks	0.5	4.3
Buses	(2.2)	0.9
Construction Equipment	1.7	6.7
Marine and Industrial Power Systems	9.6	6.5
Aero	6.1	4.8
Operating margin, excl items affecting comparability*	**1.1**	**6.4**
Operating margin	**(1.9)**	**6.4**

**excl items affecting comparability pertain to restructuring costs*

Volvo Global Trucks

The new Volvo Global Trucks organization has been in operation since January 2, 2001. During the first three months a comprehensive program to handle the vital integration between the three truck brands – Mack, Renault and Volvo has been conducted. An entirely new management team and line organization has been established. The organizational structure is built around the three truck companies, which remain separate commercial units, in order to assure superior growth, and one cost center – 3P (Purchasing, Product Planning and Product Development).

During the first three months – in addition to establishing a new organization – priority has been assigned to developing new and comprehensive product and business plans. These plans, which were finalized in March, focus on near-term requirements for engines and medium and heavy trucks, as well as long-term plans for common engines and product platforms for medium and heavy trucks.

Another vital issue during the first quarter of 2001, has been the capture of immediate cost savings made possible through the increased volumes. The process of securing synergy potential has already created a positive momentum, and coordinated purchasing has already resulted in cost reductions – in some cases for more than 6%. Synergies from the acquisition are developing according to plan and has contributed positively in the first quarter.

To date great emphasis has been placed on the corporate culture aspects of the new global truck organization.

Volvo Trucks' cooperation with Mitsubishi Motors Corporation (MMC) – to jointly create a new medium-duty range of trucks – has been discontinued. From a strategic point of view, the medium-duty issue will be handled efficiently within Volvo Global Trucks. Last year the combined sales of Mack Trucks, Inc. Renault V.I. and Volvo Trucks in the medium heavy-duty segment were equal to what the cooperation with MMC would have generated. By coordinating Renault V.I.'s and Volvo Trucks' development resources in the medium heavy-duty segment, the entity will gain a less complex and significantly faster development process, cutting time.

Net sales by market area	**First three months**		**Change**
SEK M	**2001**	**2000**	**in %**
Europe	17 912	9 024	+98
North America	8 588	4 465	+92
South America	873	588	+48
Asia	754	695	+8
Other markets	1 835	357	+414
Total	**29 962**	**15 129**	**+98**

Total market

The very strong demand for heavy trucks in Western Europe peaked during 2000 at 246,000 trucks but is leveling off in 2001. During the first two months of 2001 the total market for heavy trucks in Western Europe declined by nearly 3% to 41,520 compared with the same period a year earlier. The markets in Eastern and Southern Europe are still doing well, whereas markets in the UK and Central Europe have slowed significantly.

In 2000, the total market (Class 8) in the US was down 19% from the preceding year to a level of 212,000. The dramatic downturn in the US has continued this year, forcing all manufacturers to further reduce production rates and manpower. During the first three months, deliveries of heavy trucks amounted to 34,580 a decline of 41% compared with the first quarter, 2000. The decline in North America is due to an oversupply of new and used trucks (resulting in severe price pressure), weak carrier profitability and low tonnage.

The total markets for Southeast Asia, Eastern Asia, Brazil and the rest of the world continue to show stable growth.

Deliveries

Volvo Global Trucks' total deliveries during the first three months of 2001 amounted to 42,139 vehicles, a decline of 11% compared with the corresponding period in 2000 (47,189) including Mack and Renault trucks. The North American market continued to decline, with the deliveries down 38% to 10,150 vehicles (16,381). In Europe deliveries increased by 1% to 27,655 (27,394), of which Eastern Europe represented a 10.5% increase to 1,634 vehicles (1,479). In Asia, deliveries declined by 13.3% to 994 vehicles (1,147).

Order situation
The number of order bookings of Volvo Global Trucks declined by 15% during the first three months, compared with the corresponding period in 2000. Order bookings were down 26% in North America and 10% in Europe.

Market shares
During the first three months Volvo Global Trucks achieved a total market share of 28.1% in the heavy segment in Europe, an increase of 1.4% compared with the year-earlier period (pro forma). Of this figure, Renault V.I. accounted for 12.5% (11.8) and Volvo Trucks for 15.6% (14.9). In the light- and medium segments, Volvo Global Trucks' market share in Europe for the first three months amounted to 20.0% (15.2%), of which Renault V.I. represents 13.6% (10.7%) and Volvo Trucks 6.4% (4.5%).

The market share for Volvo Global Trucks in the US (Class 8) rose to 23.9%, an increase of 3.1%. Mack represents 12.6% (10.8%) and Volvo Trucks 11.3% (10.0%).

Financial performance
Volvo Global Trucks' net sales for the first three months amounted to SEK 29,962 M (15,129). Operating income for the first three months 2001 was SEK 150 M compared with SEK 645 M in 2000. Volvo Global Trucks' operating margin was 0.5% compared with 4.3% in 2000. The significantly lower operating income and operating margin compared with the year-earlier period are attributable to the North American operations.

In response to this unfavorable profit trend, a comprehensive profit-improvement program has been developed.

In North America, Mack and Volvo are aggressively implementing profit-improvement programs on price management, additionally, each of these brands are separately carrying out activities to reduce inventories, and develop processes to ensure that inventories remain closely aligned with market demand. Actions are also being accelerated to increase order bookings. In rapid response to the market decline, the two combined North American units announced cutbacks totaling 1,400 employees (700 each), in addition to the 1,800 cutbacks already implemented in the US and in Europe. Several production down-days have already been taken. A joint task force is also working diligently to investigate and expedite further synergy opportunities between Volvo Trucks North America and Mack in this important marketplace.

In Europe, the successful profit-improvement program implemented in 2000 has been continued. Its objectives include improved price management, distribution efficiency program, inventory and line rate reduction programs, and stricter selling and administrative controls.

In addition to the profit-improvement program, priority is being given to cash flow. To support this focus, actions have been implemented targeted on inventory and receivables.

Restructuring costs
During the first quarter, restructuring costs of SEK 1.3 billion were charged against earnings, of which SEK 0.5 billion pertain to costs for personnel reductions as a direct result of the market decline in North America. The balance includes costs of coordinating purchasing and engine development.

The remaining restructuring measures, related to decided product plans, will be announced later and the costs of about SEK 3 billion will be charged against earnings as incurred, during 2001-2003.

New products
During the first quarter Mack introduced a new vehicle to its line-up of construction trucks. The new Granite Bridge Formula is designed to increase payload capacity without sacrificing durability and reliability.

Buses

Net sales by market area SEK M	First three months 2001	 2000	Change in %
Europe	1 326	1 654	(20)
North America	1 902	1 700	+12
South America	185	127	+46
Asia	192	267	(28)
Other markets	110	90	+22
Total	**3 715**	**3 838**	**(3)**

Total market
The demand in the bus world market is shrinking due to uncertain prospects and higher fuel and wage costs for operators. During the first quarter of 2001 the European coach market has shown clear signs of a downturn while the city bus market in Europe has been more stable. The North American coach market has continued the considerable decline that started during the later part of last year.

Deliveries
Volvo delivered 2,117 (2,626) buses and bus chassis in the first quarter of 2001, 19% less than in the first three months of 2000. The decrease is mostly related to Europe and the Middle East. South America has however a more positive trend. The reduction in Europe is mainly due to reduced demand. The deliveries of city buses in the US have had a substantial decline while deliveries in Mexico has continued to increase. Deliveries of complete buses produced amounted to 50% (45) of the total.

Market share
During the first two months Volvo Buses maintained its market shares in the Nordic countries and Continental Europe while there was a slight drop in the UK. Market share in South America is growing. The largest market in South America, Brazil, remains stable while significant gains have been made in Colombia, Uruguay and Jamaica. Volvo keeps the strong market share in the luxury coach segment in China Volvo Buses' joint venture for production and sales of intercity and commuter buses with Shanghai Automotive Industry Corporation is developing well and is now in a start up phase.

Order situation
The order backlog at the end of March was 12% lower than on the same date a year earlier. There is a negative trend mainly in the Nordic countries, UK and Israel due primarily to a general downturn in the market. The US posted a slower order intake for coaches due to the downturn in the economy.

Financial performance
Net sales declined to SEK 3,715 M (3,838) primarily due to lower volumes caused by reduced demand in the European market. This was partly offset by higher currency rates. Mexico is continuing strong and China is showing a positive development.

Operating loss in the first three months 2001, amounted to SEK 83 M compared with an operating income of SEK 33 M in the first quarter 2000. The decrease is due largely to reduced sales volumes in Europe and to low capacity utilization in the US and European manufacturing facilities. Operating margin for the first three months was negative compared with 0.9% in 2000.

The consolidation of the industrial structure in Europe continued and negotiations were started with the employee organizations to close the Vanda factory in Finland.

New products
During the last week in April new products based on the TX platform were launched including complete tourist and intercity buses and a rear-engine chassie.

Construction Equipment

Net sales by market area	First three months		Change
SEK M	**2001**	**2000**	**in %**
Europe	2 473	2 469	+0
North America	1 194	1 345	(11)
South America	238	175	+36
Asia	551	499	+10
Other markets	232	161	+44
Total	**4 688**	**4 649**	**+1**

Total market
The combined world market for heavy and compact equipment decreased approximately 4% during the first quarter compared with the year-earlier period.

The total market for heavy construction equipment decreased by approximately 3% during the first quarter of 2001, compared with 2000. The market for heavy equipment in Western Europe rose by 3%, while the market in NAFTA was down about 8%. Other markets were down approximately 5%.

The world market in the compact equipment segment decreased by about 6%. The compact equipment market in North America was up about 6%, while there was a decline in Europe and on other markets by approximately 5% and 8%, respectively.

Order situation
The value of the order backlog at the end of March was 19% lower than on the year-earlier date. However, compared with order bookings at year-end 2000, the value of the order book increased.

Financial performance
Volvo Construction Equipment's net sales rose slightly, to SEK 4,688 M (4,649).

Operating income for the first three months of 2001 amounted to SEK 81 M (311). The lower income was primarily the result of a shift in market and product mix, and to production cuts made in order to reduce inventory levels and adjust to the current market situation for heavy equipment primarily in North America. The operating margin was 1.7% (6.7%).

New products
During the first quarter the new wheel loader L 220 E was introduced. The new machine has higher performance and a number of new features. The L 220 E has very good environmental performance and meets or exceeds all environment-related legal requirements.

The range of compact equipment was extended with a new crawler excavator, the EC 55. The new machine, which is produced in South Korea, features state-of-the-art safety and comfort.

Marine and Industrial Power Systems

Net sales by market area	First three months		Change
SEK M	**2001**	**2000**	**in %**
Europe	967	809	+20
North America	506	542	(7)
South America	37	35	+6
Asia	196	165	+19
Other markets	30	34	(12)
Total	**1 736**	**1 585**	**+10**

Total market
The North American total market for marine engines declined in the first quarter compared to the strong first quarter of the previous year.

The market for marine engines in Europe continued to grow, however, the order situation for boat builders is now down to more normal levels from last year´s very strong order bookings. The European and the North American generating sets engine market decreased slightly.

Market share
Volvo Penta continued to show strong sales development and increased its share of the marine engine market, partly due to its strategy to focus on key customers, and strengthened its position in the industrial engine sector in Europe. Sales of industrial engines in Asia were significantly higher than previous year. The bankruptcy of the US boat manufacturer, OMC, contributed to lower sales of marine gasoline engines in North America, but the demand for marine diesel engines continued to increase.

Financial performance
Net sales amounted to SEK 1,736 M (1,585), up 10% compared to a year earlier. Operating income which was affected favorably by the strong sales development and efficiency improving measures, increased 62%, to SEK 167 M (103). The operating margin amounted to record high 9.6% (6.5%). Volvo Penta managed to limit the effects of OMC’s bankruptcy and the following restructuring of its operations and it had a limited effect on Volvo Penta’s earnings in the first quarter.

New products
During the first quarter Volvo Penta continued its high pace for the introduction of new products, with launches of industrial versions of the 12-liter, D12 engine and new 4-7 liter industrial diesel engines for mobile applications.

Two large orders for industrial engines for use in irrigation systems were received from Saudi Arabia in the first quarter. The orders represented a substantial increase in market shares in Saudi Arabia.

Aero

Net sales by market area	**First three months**		**Change**
SEK M	**2001**	**2000**	**in %**
Europe	1 217	996	+22
North America	1 163	1 082	+7
South America	40	30	+33
Asia	141	140	+1
Other markets	46	38	+24
Total	**2 607**	**2 286**	**+14**

Total market
Despite all indications of a slowdown in international business cycles, there are still no real signs of a downturn in air travel. The positive trend from 2000 (7.2% measured in revenue passenger miles) has continued during the first part of 2001 (7.7% in January). The situation is the same for orders received in the aerospace industry; during the first quarter orders for 237 new aircraft were signed, compared with 187 in the first quarter 2000.

Financial performance
Volvo Aero`s net sales for the first three months of 2001 increased 14% to SEK 2,607 M (2,286). Operating income amounted to SEK 160 M (110), primarily due to strong performance within the commercial engine programs and improvements in The AGES Group and Engine Services. Operating margin amounted to 6.1% (4.8).

New agreements
Honeywell Engines & Systems and The AGES Group have reached a three-year agreement under which AGES is granted exclusive rights to market and distribute Honeywell’s surplus air turbine starters for certain aircraft engines. The agreement is expected to result in sales of about SEK 100 M for The AGES Group.

Volvo Aero and the Swedish Space Corporation have formed a joint-venture company, ECAPS, to develop a more environmentally-friendly fuel for satellite and rocket engines. The new company expects to receive a first order from the Swedish Space Agency in 2001 to demonstrate the new fuel and will start development of satellite motors using the new propulsion system.

Volvo Aero has also signed an agreement with the United Kingdom MoD (Ministry of Defence) for the overhaul of a number of helicopter engines. The contract is an important breakthrough for Volvo Aero in the British market.

Financial Services

Financial Services is a newly established business area within Volvo. Its operations consist of customer financing, insurance, treasury and real estate operations. They are to be headquartered in New Jersey, US. The new business area is reported in accordance with the equity method in Volvo as of January 1, 2001, see accounting principles on page 19.

During the first quarter, the volume of new financing amounted to SEK 4.7 billion whereof 3.4 billion (72%) was related to financing of trucks. This was approximately in line with the volume during the first quarter of year 2000. The degree of penetration, in the markets where Financial Services is offering financing on sales of new Volvo trucks amounted to 25%, compared with 27% the same period last year.

Total assets as of March 31, 2001 amounted to SEK 71,6 billion, of which SEK 58,5 billion was in the credit portfolio. Adjusted for the effects of foreign exchange movements, the credit portfolio increased by 3% during the first quarter. Approximately 72% of the credit portfolio were related to truck financing, 12% to the financing of construction equipment, 14% to bus financing and 2% related to other financing.

Operating income for the first quarter 2001 amounted to SEK 113 M (450). Operating income last year included 210 MSEK of a capital gain from the sale of Volvia's securities portfolio. The operating income includes provisions for anticipated credit losses of 213 (104) MSEK.

The decline in earnings was due primarily to increasing credit losses for the North American truck financing. The situation for truck financing customers in North America remained difficult due to lower transport volumes and high diesel prices which, in combination with the depressed used truck market in the US, is causing high levels of credit losses. Given the present development, no short term improvement is expected.

Total reserves amounted to 2.6% of the credit portfolio of which the reserve for residual-value risk amounted to 0.4% and the credit reserve allocated to individual contracts amounted 1,7%. Total write-off during the first quarter amounted to SEK 163 M (68).

Number of employees

As of March 31, 2001, the Volvo Group had 76,436 employees, compared with 54,266 at the end of 2000. The increase is attributable to employees in acquired companies, of which Mack and Renault V.I. contributed 23,148 employees.

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

Göteborg, May 2, 2001

AB Volvo (publ)

Leif Johansson

Quarterly figures, Volvo Group SEK M unless otherwise specified	1/2000	2/2000	3/2000	4/2000	1/2001
Net sales	**28 274**	**30 970**	**27 911**	**33 237**	**43 750**
Cost of sales	(22 828)	(24 906)	(22 825)	(26 572)	(36 236)
Gross income	**5 446**	**6 064**	**5 086**	**6 665**	**7 514**
Research and development expenses	(1 182)	(1 281)	(1 122)	(1 291)	(1 394)
Selling expenses	(2 107)	(2 264)	(2 303)	(2 611)	(3 378)
Administrative expenses	(1 163)	(1 087)	(1 180)	(1 221)	(1 659)
Other operating income and expenses	0	289	0	20	(696)
Income from Financial Services*	450	678	220	151	113
Inc from investments in shares	356	108	(10)	(43)	2
Items affecting comparability	0	0	0	-	(1 319)
Operating income	**1 800**	**2 507**	**691**	**1 670**	**(817)**
Interest income and similar credits	500	443	333	312	411
Interest expenses and similar charges	(389)	(441)	(466)	(549)	(684)
Other financial income and expenses	(23)	(79)	(17)	(46)	(161)
Income after financial items	**1 888**	**2 430**	**541**	**1 387**	**(1 251)**
Taxes	(629)	(521)	(166)	(194)	422
Minority interests	8	(23)	(6)	(6)	28
Net income	**1 267**	**1 886**	**369**	**1 187**	**(801)**

** Financial Services reported in accordance with the equity method*

Depreciation and amortization included above					
Volvo Group excl Financial Services	922	893	908	1 150	1 818
Financial Services	612	704	468	669	698
Total	**1 534**	**1 597**	**1 376**	**1 819**	**2 516**

Income per share, SEK	**2,90**	**4,20**	**1,10**	**3,00**	**(1,90)**
Average number of shares, million	441,5	441,5	406,3	397,4	431,4

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

Key operating ratios %	1/2000	2/2000	3/2000	4/2000	1/2001
Gross margin	19.3	19.6	18.2	20.1	17.2
Research and development expenses in % of net sales	4.2	4.1	4.0	3.9	3.2
Selling expenses in % of net sales	7.5	7.3	8.3	7.9	7.7
Administrative expenses in % of net sales	4.1	3.5	4.2	3.7	3.8
Operating margin, excl items affecting comparability	6.4	8.1	2.5	5.0	1.1
Operating margin	6.4	8.1	2.5	5.0	(1.9)

Net sales **SEK M**	**1/2000**	**2/2000**	**3/2000**	**4/2000**	**1/2001**
Global Trucks	15 129	15 781	13 635	17 651	29 962
Buses	3 838	4 556	3 883	4 910	3 715
Construction Equipment	4 649	5 438	4 804	5 102	4 688
Marine and Industrial Power Systems	1 585	1 725	1 610	1 679	1 736
Aero	2 286	2 731	2 814	2 882	2 607
Other	3 087	3 158	2 959	3 465	3 399
Eliminations	(2 300)	(2 419)	(1 794)	(2 452)	(2 357)
Net sales	**28 274**	**30 970**	**27 911**	**33 237**	**43 750**

Operating income **SEK M**	**1/2000**	**2/2000**	**3/2000**	**4/2000**	**1/2001**
Global Trucks	645	31	53	685	150
Buses	33	180	65	162	(83)
Construction Equipment	311	740	282	261	81
Marine and Industrial Power Systems	103	197	121	63	167
Aero	110	278	72	161	160
Financial Services	431	665	173	127	113
Other	167	416	(75)	211	(86)
Operating income exl items affecting comparability*	**1 800**	**2 507**	**691**	**1 670**	**502**
Items affecting comparability	-	-	-	-	(1 319)
Operating income	**1 800**	**2 507**	**691**	**1 670**	**(817)**

** items affecting comparability pertain to restructuring costs*

Operating margin **%**	**1/2000**	**2/2000**	**3/2000**	**4/2000**	**1/2001**
Global Trucks	4.3	0.2	0.4	3.9	0.5
Buses	0.9	4.0	1.7	3.3	(2.2)
Construction Equipment	6.7	13.6	5.9	5.1	1.7
Marine and Industrial Power Systems	6.5	11.4	7.5	3.8	9.6
Aero	4.8	10.2	2.6	5.6	6.1
Other	5.4	13.2	(2.5)	6.1	(2.5)
Operating margin*	**6.4**	**8.1**	**2.5**	**5.0**	**1.1**

** excluding items affecting comparability*

Accounting principles

With the exception of the description below, in preparing this interim report, Volvo has applied the accounting principles presented in Note 1, page 53, of the Volvo 2000 Annual Report.

As of January 1, 2001, Volvo is applying the following new accounting standards issued by the Swedish Financial Accounting Standards Council: RR1:00 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 comply in all significant respects to 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 are no retroactive effects on Volvo's earlier financial statements. In applying the new standards during fiscal year 2001, RR1:00 Business combinations, RR15 Intangible Assets, RR16 Provisions, Contingent Liabilities and Contingent Assets result in a change in Volvo's accounting principles. In accordance with RR1:00 Business combinations, when a subsidiary is acquired through the issue of own shares at the market price, the purchase consideration is determined 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. 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 de 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. 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 involved. In accordance with Volvo's previous accounting principles, a provision for restructuring measures was reported in connection with the measures being decided by the company's management.

As from 2001, some changes have been implemented in the presentation of Volvo's income statement and cash-flow statement. The first change is that the business area Financial Services is reported in accordance with the equity method which means the result of this operation is reported as a separate line item. The change has been made as an adaption to normal practice within the industry. In Volvo's annual report, the income statement and cash-flow statement will also be presented according to the earlier applied presentation format. The second change is that investments in shares and participations and the income/cash-flow from these investments will be included as a part the operating activities rather than as a part of the financial items. The change has been made as an adaption to Volvo's internal business control model in connection with the new organization.

Units invoiced Volvo Global Trucks	First three months 2001	First three months 2000	Change %
Europe	27,655	27,394	+1
Western Europe	26,021	25,915	+0
Eastern Europe	1,634	1,479	+10
North America	10,150	16,381	(38)
South America	1,283	954	34
Asia	994	1,147	(13)
Other markets	2,057	1,313	57
Total, Volvo Global Trucks	**42,139**	**47,189**	**(11)**

Mack Trucks, Inc	First three months 2001	First three months 2000	Change %
North America	6,564	9,957	(34)
South America	189	49	+286
Other markets	180	178	+1
Total	**6,933**	**10,184**	**(32)**

Renault V.I.	First three months 2001	First three months 2000	Change %
Europe	15,712	15,188	+3
Western Europe	15,027	14,616	+3
Eastern Europe	685	572	+20
Other markets	1,373	834	+65
Total	**17,085**	**16,022**	**+7**

Volvo Trucks	First three months 2001	First three months 2000	Change %
Europe	11,943	12,206	(2)
Western Europe	10,994	11,299	(3)
Eastern Europe	949	907	+5
North America	3,586	6,424	(44)
South America	1,094	905	+21
Asia	994	1,147	(13)
Other markets	504	301	+67
Total	**18,121**	**20,983**	**(14)**

Volvo buses/bus chassis, units invoiced	First three months 2001	First three months 2000	Change %
Europe	630	1,000	(37)
Western Europe	596	974	(39)
Eastern Europe	34	26	+31
North America	943	888	+6
South America	264	148	+78
Asia	207	528	(61)
Other markets	73	62	+18
Total, buses/bus chassis	**2,117**	**2,626**	**(19)**