

THE VOLVO GROUP REPORT ON 2004 OPERATIONS

Net sales for the fourth quarter 2004 increased by 19%, adjusted for currency effects and acquired operations and amounted to SEK 57,113 M (48,733), reflecting strong organic growth.

Net income increased to SEK 3,494 M (loss: 2,886) in the quarter.

Income per share for the fourth quarter was SEK 8.40 (loss: 6.88).

Cash flow after net investments excluding Financial Services was SEK 9.2 bn (7.8).

Improved earnings in all business areas.

The Board of Directors proposes the AGM

- Ordinary dividend of SEK 12.50 per share
- Cancellation of treasury stocks above 5 % of company shares
- Renewed mandate for a buy-back program up to 10% of the company shares

	Fourth quarter		Year	
	2004	2003	2004	2003
Net sales, SEK M	57,113	48,733	201,496	174,768
Operating income, SEK M ¹	4,644	1,766	13,380	6,033
Revaluation of shares	—	(4,030)	820	(4,030)
Dividend received from Scania	—	—	—	501
Operating income, SEK M	4,644	(2,264)	14,200	2,504
Income after financial items, SEK M	4,559	(2,441)	12,579	1,657
Net income, SEK M	3,494	(2,886)	9,355	298
Income per share, SEK ¹	8.40	2.73	20.39	9.12
Income per share, SEK	8.40	(6.88)	22.35	0.71

Return on shareholders' equity during most recent 12 months period, %

13.2 0.4

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc and dividend received from Scania AB in 2003.

VOLVO

Comments by the Chief Executive Officer

Supported by strong economic growth and new products, our sales rose sharply in 2004 and totaled SEK 201 billion, an increase of 15% compared with 2003. Operating income more than doubled compared with a year earlier, to SEK 14,2 billion. This is the Group highest earnings in history, excluding gains from nonrecurring events.

The truck operations were very strong. Deliveries increased by 48% in North America and 12% in Europe. A total of 193,000 trucks were delivered, which is a record for the Volvo Group. Operating income for trucks more than doubled, to SEK 9 billion.

Our structural and product investments were high during 2004 but we did not make any large investments in capacity. We met the higher demand mainly through eliminating bottlenecks in production, tight control of deliveries from suppliers and through hiring of new employees.

The cost increase on raw materials and components impacted the Group, particularly Volvo CE, which was also affected by the fall of the dollar during the year.

At the same time, the Group has been engaged in an intensive phase of development of new products. Among other areas, this applies to the new Renault Magnum, Volvo VT 880 for the North American market and Volvo Penta's new marine propulsion system, IPS, which are being launched in the beginning of 2005.

The operating cash flow of slightly more than SEK 11,4 billion, during 2004, is pleasing and confirms the Group's



increased ability to release capital from operations, even during sharp growth.

The Group ended the year strong. Operating income more than doubled to SEK 4.6 billion in the fourth quarter. Operating margin in the truck operations was 8.8 percent and Volvo Penta reached 10.8 percent. The Group as a whole posted 8.1 percent in the fourth quarter and exceeded our financial targets. Return on equity amounted to 13.2 percent, which is in line with targets.

The fourth quarter build up the speed into 2005. Demand, as a whole, is high in North America, South America, Eastern Europe and Asia and the workload in the plants will remain high. The levels in Eastern Europe will probably raise somewhat. In the heavy truck segment, we estimate that the market will increase by 15-

20% in North America and up to 5% in Europe. In construction equipment, we expect the North American market to increase by 5-10% and by some 5% in Europe.

With the high demand, we foresee a continued strained situation for many suppliers and probably cost increases on components and raw material. Accordingly, we will continue to focus heavily on rationalizing costs and correct pricing of our products.

The year 2005 will offer challenges and great opportunities. We are in an intense period of production and product renewal and are looking forward to presenting many exciting products to our customers in the future.

I would like to express my gratitude and recognition to all of our employees, my colleagues at the Volvo Group, for good achievements.

Leif Johansson
President and CEO

Significant events during the fourth quarter of 2004

Product introductions

New version of Renault Magnum to be launched

During the fourth quarter Renault Trucks announced the plans to launch a new version of its Renault Magnum tractor unit for long-haul transports at the beginning of 2005.

The launch of the new version of Renault Magnum is the latest example of the extensive product-renewal process under way at Renault Trucks. The updated Magnum will have a new driveline and be equipped with new engines and gear-boxes. Great care has also been taken to improve the driver's cab.



New technology revolutionizes boat life

Volvo Penta is launching a new propulsion system for boats – the Volvo Penta IPS (Inboard Performance System). The new system makes the boats faster, stronger, quieter and cleaner.

The new system features propellers that are turned in the direction in which the boat is traveling. Volvo Penta has placed pulling and counter-rotating propellers through the bottom of the hull, which provides the boat with significantly improved

performance, compared with traditional shaft installations.

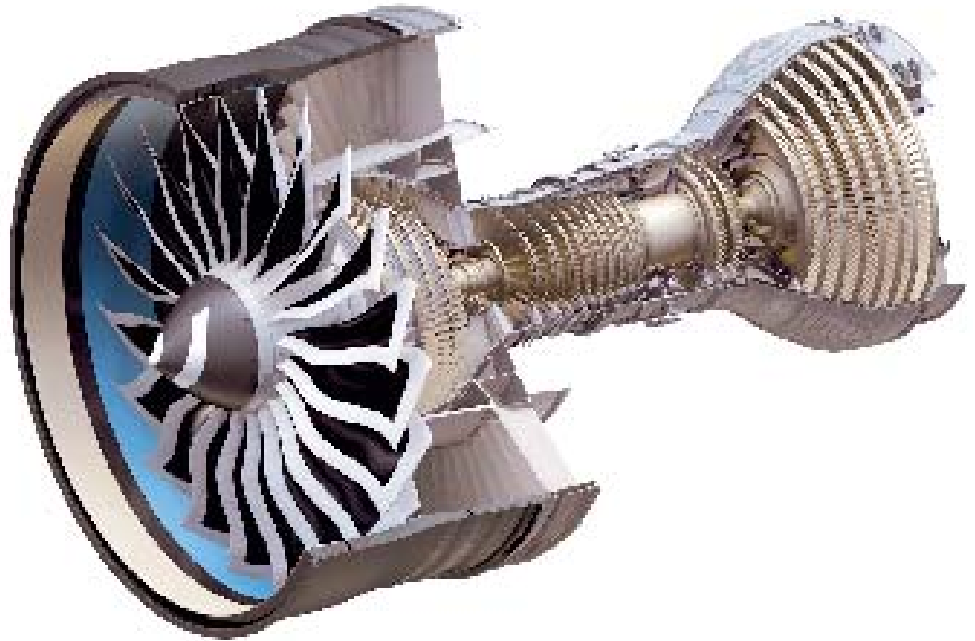
Volvo Penta IPS will be launched in two versions: IPS 400 and IPS 500, both of which are based on Volvo Penta's proprietary developed diesel engines D6-310 and D6-370. The system in these output classes is appropriate for boats ranging from 35 to 50 feet in size.



New orders

Largest commercial aircraft engine contract ever

Volvo Aero and General Electric Company have signed an agreement whereby Volvo Aero will be responsible for the design and manufacture of three major components for the new GEnx engine. Volvo Aero will make its largest investment ever in a new commercial aircraft engine program. Volvo Aero anticipates revenue in the range of SEK 20 billion if projected sales estimates, for a period of approximately 30 years, are achieved. The GEnx Engine will power the new Boeing 787 Dreamliner and the new Airbus A350 aircraft.



Corporate information

AB Volvo and Renault SA signed settlement agreement

AB Volvo and Renault SA signed a settlement agreement regarding the disagreement the companies have had since 2001 pertaining to Volvo's acquisition of Renault V.I. and Mack. According to the acquisition agreement in 2000, AB Volvo received 100 percent of the shares in Renault's truck subsidiaries, Renault V.I. and Mack in exchange for 15 percent of the shares in AB Volvo. Since then, AB Volvo and Renault SA have had ongoing discussions

regarding the value of certain of the acquired assets and liabilities of Renault V.I. and Mack.

According to this settlement, Renault SA has transferred EUR 108 M to AB Volvo. This settlement ended the disagreement Renault SA and AB Volvo had in relation with the acquisition of Renault V.I. and Mack.

AB Volvo delisted from London Stock Exchange

Volvo has been listed on the London Stock Exchange since 1972. This listing

was a feature of the Board's efforts to increase international ownership in Volvo. However, the deregulation of the international capital markets and the increased foreign ownership of shares on the Stockholm Stock Exchange have meant that this special listing has outlived its usefulness. The cancellation was effective from December 17, 2004. Volvo shares are listed on the Stockholm Stock Exchange and on NASDAQ in the US.

Significant events earlier in 2004

Divestment of Scania shares

Volvo's holding of Scania B shares was sold to Deutsche Bank on March 4, 2004 for an amount of SEK 14.9 billion. As a consequence of the divestment, the Scania holding was written down in the fourth quarter of 2003. The transaction was carried out as part of Volvo's commitment to the European Commission to divest the Scania shares not later than April 23, 2004.

At the Annual General Meeting on April 16, 2004, the Board's proposal to transfer all A shares in Scania AB to Ainax and thereafter to distribute the shares in Ainax to Volvo's shareholders was approved. The value of the distribution of Ainax was set at SEK 6.3 bn. The corresponding value on February 9, 2005, was approximately SEK 8.0 billion.

Repurchase of own shares

On April 16, 2004, the Annual General Meeting authorized the Board of Directors to decide on the acquisition of own shares for, among other reasons, to create a more effective capital structure for AB Volvo. The Board of AB Volvo has decided to acquire through purchase on Stockholm Stock Exchange a maximum of 22,076,045 Series A and/or Series B shares, however, not to exceed a total purchase amount of SEK 4,300 M.

In 2004, 145,000 Series A and 9,170,000 Series B shares have been



repurchased with a total purchase value of SEK 2,532 M. The average purchase price for Series A was SEK 257.49 and SEK 272.04 for series B. Continued repurchases may be carried out during the period until the Annual General Meeting in 2005.

Agreement in principle covering engine manufacture in China

Volvo signed an Engine Cooperation Frame Agreement with the truck manufac-

turers China National Heavy Truck Corporation (CNHTC), and First Automotive Works (FAW) covering the establishment of a jointly owned engine plant in China. The plant will manufacture complete engines for Volvo's products and for CNHTC's and FAW's trucks and buses. The three companies will form a joint company for production of engines for the Chinese market of which Volvo will own 52% and CNHTC and FAW 24% each. The agreement is still subject to final negotiation and the relevant Chinese authorities must also approve the agreement.





Renault Trucks concluded agreement in principle to manufacture trucks in China

Renault Trucks has signed an agreement in principle with the Chinese truck manufacturer Dong Feng Motors aimed at establishing a joint-venture company for manufacturing trucks and truck components in China. The agreement is still subject to final negotiation and the relevant Chinese authorities must also approve the agreement.

Volvo Trucks inaugurated factory in China

In March 2004, Volvo Trucks inaugurated its new factory in Jinan together with its

Chinese partner, China National Heavy Truck Corporation. The factory will build Volvo trucks for the large Chinese market. The factory initially has a capacity of about 1,200 trucks a year.

Moody's confirmed AB Volvo's credit rating

A number of international credit-rating institutes have confirmed AB Volvo's credit rating. Moody's confirmed AB Volvo's short-term credit rating of P-2 and long-term A3 and concurrently raises the outlook to stable. Moody's expects that Volvo will continue to increase efficiency in its operations and strengthen competitiveness.

Industrial relocation within Renault Trucks

The Volvo Group is carrying out an industrial relocation in Europe as a result of which manufacture of crankshafts for medium-heavy truck engines is being increased at Villaverde, Spain, while the production of Renault trucks is being concentrated to the plant in Bourg-en-Bresse, France. A total of about 450 employees will be affected by the decision. As a result a cost of approximately SEK 400 M was charged to operating income during the third quarter of 2004.

North American engine remanufacturing business established

Volvo Construction Equipment has acquired the engine remanufacturing-related assets of ECHO Industries, Inc, Charlotte, North Carolina, USA; the primary supplier of remanufactured engines to Volvo CE in North America. The market for Volvo CE's remanufactured engines has become quite substantial since they are updated to the latest version with the latest technical improvements. They are subjected to extensive testing and have the same warranty as new engines. The acquisition secures a very strong platform from which to develop the North America engine remanufacturing business.

Strategic Alliance with ArvinMeritor

In accordance with a Memorandum of Understanding signed earlier, Volvo and ArvinMeritor entered into a Strategic Alliance Agreement for the supply of axles, which includes ArvinMeritor taking over Volvo's axle manufacturing activities in Lyon. The European Commission approved the transaction on October 1, 2004. ArvinMeritor will be responsible for the manufacturing and supply of driven and non-driven axles for the Volvo Group's European truck and bus products.



Prévost and Nova Bus acquired

As part of the restructuring of the bus manufacturer Henlys Group Plc, Volvo Group reached an agreement to acquire the remaining 50% of the North American bus manufacturer Prévost Car Inc., containing the Prévost and Nova brands.

The purchase price was USD 83 M including two loans made available to Prévost Car Inc. by Henlys. In accordance with the agreement, Prévost Car Inc. became a wholly owned subsidiary of Volvo Bus Corporation. The agreement also involved Volvo converting part of the convertible debenture loan of USD 240 M issued to Henlys into shares in a newly established US-based company contain-

ing the US school bus manufacturer Blue Bird. As part of the restructuring, a write-down of approximately SEK 1.3 billion was done in the third quarter.

LB Smith dealership sold

During 2004 Volvo CE successfully divested almost 90% of the US dealerships acquired from LB Smith in 2003. The different distribution areas have been sold to strong, well-capitalized and experienced independent dealers. Volvo CE purchased the assets associated with the North American dealerships in order to ensure that the Volvo customers in North America continued to receive highest possible standards of product support and service.

AB Volvo ranked high on Dow Jones Sustainability Indexes

AB Volvo hits a new top rate on the Dow Jones Sustainability World Index (DJSI World) and is ranked high on the Pan European Sustainability Benchmark (DJSI STOXX), which includes companies that are judged to actively seek long-term sustainable development. AB Volvo is included in the industrial transportation category and is judged best in this group with regard to management of financial issues and above average with regards to management of environmental and social issues.

The Volvo Group – the fourth quarter of 2004

Sales increased

Net sales of the Volvo Group amounted to SEK 57,113 M, compared with SEK 48,733 M in 2003. This represents a growth of 19%, adjusted for currency effects and acquisitions.

Net sales of Trucks amounted to SEK 39,504 M, up 22% adjusted for currency effects compared with the year-earlier period. Deliveries in Europe increased by 12% while deliveries in North America rose by 48% to 15,044 vehicles. In Asia, the favorable development continued in the Middle East where deliveries rose by 46%, and in South America deliveries rose by 32% in the quarter.

Net sales for Volvo CE increased by 25%, adjusted for currency effects and the full year consolidation of the remaining LB Smith dealerships, which added SEK 135 M. Adjusted for currency effects, net sales of Volvo Penta for the fourth quarter of 2004 increased by 21% and

decreased by 7% for Volvo Aero. Net sales for Buses amounted to SEK 3,631 M, an increase of 8% adjusted for currency effects and the acquisition of the outstanding 50% holding in Prévost Car Inc., which added SEK 398 M to sales during the quarter.

The Group's net sales in the quarter grew on all major markets, most notably in North and South America.

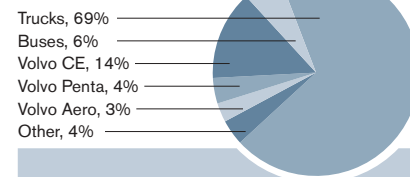
The distribution of net sales by market area is further specified in the table adjoining table.

Operating income

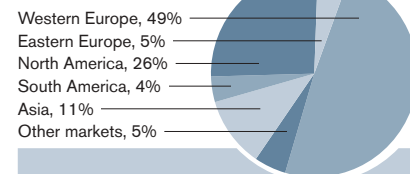
The operating income for the fourth quarter 2004 increased significantly compared with the year-earlier period, and amounted to SEK 4,644 M (loss: 2,264). Changed exchange rates, mainly the decline in US dollar, had a net adverse effect on operating income of about SEK 700 M, compared with the year-earlier period.



Sales by Business Area, %



Sales by Market, %



Trucks' operating income was SEK 3,458 M (1,457), corresponding to an operating margin of 8.8% (4.4). The improvement was largely attributable to higher sales volumes and increased margins. As a result of the settlement with Renault SA regarding the acquisition price for Renault VI and Mack, there was a positive earnings impact of SEK 180 M from reversal of previous amortization of goodwill. In Europe, Volvo Trucks' strong performance was further enhanced and a considerable improvement was recorded in markets outside Europe. In North America both Mack Trucks and Volvo Trucks showed significant earnings improvements.

Earnings for Volvo CE amounted to SEK 266 M (133). The improvement was largely related to higher volumes and a positive product and market mix, though strongly offset by negative currency effects and increased costs for raw materials. Buses reported an operating income of SEK 167 M for the fourth quarter, an improvement compared with the operating loss of SEK 96 M in the fourth quarter of 2003. Volvo Penta reported operating income amounting to SEK 235 M for the quarter (171), corresponding to an operating margin of 10.8%. The earnings for Volvo Aero improved to SEK 7 M compared with a loss of SEK 47 M in the year-earlier period. Financial Services operating income rose to SEK 434 M (251) in the fourth quarter. As a result of a continued improved performance of the credit portfolio, reserves equal to approximately

Net sales by market area SEK M	Fourth quarter		Year		Change in %
	2004	2003	2004	2003	
Western Europe	27,892	26,490	102,498	95,775	+7
Eastern Europe	3,188	2,525	10,556	8,344	+27
North America	14,864	10,556	51,751	42,043	+23
South America	2,113	1,571	6,949	4,727	+47
Asia	6,406	5,367	20,699	15,754	+31
Other markets	2,650	2,224	9,043	8,125	+11
Total	57,113	48,733	201,496	174,768	+15

Operating income SEK M	Fourth quarter		Year	
	2004	2003	2004	2003
Trucks	3,458	1,457	8,989	3,951
Buses	167	(96)	185	(361)
Construction Equipment	266	133	1,572	908
Volvo Penta	235	171	937	695
Volvo Aero	7	(47)	377	(44)
Financial Services	434	251	1,365	926
Other units	77	(103)	(45)	(42)
Operating income¹	4,644	1,766	13,380	6,033
Dividend from Scania	-	-	-	501
Revaluation of shares	-	(4,030)	820	(4,030)
Operating income	4,644	(2,264)	14,200	2,504

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc and dividend received from Scania AB.

Consolidated income statements SEK M	Fourth quarter		Year	
	2004	2003	2004	2003
Net sales	57,113	48,733	201,496	174,768
Cost of sales	(45,120)	(39,416)	(158,231)	(141,256)
Gross income	11,993	9,317	43,265	33,512
Research and development expenses	(1,850)	(1,713)	(7,233)	(6,829)
Selling expenses	(4,962)	(4,545)	(18,048)	(15,891)
Administrative expenses	(1,359)	(1,388)	(5,321)	(5,259)
Other operating income and expenses	410	(142)	(658)	(540)
Income from Financial Services ¹	434	251	1,365	926
Income from investments in associated companies	0	(2)	2	166
Income from other investments	(22)	(4,042)	828	(3,581)
Operating income	4,644	(2,264)	14,200	2,504
Interest income and similar credits	266	272	993	1,193
Interest expenses and similar charges	(325)	(464)	(1,404)	(1,984)
Other financial income and expenses	(26)	15	(1,210)	(56)
Income after financial items	4,559	(2,441)	12,579	1,657
Income taxes	(1,073)	(442)	(3,184)	(1,334)
Minority interests in net (income) loss	8	(3)	(40)	(25)
Net income	3,494	(2,886)	9,355	298
Income per share, SEK	8.40	(6.88)	22.35	0.71
Diluted earnings per share, SEK	8.39	(6.88)	22.33	0.71

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

SEK 50 M were released during the quarter. Income from other units increased to SEK 77 M (loss: 103).

Operating income by business area is further specified in the table on page 9.

Other operating income and expenses

Other operating income and expenses amounted to an income of SEK 410 M (expense: 142). The fourth quarter this year was positively impacted by a reversal of SEK 180 M related to previous amortization of goodwill. This was a consequence of the settlement between Renault SA and AB Volvo regarding the acquisition price of Renault V.I. and Mack. In the fourth quarter of 2003 write-offs equal to SEK 170 M for engine contracts in Volvo Aero impacted negatively.

Net interest expense

Net interest expense for the fourth quarter 2004 amounted to SEK 59 M, compared with SEK 165 M during the third quarter of 2004. The improvement mainly relates to an increase in financial assets as a result of a positive cash flow.

Other financial expenses

Other financial expenses amounted to SEK 26 M (income: 15) in the fourth quarter.

Income taxes

During the fourth quarter of 2004, an income tax expense of SEK 1,073 M was reported (442), relating to both current and deferred income taxes.

Net income and income per share

Net income amounted to SEK 3,494 M (loss: 2,886) in the fourth quarter, corre-

Key operating ratios, Volvo Group

%	Fourth quarter		Year	
	2004	2003	2004	2003
Gross margin	21.0	19.1	21.5	19.2
Research and development expenses in % of net sales	3.2	3.5	3.6	3.9
Selling expenses in % of net sales	8.7	9.3	9.0	9.1
Administrative expenses in % of net sales	2.4	2.8	2.6	3.0
Operating margin	8.1	(4.6)	7.0	1.4

Condensed income statement - Financial Services

SEK M	Fourth quarter		Year	
	2004	2003	2004	2003
Net sales	2,427	2,293	9,598	9,153
Income after financial items	434	251	1,365	926
Income taxes	(139)	(82)	(430)	(170)
Net income	295	169	935	756

Key ratios - Financial Services

12 months figures unless otherwise stated	Dec 31	Dec 31
	2004	2003
Return on shareholders' equity, %	11.1	9.8
Equity ratio at end of period, %	11.6	12.0
Asset growth, %	7.0	(3.6)

Changes of Net financial position,

SEK bn	Fourth quarter	Year
Beginning of period	12.2	(2.4)
Cash flow from operating activities	11.4	18.1
Investments in fixed assets, net	(2.3)	(6.8)
Customer Finance receivables, net	0.1	0.1
Investments and divestments of shares, net	0.1	15.1
Acquired and divested operations, net	(0.1)	(0.1)
Cash-flow after net investments, excluding Financial Services	9.2	26.4
Dividend paid to AB Volvo shareholders	0.0	(3.4)
Contribution to US pension plans	0.0	1.1
Write-down of convertible debenture loan to Henlys	0.0	(1.2)
Debt in acquired and divested operations	(0.7)	(0.7)
Repurchase of own shares	(2.5)	(2.5)
Currency effect	1.0	0.8
Other	(0.5)	0.6
Total change	6.5	21.1
Net financial position at end of period	18.7	18.7

sponding to an income per share of SEK 8.40 (loss: 6.88). Fourth quarter in 2003 was impacted by a write-down of shares in Scania AB and Henlys Group Plc. Income per share for the most recent 12-months was SEK 22.35.

Number of employees

As of December 31, 2004, the Volvo Group had 81,078 employees, compared with 75,743 at the end of 2003. The change relates primarily to increased production and the acquisition of the outstanding holding of 50% in Prévost Car Inc. This increase was partly offset by the divesture of axle production to ArvinMeritor.

Balance sheet

On December 31, 2004, the Volvo Group's total assets amounted to SEK 222,9 billion, corresponding to a decrease of SEK 8.4 billion since the end of 2003. Total assets were reduced since year-end, mainly as a result of divestment and distribution of Scania shares as well as changes in currency rates. This effect was partially offset by growth in the credit portfolio of Financial Services and higher inventories and receivables as a consequence of the significant sales increase. In addition, liquid funds increased by SEK 6.0 billion, mainly due to the proceeds received on the divestment of Scania B shares.

Shareholders' equity and minority interests amounted to SEK 69.4 billion, corresponding to an equity ratio of 40.0%, excluding Financial Services. Other changes of shareholders' equity during the period are specified on page 12.

SEK M	Volvo Group excl Financial Services ¹		Financial Services		Volvo Group total	
	Dec 31 2004	Dec 31 2003	Dec 31 2004	Dec 31 2003	Dec 31 2004	Dec 31 2003
Consolidated balance sheets						
Assets						
Intangible assets	16,564	16,662	42	94	16,606	16,756
Property, plant and equipment	27,260	27,248	3,891	3,392	31,151	30,640
Assets under operating leases	8,477	8,976	12,817	13,234	19,534	21,201
Shares and participations	10,116	9,598	193	188	2,003	1,782
Long-term customer finance receivables	147	53	25,200	23,918	25,187	23,448
Long-term interest-bearing receivables	1,797	2,911	5	5	1,741	2,769
Other long-term receivables	6,426	7,879	212	59	6,034	7,718
Inventories	28,291	25,848	307	611	28,598	26,459
Short-term customer finance receivables	83	65	26,207	22,894	26,006	22,554
Short-term interest bearing receivables	10,330	6,502	0	0	1,643	3,863
Other short-term receivables	30,043	25,200	1,628	1,649	29,647	24,903
Shares in Scania AB	-	20,424	-	-	-	20,424
Marketable securities	25,839	19,385	116	144	25,955	19,529
Cash and bank	8,789	8,717	914	654	8,791	9,206
Total assets	174,162	179,468	71,532	66,842	222,896	231,252
Shareholders' equity and liabilities						
Shareholders' equity	69,409	72,420	8,306	8,004	69,409	72,420
Minority interests	229	216	0	0	229	216
Provisions for post-employment benefits	14,129	15,264	26	24	14,155	15,288
Other provisions	14,020	12,792	878	2,256	14,898	15,048
Loans	13,968	24,677	57,860	52,852	61,807	74,092
Other liabilities	62,407	54,099	4,462	3,706	62,398	54,188
Shareholders' equity and liabilities	174,162	179,468	71,532	66,842	222,896	231,252

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

12 months figures unless otherwise stated	Dec 31	Dec 31
	2004	2003
Income per share, SEK	22.35	0.71
Return on shareholders' equity, %	13.2	0.4
Income per share, SEK ¹	20.39	9.12
Return on shareholders' equity, % ¹	12.1	5.0
Net financial position at end of period, SEK billion	18.7	(2.4)
Net financial position at end of period as percentage of shareholders' equity and minority interests	26.8	(3.3)
Shareholders' equity and minority interests at end of period as percentage of total assets	31.2	31.4
Shareholders' equity and minority interests as percentage of total assets, excluding Financial Services	40.0	40.5

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc and dividend from Scania AB in 2003.

Changes of shareholders' equity SEK bn	Jan-Dec	
	2004	2003
Beginning of period	72.4	78.3
Translation differences	(0.2)	(0.5)
Transition impact of new accounting standards for pensions and other post-employment benefits	-	(2.3)
Dividend to AB Volvo's shareholders ¹	(9.7)	(3.4)
Repurchase own shares	(2.5)	-
Net income	9.4	0.3
Other changes	0.0	0.0
Balance at end of period	69.4	72.4

1) 2004 includes ordinary dividend and distribution of Ainax shares.

Number of Volvo shares	Dec 31	Dec 31
	2004	2003
Number of shares outstanding	410.1	419.4
Average number of shares outstanding during the period (12 months)	418.5	419.4
Company shares held by AB Volvo	31.4	22.1

The Group's net financial assets on December 31, 2004, amounted to SEK 18.7 billion, which corresponded to 26.8% of Shareholders' equity and minority interests. Changes in net financial position during the period are specified on page 10.

The Volvo Group's cash flow

Cash flow after net investments, excluding Financial Services, during the fourth quarter of 2004 was positive in an amount of SEK 9.2 billion. The main reason for the positive cash flow is an improved operating income and a reduction in working capital, mainly related to lower inventories and higher payables, compared to end of third quarter.

Cash flow statement SEK bn	Fourth quarter		Year	
	2004	2003	2004	2003
Operating activities				
Operating income ¹	4.2	1.5	12.8	5.6
Add depreciation and amortization	1.8	1.8	7.4	7.2
Other non-cash items	(0.2)	0.1	(0.4)	0.1
Change in working capital	5.2	5.8	(1.5)	0.7
Financial items and income taxes paid	0.4	0.0	(0.2)	(0.7)
Cash flow from operating activities	11.4	9.2	18.1	12.9
Investing activities				
Investments in fixed assets	(2.4)	(1.4)	(7.2)	(5.8)
Investment in leasing vehicles	(0.1)	(0.1)	(0.3)	(0.1)
Disposals of fixed assets and leasing vehicles	0.2	0.2	0.7	0.6
Customer Finance receivables, net	0.1	0.0	0.1	0.0
Investments and divestments of shares, net	0.1	0.0	15.1	(0.1)
Acquired and divested operations, net	(0.1)	(0.1)	(0.1)	0.0
Cash-flow after net investments excl Financial Services	9.2	7.8	26.4	7.5
Cash-flow after net investments, Financial Services	(3.1)	(2.0)	(5.5)	(3.2)
Cash-flow after net investments, Volvo Group total	6.1	5.8	20.9	4.3
Financing activities				
Change in loans, net	(1.4)	(4.0)	(8.8)	1.3
Loans to external parties, net	(0.5)	0.9	0.0	1.6
Dividend paid to AB Volvo's shareholders	0.0	0.0	(3.4)	(3.4)
Repurchase of own shares	(2.5)	0.0	(2.5)	0.0
Other	0.0	(0.1)	0.0	0.0
Change in liquid funds excl translation differences	1.7	2.6	6.2	3.8
Translation difference on liquid funds	(0.4)	(0.2)	(0.2)	(0.6)
Change in liquid funds	1.3	2.4	6.0	3.2

1) Excluding Financial Services.

Condensed cash-flow statement, Financial Services SEK bn	Fourth quarter		Year	
	2004	2003	2004	2003
Cash-flow from operating activities	1.1	0.5	5.1	4.1
Net investments in credit portfolio etc	(4.2)	(2.5)	(10.6)	(7.3)
Cash-flow after net investments	(3.1)	(2.0)	(5.5)	(3.2)

Cash flow after net investments within Financial Services was negative SEK 3.1 billion in the quarter (neg. 2.0), as a result of continued growth of the credit portfolio.

Net borrowing decreased during the fourth quarter by SEK 1.4 billion. During the same period, total liquid funds

increased by SEK 1.3 billion and amounted to SEK 34.7 billion as of December 31, 2004.

Financial review by business area

Net sales SEK M	Fourth quarter		Year		Change in %
	2004	2003	2004	2003	
Trucks	39,504	33,238	136,879	116,969	17
Buses	3,631	3,101	12,722	11,978	6
Construction Equipment	8,035	6,499	28,685	23,154	24
Volvo Penta	2,179	1,851	9,057	7,596	19
Volvo Aero	1,814	2,094	6,925	8,030	(14)
Other	1,950	1,950	7,228	7,041	3
Net sales	57,113	48,733	201,496	174,768	+15

Operating income SEK M	Fourth quarter		Year	
	2004	2003	2004	2003
Trucks	3,458	1,457	8,989	3,951
Buses	167	(96)	185	(361)
Construction Equipment	266	133	1,572	908
Volvo Penta	235	171	937	695
Volvo Aero	7	(47)	377	(44)
Financial Services	434	251	1,365	926
Other units	77	(103)	(45)	(42)
Operating income¹	4,644	1,766	13,380	6,033
Dividend from Scania	–	–	–	501
Revaluation of shares	–	(4,030)	820	(4,030)
Operating income	4,644	(2,264)	14,200	2,504

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc and dividend received from Scania AB.

Operating margin %	Fourth quarter		Year	
	2004	2003	2004	2003
Trucks	8.8	4.4	6.6	3.4
Buses	4.6	(3.1)	1.5	(3.0)
Construction Equipment	3.3	2.0	5.5	3.9
Volvo Penta	10.8	9.2	10.3	9.1
Volvo Aero	0.4	(2.2)	5.4	(0.5)
Operating margin¹	8.1	3.6	6.6	3.5
Operating margin	8.1	(4.6)	7.0	1.4

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc and dividend received from Scania AB in 2003.

Trucks

Total truck market

The year 2004 was unique as demand for heavy trucks was on a high level in all major markets: Europe, North and South America and Asia.

The total market for heavy trucks in Europe 27¹ increased by 12% and reached 256,000 vehicles (228,000). In Western Europe the markets in Germany, France and Spain increased by 17%, 5% and 8% respectively. The new EU member states in Eastern Europe continued to grow and notable increases were made in Poland, which was up by 58%.

The market for heavy trucks (class 8) in North America increased by 42% and reached 255,000 vehicles (179,000). The Brazilian market for heavy trucks was also strong and grew by 34% to 48,500 vehicles (36,100) in 2004.

Increased truck deliveries

Total deliveries from the Group's truck operations amounted to 59,424 vehicles in the fourth quarter of 2004, an increase of 25% compared with the year-earlier period. In Europe, 30,214 trucks were delivered, up 12% and North America increased by 48% with total deliveries of 15,044 trucks. In Asia, the favorable development continued in the Middle East where deliveries rose by 46%, and in South America deliveries rose by 32% in the quarter.

¹ Members of the European Union plus Norway and Switzerland.

Mack Trucks

Deliveries from Mack totaled 7,846 trucks in the fourth quarter, up 48% from the fourth quarter of 2003. The gain in deliveries reflects the general strengthening in the North American truck market.

Renault Trucks

Renault Trucks' deliveries amounted to 21,204 vehicles, an improvement of 8% compared with the year-earlier period. Deliveries to Eastern Europe and Western Europe increased by 15% and 8% respectively.

Volvo Trucks

Volvo Trucks increased its deliveries by 33% to a level of 30,374 trucks during the quarter. The deliveries in North America were up 53% compared with the year-earlier period. Deliveries in South America and the Middle East rose 17% and 87% respectively. The deliveries in Western Europe improved by 14% and deliveries in Eastern Europe showed a growth of 34%. For the full year 2004, a new all-time-high was set for deliveries at 97,264 trucks.

Order bookings

Mack Trucks

In the fourth quarter, Mack's order intake was still substantially ahead of 2003, rising 46% from the same quarter a year ago, which reflects a strong demand in both the highway and vocational segments.

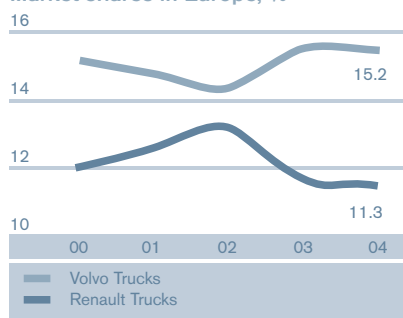
Renault Trucks

Order intake declined by 18% in Europe during the fourth quarter compared to the same period 2003. However, strong

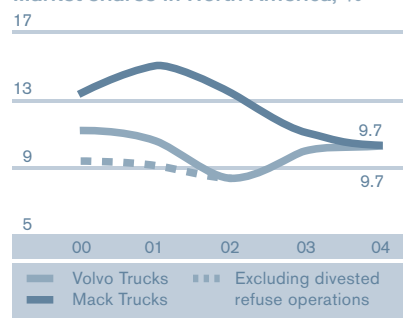


Net sales by market area, Trucks					
SEK M	Fourth quarter		Year		Change in %
	2004	2003	2004	2003	
Europe	21,646	19,871	77,431	70,101	+10
North America	10,020	7,258	35,154	28,151	+25
South America	1,565	1,176	5,223	3,464	+51
Asia	4,437	3,387	12,378	9,206	+34
Other markets	1,836	1,546	6,693	6,047	+11
Total	39,504	33,238	136,879	116,969	+17

Market shares in Europe, %



Market shares in North America, %



demand was recorded in Asia where orders were up by 30%. Total order intake for Renault Trucks declined during the quarter by 9%.

Volvo Trucks

Volvo Trucks' total order intake increased by 16% in the fourth quarter 2004, compared with 2003. Order intake in Western Europe declined by 27%, and by 29% in Eastern Europe, compared with the strong order intake in the fourth quarter 2003. In North America, order intake rose by 121% compared with the year-earlier period. In South America, order intake was down by 34% while Asia was up 49%.

Market shares

Volvo Trucks' market share in Europe 27 was 15.2% (15.7) in the heavy class in 2004 and Renault Trucks' share of the market was 11.3% (11.4%). Renault Trucks' European market share in the medium duty segment was stable at 11.6% in 2004.

In North America, the combined market share of heavy trucks (class 8) was 19.4% (19.8). Volvo Trucks' market shares amounted to 9.7% (9.4). This increase was due to a high demand for the Volvo VN. In its core segments, Mack's leadership position strengthened during 2004. However, Mack ended the year with an overall North American market share of 9.7% (10.4%). The drop reflects a stronger market upturn in the long-haul truckload carrier segment than among Mack's core segments.



Financial performance in the fourth quarter

Net sales amounted to SEK 39,504 M, compared with SEK 33,238 M in the year-earlier period. Adjusted for currency effects, sales increased by 22% compared with 2003. Operating income was SEK 3,458 M (1,457). In Europe, Volvo Trucks' strong performance was further enhanced and a considerable improvement was recorded in markets outside Europe. In North America both Mack Trucks and Volvo Trucks showed significant earnings improvements. Renault Trucks also reported higher earnings, to some extent. The improvement in the truck operations was largely attributable to higher sales volumes and increased margins. As a result of the settlement with

Renault SA of the acquisition price of Mack and Renault Trucks, there was a positive impact on earnings of SEK 180 M from reversal of previous amortization of goodwill.

Buses

Total bus market

The global market for buses continues to develop favorably in USA, Canada, South America and Europe, while the coach segment in Mexico has decreased by about 15% during 2004. In Asia the demand for new vehicles is increasing, particularly in India, Singapore and Hong Kong. For the rest of the region, however, the trends varied. In China the low price segment increases while the upper price segment stagnates.

Improved order bookings

Order bookings increased also during the fourth quarter from 2,203 to 2,492 orders, which is 13% higher compared with the year-earlier period. The quarter showed an increased order intake particularly in USA and Canada, while order intake in China was lower than the year-earlier period. The order backlog at the end of the period was 32% higher than the fourth quarter of 2003 amounting to 4,450 orders (3,383).

Deliveries

During the fourth quarter Volvo Buses delivered 2,359 buses, which is somewhat less than the year-earlier quarter (2,343). Deliveries in all markets increased with the exception of Mexico and China.

Market shares

Volvo Buses' market shares in Europe, for the first nine months, were 14.4%, which is the same level as the year-earlier period, and the strong position in the Nordic region and the UK were retained. In USA and Canada the market shares increased



Net sales by market area, Buses					
SEK M	Fourth quarter		Year		Change in %
	2004	2003	2004	2003	
Europe	1,728	1,593	6,948	6,534	+6
North America	1,135	692	2,960	2,984	(1)
South America	200	104	521	329	+58
Asia	423	492	1,632	1,447	+13
Other markets	145	220	661	684	(3)
Total	3,631	3,101	12,722	11,978	+6

within the Coach segment, while market shares in China and in the Coach segment in Mexico decreased.

Financial performance in the fourth quarter

The earnings during the fourth quarter showed a significant improvement compared to the year-earlier period. Net sales amounted to SEK 3,631 M, compared with SEK 3,101 M in the year-earlier quarter, corresponding to an increase of 8%, adjusted for exchange-rate effects and the acquisition of the outstanding 50% hold-

ing in Prévost Car Inc., which added SEK 398 M in sales. Operating income amounted to SEK 167 M, which is a considerable improvement compared with an operating loss of SEK 96 M for 2003.

Volvo Buses continues to implement the comprehensive restructuring program to reach sustainable and long-term profitability. In Mexico, we focus on a turnaround program and in China to develop the companies further. The efforts to improve cash flow will continue.

New orders

During the quarter a number of important orders has been announced, among others 184 articulated buses for the city of Stockholm, Sweden, and an order for 150 double-deck buses to Singapore, which is the first big order for Volvo Buses' new chassis for double-deck buses, the Volvo B9TL. In South America, Volvo Buses launched the world longest bus, a bi-articulated bus with a total length of 26,8 meters, which will be able to carry 300 passengers. The bus was awarded the honor "Bus of the Year" in Brazil. In the beginning of 2005, Volvo Buses also received its largest order ever from three operators of city buses in Santiago, Chile. The order is for 1,667 buses.



Construction Equipment

Improved market

The total world market for heavy and compact equipment, within Volvo CE's product range, increased by 17% during the fourth quarter, compared with corresponding period in the preceding year. In North America the market was up 27%, Western Europe increased by 13% and Asia was up 2%, with a negative impact from China where the market was down 51%. Other international markets were up 40%.

The increase in the total market was attributable to both heavy and compact equipment, which increased by 14% and 19% respectively, in the quarter compared with a year earlier. The North American market for **heavy equipment** was up 41%, Europe increased by 11%, and Asia was down 11% while other international markets rose 46% during the quarter.

Net sales by market area, Construction Equipment SEK M	Fourth quarter		Year		Change in %
	2004	2003	2004	2003	
Europe	3,731	3,568	13,453	12,348	+9
North America	2,317	1,251	7,926	5,428	+46
South America	262	212	922	636	+45
Asia	1,147	1,117	4,961	3,707	+34
Other markets	578	351	1,423	1,035	+37
Total	8,035	6,499	28,685	23,154	+24

The North American market for **compact equipment** was during the period up 22%. In Europe the market rose 13% whilst other international markets for compact equipment was up 20%.

For the full year 2004, the combined total world market for heavy and compact equipment was up 20%, equally split between heavy and compact.

Strong order bookings

Order bookings remain on a good level. The value of the order backlog at December 31 was approximately 35% higher than the

same date in 2003. Compared with end of the third quarter, the value of the order book was approximately 2% higher. In a very strong market, Volvo CE has been able to maintain, and in some areas gain, market shares due to a strengthened dealer network and a number of new products launched over the last couple of years.

Financial performance in the fourth quarter

Net sales increased by 25%, adjusted for currency effects and full year consolidation of the remaining LB Smith dealer-

ships, which added SEK 135 M in sales. Sales amounted to SEK 8,035 M (6,499). Operating income doubled to SEK 266 M (133) and the operating margin was 3.3% (2.0).

The improvements in sales and operating income were mainly due to higher volumes and price realizations, strongly offset by currency effects and increased costs for raw material.

The number of sold machines for the full year 2004 reached an all-time-high at close to 30,000 units, an increase with 25% compared to 2003.

During the fourth quarter, the planned divestiture of the different territories acquired from LB Smith in 2003 continued. Almost 90% of the assets are now sold to strong, well-capitalized and experienced dealers.

In December, Volvo CE announced it would present a completely new 70-ton hydraulic excavator at the ConExpo 2005 trade fair in Las Vegas in March. Production is planned to start at the end of 2005 for delivery to the markets during 2006. With this new machine Volvo CE will be able to enter new segments in the industry.

Volvo Penta

Total market for marine and industrial engines

The total market for marine and industrial engines continued to rise during the fourth quarter of 2004, although trends varied in different parts of the world. The strong upturn for industrial engines in China weakened as a result of the introduction of different kinds of restrictions by the



Net sales by market area, Volvo Penta

SEK M	Fourth quarter		Year		Change in %
	2004	2003	2004	2003	
Europe	1,229	977	4,907	4,189	+17
North America	530	498	2,500	2,109	+19
South America	53	47	142	146	(3)
Asia	310	268	1,324	947	+40
Other markets	57	61	184	205	(10)
Total	2,179	1,851	9,057	7,596	+19

Chinese authorities to cool down the economy.

The total market for both gasoline and diesel engines rose in North America, while continued stable demand for marine diesel engines was noted in Europe.

Order situation

Volvo Penta's order situation remained very strong. In the marine segment, order bookings during the fourth quarter were the strongest ever, mainly as a result of the continuous strong trend for leisure boats. Restrictions in China led to a decline in

order bookings for industrial engines, compared with the very high levels of the preceding year.

Market shares

Volvo Penta's new generation of diesel engines was very well received by the market, contributing to a further strengthening of positions among the world's major boat builders. This trend was particularly evident in North America, where Volvo Penta has been steadily strengthening its position for several years, in both gasoline and diesel engines. The company

maintained its high market shares in the industrial-engine segment, particularly in China, where Volvo Penta holds strong positions among the leading manufacturers of generator sets.

Financial performance in the fourth quarter

The fourth quarter was another record quarter for Volvo Penta in terms of earnings, sales and operating margin. Sales rose 21% adjusted for currency effects and amounted to SEK 2,179 M (1,851). Sales were distributed among Volvo Penta's three business segments as follows: Marine Leisure: SEK 1,310 M (1,140), Marine Commercial: SEK 257 M (225), and Industrial: SEK 612 M (486).

Operating income for the fourth quarter of 2004 rose by 37% to SEK 235 M (171), which equal as an operating margin of 10.8% (9.2).

New products

During the fourth quarter of 2004, Volvo Penta initiated the launch of Volvo Penta IPS (Inboard Performance System) – a totally new propulsion system for boats. The new system is based on steerable drive units and forward-facing propellers, which make the boat faster, more powerful, quieter and cleaner with considerably better maneuverability. Volvo Penta's IPS will replace traditional shaft installations in boats in the size range from approximately 35 to 50 feet.

Volvo Penta is unique in the industry in marketing this technology, which has attracted a great deal of attention from boat builders and the boating press. During the winter of 2005, Volvo Penta



SEK M	Fourth quarter		Year		Change in %
	2004	2003	2004	2003	
Europe	808	1,059	3,179	4,000	(21)
North America	850	862	3,127	3,301	(5)
South America	32	34	138	152	(9)
Asia	89	96	400	428	(7)
Other markets	35	43	81	149	(46)
Total	1,814	2,094	6,925	8,030	(14)

IPS is exhibited at the major international boat shows in London, Düsseldorf and Miami.

Volvo Aero

Total air traffic

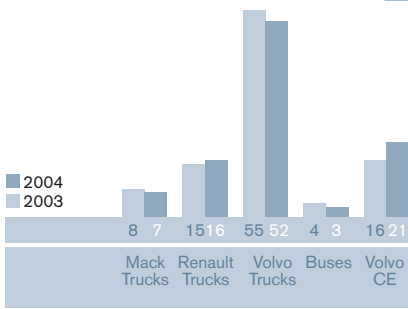
The rebound in air traffic continued during the fourth quarter of 2004. While traffic growth in the last quarter has declined, growth rates still exceed the long-term historical average. Air traffic in 2005 is expected to increase in line with historical industry trends.

However, strong traffic volumes do not necessarily mean strong airline profits and the performance of airlines differs substantially. While the low-cost sector continued to perform strongly in 2004, many airlines primarily in the US continue to face severe pressure from declining yields and high fuel prices.

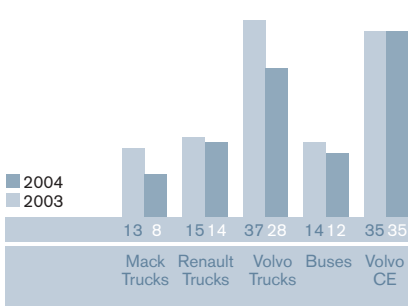
Order situation

The order intake for large commercial aircraft improved strongly in the fourth quarter of 2004. Airbus announced 181 new orders during the quarter and Boeing 81, which

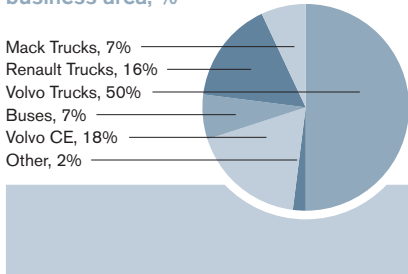
New financing, %



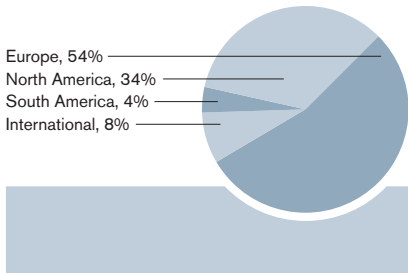
Penetration, %



Credit portfolio by business area, %



Credit portfolio by market, %



brought the combined order intake to 262 aircraft. This is an improvement of 32% as compared to the previous quarter. The aircraft manufacturers delivered 163 aircraft in the last three months of 2004, compared to 130 aircraft in the third quarter. The backlog increased from 2,491 at the end of September to 2,597 at the end of the year.

Financial performance in the fourth quarter

Sales decreased by 13% to SEK 1,814 M (2,094). Adjusted for currency changes, sales decreased by 7%. The sales decline is attributable to a combination of lower volumes within the aftermarket segment and lower volumes delivered of the military engine RM12, and the effect of a lower USD exchange rate.

In the fourth quarter, operating income was SEK 7 M (loss: 47). The operating margin was 0.4% (neg. 2.2). The improved result was mainly attributable to cost reduction and more efficient utilization of production facilities in Trollhättan and Kongsberg. The most profitable areas continue to be production of components and spare parts for commercial aircraft engines. Profitability remains unsatisfactory in the after market business, where the market conditions have deteriorated. The price pressure is severe and, within Engine Services, the volumes were low during the fourth quarter.

New commercial aircraft engine contract signed

In December, Volvo Aero and General Electric Company signed an agreement whereby Volvo Aero will be responsible for the design and manufacture of three major

components for the new GEnx engine. Volvo Aero will make its largest investment ever in a new commercial aircraft engine program. Volvo Aero anticipates revenue in the range of SEK 20 billion if projected sales estimates, for a period of approximately 30 years, are achieved. The GEnx Engine will power the new Boeing 787 "Dreamliner" and the new Airbus A350 aircraft.

Financial Services

New financing

The total volume of new retail financing during the fourth quarter of 2004 amounted to SEK 7.7 billion, compared to SEK 8.0 billion during the fourth quarter in 2003. Total number of units financed during the fourth quarter of 2004 was 10,393 giving an average financing volume per contract of SEK 0.75 M.

Expressed as an average, Volvo Financial Services (VFS) financed 21% (25) of the Group's products sold in the markets where financing is offered.

Assets and credit portfolio

Total assets as of December 31, 2004 amounted to SEK 71.5 billion (66.8), of which SEK 64 billion (60) was in the credit portfolio. Adjusted for the effects of foreign exchange movements, the credit portfolio grew 10.8% during 2004, compared to 7% growth in 2003. The credit portfolio continues to drive profitability through relative growth and price management, as well as prudent consideration for risk.

Financial performance in the fourth quarter

Operating income for the fourth quarter amounted to SEK 434 M (251) compared with third quarter earnings in 2004 of 343 (242). As a result of a continued improved performance of the credit portfolio, reserves equal to approximately SEK 50 M were released. Return on equity calculated as a 12 month moving average was 11.1% (9.8) with an end of period equity ratio of 11.6% (12.0).

Write-offs during the fourth quarter of 2004 amounted to SEK 117 M (99), the annualized write-offs were SEK 429 M (848) and the write off ratio year to date was 0.66% (1.37). At the end of December, total credit reserves amounted to 2.08% of the credit portfolio compared with 2.19% at the end of September 2004.

Volumes have grown, but penetration levels remain stable or in some cases slightly reduced. Profitability continues to grow in line with the credit portfolio, while credit losses have fallen against the prior year.

The fourth quarter ends a very good year for Volvo Financial Services. In 2004 most companies within VFS were able to meet or exceed their commitments due to their focus on portfolio management and the improved stability and growth of the markets in which they operate.

Parent Company, AB Volvo

Income from investments in Group companies includes dividends in the amount of SEK 101 M (4,368), net Group contributions delivered totalling SEK 5,673 M (loss: 406) and write-down of shares of

Parent Company, AB Volvo income statements		
SEK M	2004	2003
Net sales	531	458
Gross income	0	0
Operating expenses	(466)	(446)
Income (loss) from investments in Group companies	4,409	1,812
Income (loss) from investments in associated companies	(1)	283
Income (loss) from other investments	851	(3,822)
Operating income (loss)	4,793	(2,173)
Interest income and expenses	56	(57)
Other financial income and expenses	45	(117)
Income (loss) after financial items	4,894	(2,347)
Allocations	1,524	0
Income taxes	(1,320)	158
Net income (loss)	5,098	(2,189)

SEK 1,364 M (1,579). Income from other investments includes a revaluation of shares in Scania AB, SEK 915 M (loss: 3,901), and a write-down of shares in Henlys Group Plc amounting to SEK 95 M (429).

Proposed dividend and repurchase of shares

The Board of Directors proposes that the Annual General Meeting approve payment of a dividend of SEK 12.50 per share for 2004, or a total of SEK 5,127 M. The ordinary dividend paid in the preceding year was SEK 8.00 per share.

The Board of Directors also proposes the Annual General Meeting that the Board be authorized to make decisions regarding the acquisition and transfer of Volvo's own shares. According to the proposal, acquisition may be made of Series A and B shares on a stock exchange or other regulated market to the extent that the company never holds more than 10% of its shares. In order to finance the acquisition of companies, transfer of the repurchased shares could take the form of an offer directed to all shareholders. Further

on, it is proposed that the Annual General Meeting approves that shares are transferred in order to fulfill commitments under the new stock based incentive program referred to below.

Proposed reduction of share capital

Based on authorizations by previous Annual General Meetings, Volvo has repurchased and presently owns 31,391,043 of its own shares, corresponding to 7.1% of the total number of issued shares in Volvo, whereof 7,075,246 are series A shares and 24,315,797 are series B shares. In addition thereto, Volvo may continue to repurchase shares.

The Board of Directors intends to propose that the Annual General Meeting approves a reduction of AB Volvo's share capital through cancellation of repurchased shares held by AB Volvo, to such an extent that AB Volvo after the cancellation holds 5 per cent of the total number of issued shares. The proposed reduction of the share capital will correspond to an amount equalling the nominal value of the shares proposed to be cancelled. The decision by the Board of Directors of the

precise number of shares concerned will be taken in late February or in the beginning of March 2005.

In order to expedite the cancellation process, the Board of Directors intends to propose to the Annual General Meeting a simultaneous new issue of redeemable series C shares. The series C shares will be issued to a bank and as soon as possible after registration, be redeemed at nominal value plus interest. The redemption of the series C shares can be made without court registration provided an allocation is made to the statutory reserve of an amount equivalent to the reduction amount. Through this process, the cancellation of the Volvo shares held by AB Volvo will be completed within approximately four weeks instead of approximately six months if the cancellation were to be made without a corresponding issue of new shares (i.e. through a court procedure). The issuing of series C shares requires an amendment to Volvo's Articles of Association.

Proposed stock-based incentive program

The Board of Directors intends to propose to the Annual General Meeting to approve a stock-based incentive program for senior executives within the Volvo Group. The structure of the program corresponds to last year's proposal, which was approved by the Annual General Meeting. Under the program, a total of maximum 185,000 Volvo shares can be allotted to approximately 165 senior executives. The number of shares to be allotted is proposed to depend upon the fulfilment of certain financial goals during the financial

year 2005. Assuming said goals are fulfilled in full and that the Volvo share price is SEK 300 at the time of allotment, Volvo's cost for the program including social fees will be around SEK 70 M.

New pension agreements for senior Volvo executives in Sweden

As part of the review of pension agreements for the Group Executive Committee within the Volvo Group in Sweden, all of the executives who currently have defined-benefit pension agreements are being offered to switch to a defined-contribution agreement. No new defined-benefit pension agreements will be signed.

The defined-contribution agreements sets no definite retirement date, which means that the pension will amount to the sum of paid-in premiums plus a possible return. The total premium amounts to (i) 10% of the pensionable income annually replacing the defined-benefit pension between ages 60 and 65 and (ii) a premium of SEK 30,000 annually plus 20% of pensionable income exceeding 30 income base amounts covering pension benefits from age 65. Pensionable income consists of the employee's most recent annual salary plus Volvo's internal benefit value of company cars and the average variable salary during the most recent five calendar years. Renegotiation, on a voluntary basis, is currently in progress with those executives currently covered by defined-benefit solutions. At present, five members of the Group Executive Committee have accepted the transition to the defined contribution agreement.

As earlier announced, the President and Chief Executive Officer, Leif

Johansson's pension benefits have been renegotiated in a similar manner by AB Volvo's Board of Directors to the defined-contribution system. According to the previous agreement the company and the CEO had a mutual opportunity to initiate retirement at age 55, with the right to receive a total of 70% of pensionable income up to age 65, followed by a life-long pension corresponding to 50%. In the new agreement, this age limit has been removed and replaced by a continuous employment contract, subject to 12 months of termination notice from the company and six months from Leif Johansson. Leif Johansson will receive a defined-contribution pension, which means that the pension will amount to the sum total of paid-in premiums plus a possible return, instead of the previously guaranteed percentage of his salary. In conjunction with the transition to a defined-contribution pension plan for Leif Johansson, Volvo will in 2005 pay SEK 34 million to an insurance policy. At the same time, Volvo has transferred to this insurance policy the SEK 74 million already reserved in the defined-benefit system.

The Annual General Meeting of AB Volvo will be held on April 12, 2005.

Göteborg, February 10, 2005.

AB Volvo (publ)

The Board of Directors

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

Quarterly figures

Volvo Group					
SEK M unless otherwise specified	4/2003	1/2004	2/2004	3/2004	4/2004
Net sales	48,733	45,489	53,024	45,870	57,113
Cost of sales	(39,416)	(36,042)	(41,490)	(35,579)	(45,120)
Gross income	9,317	9,447	11,534	10,291	11,993
Research and development expenses	(1,713)	(1,779)	(1,867)	(1,737)	(1,850)
Selling expenses	(4,545)	(4,248)	(4,518)	(4,320)	(4,962)
Administrative expenses	(1,388)	(1,318)	(1,432)	(1,212)	(1,359)
Other operating income and expenses	(142)	(154)	(338)	(576)	410
Income from Financial Services ¹	251	281	307	343	434
Income from investments in associated companies	(2)	(6)	11	(3)	0
Income from other investments	(4,042)	693	151	6	(22)
Operating income (loss)	(2,264)	2,916	3,848	2,792	4,644
Interest income and similar credits	272	317	257	153	266
Interest expenses and similar charges	(464)	(393)	(368)	(318)	(325)
Other financial income and expenses	15	36	(5)	(1,215)	(26)
Income after financial items	(2,441)	2,876	3,732	1,412	4,559
Income taxes	(442)	(612)	(1,101)	(398)	(1,073)
Minority interests	(3)	(16)	(20)	(12)	8
Net income (loss)	(2,886)	2,248	2,611	1,002	3,494
Depreciation and amortization included above					
Volvo Group excl Financial Services	1,819	1,882	1,830	1,847	1,618
Financial Services	725	738	826	759	804
Total²	2,544	2,620	2,656	2,606	2,422
of which amortization of goodwill	236	227	232	238	(13)
Income per share, SEK	(6.88)	5.36	6.22	2.39	8.40
Average number of shares, million	419.4	419.4	419.4	419.4	415.8

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

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

Key operating ratios					
%	4/2003	1/2004	2/2004	3/2004	4/2004
Gross margin	19.1	20.8	21.8	22.4	21.0
Research and development expenses in % of net sales	3.5	3.9	3.5	3.8	3.2
Selling expenses in % of net sales	9.3	9.3	8.5	9.4	8.7
Administrative expenses in % of net sales	2.8	2.9	2.7	2.6	2.4
Operating margin ¹	3.6	4.9	7.0	6.1	8.1
Operating margin	(4.6)	6.4	7.3	6.1	8.1

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc.

Accounting principles

The accounting principles, which have been applied in the preparation of this report, are described in note 1 to the consolidated financial statements that are included in the Volvo Group's 2003 annual report.



Net sales					
SEK M	4/2003	1/2004	2/2004	3/2004	4/2004
Trucks	33,238	31,194	34,910	31,271	39,504
Buses	3,101	2,546	3,620	2,925	3,631
Construction Equipment	6,499	6,133	8,119	6,398	8,035
Volvo Penta	1,851	2,178	2,570	2,130	2,179
Volvo Aero	2,094	1,562	1,885	1,664	1,814
Other	1,950	1,876	1,920	1,482	1,950
Net sales	48,733	45,489	53,024	45,870	57,113

Operating income					
SEK M	4/2003	1/2004	2/2004	3/2004	4/2004
Trucks	1,457	1,476	2,287	1,768	3,458
Buses	(96)	(47)	91	(26)	167
Construction Equipment	133	309	648	349	266
Volvo Penta	171	188	307	207	235
Volvo Aero	(47)	101	173	96	7
Financial Services	251	281	307	343	434
Other units	(103)	(89)	(88)	55	77
Operating income¹	1,766	2,219	3,725	2,792	4,644
Revaluation of shares	(4,030)	697	123	–	–
Operating income (loss)	(2,264)	2,916	3,848	2,792	4,644

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc. Write-down of shares in Scania AB in the fourth quarter 2003 amounted to SEK 3.601 M and partial reversals of this write-down amounted to SEK 697 M in the first quarter 2004 and SEK 218 M in the second quarter 2004. Write-downs of shares in Henlys Group Plc amounted to SEK 429 M in the fourth quarter 2003 and SEK 95 M in the second quarter of 2004.

Operating margins					
%	4/2003	1/2004	2/2004	3/2004	4/2004
Trucks	4.4	4.7	6.6	5.7	8.8
Buses	(3.1)	(1.8)	2.5	(0.9)	4.6
Construction Equipment	2.0	5.0	8.0	5.5	3.3
Volvo Penta	9.2	8.6	11.9	9.7	10.8
Volvo Aero	(2.2)	6.5	9.2	5.8	0.4
Operating margin¹	3.6	4.9	7.0	6.1	8.1
Operating margin	(4.6)	6.4	7.3	6.1	8.1

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc.

This report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business and operating initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

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

Units invoiced, Trucks	Fourth quarter		Change in %	Full year	
	2004	2003		2004	2003
	Europe	30,214		26,981	12
Western Europe	26,631	24,116	10	90,746	82,672
Eastern Europe	3,583	2,865	25	11,920	9,411
North America	15,044	10,196	48	49,273	34,756
South America	2,684	2,030	32	9,190	5,976
Asia	9,338	6,832	37	24,881	16,286
Middle East	8,086	5,528	46	20,751	12,302
Other Asia	1,252	1,304	(4)	4,130	3,984
Other markets	2,144	1,647	30	7,209	6,888
Total, Trucks	59,424	47,686	25	193,219	155,989

12 months moving order intake for Trucks through December; total +35%, Europe +10% and North America +88%.

Mack Trucks

North America	6,886	4,803	43	22,981	17,244
South America	483	131	269	1,105	408
Asia	91	47	94	154	118
Middle East	91	45	102	150	112
Other Asia		2	(100)	4	6
Other markets	386	321	20	1,229	1,221
Total	7,846	5,302	48	25,469	18,991

Renault Trucks

Europe	17,372	15,997	9	59,453	53,961
Western Europe	15,803	14,634	8	54,096	49,634
Eastern Europe	1,569	1,363	15	5,357	4,327
North America	78	124	(37)	257	352
South America	161	150	7	505	261
Asia	2,584	2,578	0	7,399	4,246
Middle East	2,444	2,516	(3)	7,059	3,949
Other Asia	140	62	126	340	297
Other markets	1,009	760	33	2,872	2,866
Total	21,204	19,609	8	70,486	61,686

Volvo Trucks

Europe	12,839	10,984	17	43,210	38,121
Western Europe	10,825	9,482	14	36,647	33,037
Eastern Europe	2,014	1,502	34	6,563	5,084
North America	8,080	5,269	53	26,035	17,160
South America	2,040	1,749	17	7,580	5,307
Asia	6,663	4,207	58	17,328	11,922
Middle East	5,551	2,967	87	13,542	8,241
Other Asia	1,112	1,240	(10)	3,786	3,681
Other markets	752	566	33	3,111	2,802
Total	30,374	22,775	33	97,264	75,312

Units invoiced, buses/bus chassis

	Fourth quarter		Change in %	Full year	
	2004	2003		2004	2003
Europe	927	831	12	3,417	3,087
Western Europe	791	694	14	3,073	2,782
Eastern Europe	136	137	1	344	305
North America	492	408	21	1,388	1,553
South America	228	129	77	624	369
Asia	628	777	(19)	2,341	2,227
Other markets	84	198	(58)	462	581
Total, buses/bus chassis	2,359	2,343	1	8,232	7,817

Reporting in accordance with IFRS as from 2005

The Volvo Group's financial reporting is up to 2004 prepared in accordance with generally accepted accounting principles in Sweden ("Swedish GAAP"). Effective from 2005, all listed companies within the European Union ("the EU") are required to prepare their consolidated financial reporting in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the EU. The EU carve outs, rules not approved by EU, have no impact for Volvo. The purpose of the presentations on the following pages is to describe and explain the expected impact on Volvo's financial reporting as a consequence of adopting IFRS.

Restatements and transition effects

In accordance with the IFRS transition rules (IFRS 1), Volvo will adopt IFRS on January 1, 2005, with retroactive application from the IFRS transition date at January 1, 2004. The general rule is that restatement of financial reporting for periods after the transition date should be made as if IFRS has been applied historically. There are however certain exceptions from the general rule of which the most significant are:

- IAS 39 "Financial instruments: Recognition and measurement" is adopted from January 1, 2005.
- Non-amortization of intangible assets with indefinite useful lives (e.g. goodwill) in accordance with revised version of IAS 38 should be applied retroactively only from the transition date January 1, 2004.

The enclosed income statements and other specifications prepared in accordance with IFRS therefore include restatements and transition effects as follows:

Financial position January 1, 2004: Affected by differences between Swedish GAAP and IFRS for which retroactive application prior to the transition date is required.

Financial performance 2004 and financial position December 31, 2004: Affected by all differences between Swedish GAAP and IFRS except IAS 39 and IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations".

Financial position January 1, 2005: Affected by all differences between Swedish GAAP and IFRS including IAS 39 and IFRS 5. Impact of adopting IAS 39 will be charged to Equity according to IFRS1.

The defined transition effects and presented reconciliations are made according to the now present issued IFRS standards. New standards or interpretations could be issued during 2005. The transition effects could be affected by such development until the year-end release for 2005.

Significant differences between Swedish GAAP and IFRS

The most significant differences between Swedish GAAP and IFRS for Volvo are further explained below:

Capitalization and amortization of development costs:

Effective on January 1, 2001, Volvo adopted the accounting standard RR 15 "Intangible Assets" under Swedish GAAP. According to this accounting standard, expenditures relating to development of new and existing products and software should be capitalized and amortized over their estimated useful life. According to the transition rules of RR 15, no retroactive application was permitted. According to the transition rules of IFRS, the accounting standard IAS 38, Intangible Assets, which is similar to RR 15 regarding the accounting for development costs, should be applied retroactively for development costs incurred prior to 2001. The restatements and transition effects attributable to this accounting change therefore pertains to retroactive capitalization and amortization of development costs incurred prior to 2001.

Minority interests:

In accordance with IFRS, minority interests are presented as a separate component of Shareholders' equity and is included in the net income of the year in the income statement.

Non-amortization of intangible assets with indefinite useful lives:

According to Swedish GAAP, all intangible assets have been amortized over their estimated useful lives. In accordance with IFRS, intangible assets considered to have indefinite useful lives should not be

amortized. Such assets should rather be subject to an annual impairment test. On the date of the IFRS adoption, Volvo has determined that intangible assets with indefinite useful lives include only goodwill. The restatements and transition effects attributable to this accounting change therefore pertain to reversal of goodwill amortization charged to the income statement under Swedish GAAP for 2004 and a corresponding increase of the carrying value of goodwill at December 31, 2004, adjusted for currency translation differences.

Post Employee benefits:

Effective on January 1, 2003, Volvo adopted RR 29 "Employee benefits" under Swedish GAAP. RR 29 is similar to the IFRS accounting standard IAS 19. The only difference between Swedish GAAP and IFRS relates to the date of transition. In accordance with the transition rules of RR 29, actuarial gains and losses arising prior to January 1, 2003, were set to zero and charged to equity as of the transition date. In accordance with the IFRS transition rules, actuarial gains and losses arising prior to January 1, 2004, could be set to zero and charged to equity as of the transition date. The transition effects attributable to the accounting change therefore pertain to recognizing actuarial gains and losses that have arisen between January 1, 2003 and January 1, 2004.

Volvo has applied URA43 according to the statement from The Association for the Development of Generally Accepted Accounting Principles in Sweden when calculating the Swedish pension liabilities, in addition to IAS 19.

Investments in companies:

In accordance with IAS 39, which is adopted by Volvo under IFRS on January 1, 2005, all investments in companies, except if these investments are classified as associated companies, should be reported in the balance sheet at fair value. Under Swedish GAAP such investments have been carried at their cost of acquisition unless there has been a permanent decrease in value. Under IAS 39, unrealized gains and losses attributable to the fair value of investments are reported against a separate component of shareholders equity except when an impairment is other than temporary. The transition effect on January 1, 2005, attributable to this accounting change is mainly related to Volvo's investment in Deutz AG.

Fair value of derivative instruments:

In accordance with IAS 39, which is adopted by Volvo under IFRS on January 1, 2005, all derivative financial instruments should be reported in the balance sheet at fair value. The difference between IAS 39 and accounting principles applied for derivative financial instruments under Swedish GAAP is dependent on the use of the derivative instruments:

- Derivative financial instruments used for hedging of forecasted commercial cash-flows and forecasted electricity consumption: Under Swedish GAAP Volvo has applied hedge accounting for the main part of these derivatives and these instruments have consequently not been reported in the balance sheet ("Off-balance sheet instruments"). Gains and losses on

these contracts have been charged to the income statement at the time of maturity of the specific contracts. Under IFRS, the fair value of outstanding derivative instruments is debited or credited to a separate component of equity to the extent the requirements for cash-flow hedge accounting are fulfilled. To the extent that the requirements are not met, the unrealised gain or loss will be charged to income statement.

- Derivative financial instruments used for hedging of interest rate risks and currency rate risks on loans: Under Swedish GAAP Volvo has applied hedge accounting for these derivatives and the carrying value of such derivatives has therefore been corresponding to currency rate and interest rate gains and losses accruable up to the reporting date. Under the more complex rules in IAS 39 Volvo will not attain hedge accounting for many interest rate contracts. The difference between carrying values reported under Swedish GAAP and fair values to be reported under IFRS pertains to unrealized interest rate gains and losses attributable to the period between the reporting date and maturity dates of the derivatives. The unrealized gains and losses will be charged to the financial net in the income statement.

Derecognition of financial assets:

In accordance with IAS 39 which is adopted by Volvo under IFRS on January 1, 2005, financial assets should be derecognized from the balance sheet when substantially all risks and rewards have been transferred to an external party. Under Swedish GAAP, financial assets should

be derecognized at settlement or if the ownership of the financial assets has been transferred to an external party. The transition effect on January 1, 2005, attributable to this accounting change is mainly related to certain dealer financing arrangements for which Volvo has retained components of credit risk. Such credit risk commitments have under Swedish GAAP been reported as contingent liabilities. This will mainly affect the segment reporting and to a less extent Volvo's consolidated balance sheet.

Consolidation of temporary investments:

Under Swedish GAAP, temporary investments in subsidiaries should not be consolidated. Under IFRS, all subsidiaries should be consolidated. Restatements and transition effects relating to this accounting change pertains mainly to Volvo's investment in the "LB Smith distribution business". This operation was acquired in May 2003 and at December 31, 2004, the major part of this operation had been divested. 2004 year's income statement is restated with the parts of LB Smith that have been divested during the year. The remaining part, still owned by Volvo, has in full been consolidated according to Swedish GAAP in the fourth quarter.

IFRS 2 Share-based Payments

Volvo has defined the "new stock-based incentive program" decided on the Annual General Meeting 2004 as a program that will be accounted for according to IFRS 2 Share-based payments. The impact however will be limited. The IFRS 2 separates so-called "cash-settled" and "equity-settled" parts of share-based payments. The Volvo program includes both a cash-settled and an equity-settled part. The equity-settled part was earlier accounted for at fair value and provided for as an accrued expense over the vesting period with a "true up" each reporting date. According to IFRS 2 the fair value is determined at the grant-date, recognised as an expense during the vesting period and credited to equity.

IFRS 5 Non-Current Asset Held for Sale and Discontinued Operations:

Volvo has not identified any non-current assets that could have a material impact on the balance sheet and no effect has been identified in the income statement. IFRS 5 is adopted prospectively as from January 1, 2005, according to IFRS 1.

Definition of liquid funds in presentation of cash-flow statements:

Under Swedish GAAP, all investments in marketable debt securities have been

included in the definition of liquid funds for the purpose of the cash-flow statement. In accordance with Volvo's financial risk policy, all such securities should fulfil requirements regarding low risk and high liquidity. Under IFRS, investments in marketable debt securities are excluded from the definition of liquid funds for the purpose of the cash-flow statement if these instruments have maturity dates beyond 3 months from the date of investment. In the 2004 closing no marketable securities are defined as cash equivalents according to IFRS. However, all these assets will still be included in the net financial position.

Classification of leasing contracts in segment reporting of Volvo Financial Services:

Under IFRS, operating lease contracts with end customers are in segment reporting for Volvo Financial Services reported as financial leasing contracts if the residual value in these contracts is guaranteed to Volvo Financial Services by another Volvo business area. In the Volvo Group's consolidated balance sheet, these leasing agreements are still reported as operating leases. In comparison with the 2004 closing approximately 13 billion SEK will be reclassified to financial leases from operating leases in the VFS segment reporting.

Expected impact of IFRS

Quarterly figures – IFRS comparison

VFS reported according to the equity method

Volvo Group, SEK M unless otherwise specified	1/2004	2/2004	3/2004	4/2004	FY2004 2004	Sw GAAP 2004
Net sales	45,849	53,321	46,024	56,977	202,171	201,496
Cost of sales	(36,291)	(41,641)	(35,679)	(44,842)	(158,453)	(158,231)
Gross income	9,558	11,680	10,345	12,135	43,718	43,265
Research and development expenses	(1,880)	(1,965)	(1,831)	(1,938)	(7,614)	(7,233)
Selling expenses	(4,360)	(4,612)	(4,401)	(4,944)	(18,317)	(18,048)
Administrative expenses	(1,306)	(1,435)	(1,208)	(1,361)	(5,310)	(5,321)
Other operating income and expenses	73	(107)	(351)	392	7	(658)
Income from Financial Services	281	307	343	434	1,365	1,365
Income from investments in associated companies	(6)	10	(3)	1	2	2
Income from other investments	693	151	6	(22)	828	828
Operating income (loss)	3,053	4,029	2,900	4,697	14,679	14,200
Interest income and similar credits	317	257	153	266	993	993
Interest expenses and similar charges	(399)	(373)	(322)	(332)	(1,426)	(1,404)
Other financial income and expenses	36	(4)	(1,215)	(27)	(1,210)	(1,210)
Income after financial items	3,007	3,909	1,516	4,604	13,036	12,579
Minority					–	(40)
Income taxes	(580)	(1,100)	(349)	(1,100)	(3,129)	(3,184)
Net income (loss)¹	2,427	2,809	1,167	3,504	9,907	9,355
1) Attributable to:						
Equity holders	2,411	2,789	1,155	3,512	9,867	–
Minority	16	20	12	(8)	40	–
	2,427	2,809	1,167	3,504	9,907	–
Depreciation and amortization included above						
Depreciation						
Industrial and Commercial	(1,434)	(1,398)	(1,406)	(1,304)	(5,542)	(5,540)
Financial Services	(733)	(815)	(756)	(760)	(3,064)	(3,066)
Total Depreciation	(2,167)	(2,213)	(2,162)	(2,064)	(8,606)	(8,606)
Amortization						
Industrial and Commercial	(221)	(200)	(203)	(327)	(951)	(1 635)
Financial Services	(5)	(11)	(3)	(44)	(63)	(63)
Total Amortization	(226)	(211)	(206)	(371)	(1,014)	(1,698)
Income per share, SEK	5.79	6.70	2.78	8.43	23.67	22.35
Average number of shares, million	419.4	419.4	419.4	415.8	418.5	418.5



Key operating ratios % of sales	Sw GAAP					
	1/2004	2/2004	3/2004	4/2004	FY2004	FY2004
Gross margin	20.8	21.9	22.5	21.3	21.6	21.5
Research and development expenses	4.1	3.7	4.0	3.4	3.8	3.6
Selling expenses	9.5	8.6	9.6	8.7	9.1	9.0
Administrative expenses	2.8	2.7	2.6	2.4	2.6	2.6
Operating margin	6.7	7.6	6.3	8.2	7.3	7.0

Net sales SEK M	Sw GAAP					
	1/2004	2/2004	3/2004	4/2004	FY2004	FY2004
Trucks	31,194	34,910	31,271	39,504	136,879	136,879
Buses	2,546	3,620	2,925	3,631	12,722	12,722
Construction Equipment ¹	6,493	8,416	6,552	7,899	29,360	28,685
Volvo Penta	2,178	2,570	2,130	2,179	9,057	9,057
Volvo Aero	1,562	1,885	1,664	1,814	6,925	6,925
Other	1,876	1,920	1,482	1,950	7,228	7,228
Net sales	45,849	53,321	46,024	56,977	202,171	201,496

1) Consolidation of temporary investments: LB Smith branches included in Q1– Q3. Not consolidated according to Swedish GAAP.

Operating income SEK M	Sw GAAP					
	1/2004	2/2004	3/2004	4/2004	FY2004	FY2004
Trucks	1,537	2,336	1,807	3,312	8,992	8,989
Buses	(31)	105	(10)	189	253	185
Construction Equipment	352	751	370	425	1,898	1,572
Volvo Penta	188	307	207	238	940	937
Volvo Aero	109	181	100	13	403	377
Volvo Financial Services	281	307	343	434	1,365	1,365
Other units	(80)	(81)	83	86	8	(45)
Operating income¹	2,356	3,906	2,900	4,697	13,859	13,380
Revaluation of shares	697	123	–	–	820	820
Operating income (loss)	3,053	4,029	2,900	4,697	14,679	14,200

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc.

Operating margins %	Sw GAAP					
	1/2004	2/2004	3/2004	4/2004	FY2004	FY2004
Trucks	4.9	6.7	5.8	8.4	6.6	6.6
Buses	(1.2)	2.9	(0.3)	5.2	2.0	1.5
Construction Equipment	5.4	8.9	5.6	5.4	6.5	5.5
Volvo Penta	8.6	11.9	9.7	10.9	10.4	10.3
Volvo Aero	7.0	9.6	6.0	0.7	5.8	5.4
Operating margin¹	5.1	7.3	6.3	8.2	6.9	6.6
Operating margin	6.7	7.6	6.3	8.2	7.3	7.0

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc.

Summarized reconciliation of shareholders' equity	040101	041231	050101
Equity under Swedish GAAP	72,420	69,409	69,409
IFRS adjustments:			
Capitalization and amortization of development costs and software	722	340	340
Minority interest	217	229	229
Non-amortization of goodwill	0	665	665
Post employee benefits	(580)	(473)	(473)
Investments in listed companies			(494)
Fair value gains and losses on derivatives for hedge of:			
– Commercial cash flow			1,195
– Electricity contracts			(25)
Consolidation of temporary investments	(152)	0	0
Share based payments	0	14	14
Deferred taxes on IFRS adjustments	(96)	(29)	(358)
Total adjustments to IFRS	112	746	1,094
Equity under IFRS	72,532	70,155	70,503

Summarized reconciliation of net income	2004
Net income under Swedish GAAP	9,355
IFRS adjustments:	
Capitalization and amortization of development costs and software	(382)
Minority interest	40
Non-amortization of goodwill	684
Post employee benefits	13
Consolidation of temporary investments	142
Deferred taxes on IFRS adjustments	55
Total adjustments to IFRS	552
Net income under IFRS	9,907

Summarized reconciliation of net financial position, SEK bn	2004
Volvo Group excl VFS	
Net financial position at December 31, 2004 under Swedish GAAP	18.7
IFRS adjustments:	
Post Employee benefits	(0.5)
Financial assets not qualified for derecognition	(3.4)
Total adjustments to IFRS	(3.9)
Net financial position at January 1, 2005 under IFRS	14.8

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Report on the first three months 2005	April 25, 2005
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