AB Volvo

Press Information April 25, 2006

Volvo – three months ended March 31, 2006

- Net sales increased by 15% to SEK 60,172 M (52,253)
- Income for the period increased by 23% to SEK 3,998 M (3,248)
- Earnings per share rose by 24% to SEK 9.84 (7.93) before dilution
- Group operating margin improved to 9.0% (8.7)
- Operating cash flow, excluding Financial Services, amounted to a negative SEK 0.4 billion (neg: 1.3 billion)
- Acquisition of 13% of the shares in Nissan Diesel, with an option to acquire an additional 6%
- Strong demand for the new generation of trucks

	First three months	
	2006	**2005**
Net sales, SEK M	**60,172**	52,253
Operating income, SEK M	**5,430**	4,536
Income after financial items, SEK M	**5,472**	4,603
Income for the period, SEK M	**3,998**	3,248
Earnings per share, SEK	**9.84**	7.93
Return on shareholders' equity during most recent 12 month period, %	**18.2**	15.2

As of January 1, 2005 AB Volvo complies with International Financial Reporting Standards (IFRS), previously known as IAS, as adopted by the European Union. In the comments on earnings on pages 1-20, Volvo Financial Services is reported in accordance with the equity method. Financial information with Volvo Financial Services reported in accordance with the purchase method begins on page 21.

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CEO comments – improved profitability during first quarter

The Volvo Group's first quarter was strong. Sales increased by 15% to SEK 60 billion and operating income rose by 20% to SEK 5.4 billion, compared with the corresponding period in 2005. Return on operating capital in industrial operations amounted to 35%. All business areas showed improved or unchanged earnings.

Demand in Europe strengthened during the quarter and order bookings for our trucks, construction equipment, buses and marine engines increased significantly. In North America, demand remains strong, and sales rose by 30% during the quarter.

Continued strong demand was noted in South America and, in China, sales of excavators and buses increased. Truck sales in the Middle East declined, however.

Strong demand for new generation of trucks

In Europe, interest in our new models generated increased order bookings, supported by a strengthening of the European economy. We have also noted that customers are ordering trucks prior to the new emission standards that will be introduced on October 1, 2006. We believe the total market for heavy trucks in Europe will be in the range of 270,000-280,000, which is somewhat higher than the previous forecast (270,000).

Order bookings in North America were extremely high during the first quarter, and we have already sold virtually our entire annual production for 2006. We adjust our assessment of the North American market for heavy trucks to 340,000-350,000 as a consequence of the continued high demand and the industry's improving delivery capacity (previous forecast 330,000-340,000). As a result of the production capacity for 2006 being nearly fully booked, we anticipate a decline in order bookings during an interim period until customers start ordering trucks equipped with engines that will meet new emission legislation that takes effect in January 2007.

Continued product renewal

As previously announced, the Volvo Group is in an intensive phase of product renewal and production realignment. Although there were only a few disruptions during the first quarter, we expect that these changes will continue to cause a strain on the organization for at least the remainder of this year, and we maintain a high level of readiness.

During the first quarter, Volvo Trucks introduced two new models for North America, VT830 and VN730, and started production of Volvo VM in Brazil. The latter is a new truck model in the lower end of the heavy segment, developed specially for South America.

Volvo CE introduced a new series of skid-steer loaders, and Buses launched a city bus for the Indian market.

Increased focus on alternative drivelines

During recent years, we have intensified our focus on alternative drivelines, and a unique hybrid technology for heavy trucks was presented in March, with serial production expected to begin around 2009. Our calculations show that the new technology has potential to create fuel savings up to 35% for buses and trucks in city traffic. For certain construction equipment, the hybrid technology can generate fuel savings up to 50%. Customers and public authorities have expressed strong interest in the new technology.

Stronger position in Asia

During the quarter, we acquired 13% of the shares in Nissan Diesel from Nissan Motor, which is an important step in the further strengthening of our presence in Asia, a region of high priority for the Volvo Group. The transaction comes after Nissan Motor's decision to strengthen its focus on cars. Nissan Motor also holds 50% of Chinas largest truck manufacturer, Dongfeng Motor. We are now jointly evaluating possible areas of cooperation in commercial vehicles together with both Nissan Diesel and Dongfeng Group.

During the quarter, we took yet another important step to strengthen our presence in Asia, as approximately SEK 500 M was transferred to the Volvo Group's operations in China to establish customer-financing activities during the second half of the year.

Leif Johansson
President and CEO

Improved profitability in the first quarter of 2006

Net sales by market area	First three months		
SEK M	**2006**	**2005**	**Change**
Western Europe	**28,117**	26,087	8%
Eastern Europe	**3,077**	2,200	40%
North America	**19,115**	14,707	30%
South America	**2,678**	1,989	35%
Asia	**4,535**	4,963	(9%)
Other markets	**2,650**	2,307	15%
Total	**60,172**	**52,253**	**15%**

The Volvo Group's net sales rose by 15% to SEK 60,172 M in the first quarter of 2006, compared with SEK 52,253 M in the first quarter of 2005. Net sales increased in all business areas. Adjusted for currency effects and for the effects of acquired and divested units, net sales increased by 8%.

Trucks' net sales rose 13% to SEK 40,453 M (35,911), Buses' increased 31% to SEK 4,187 M (3,196), Construction Equipment's by 30% to SEK 9,362 M (7,182), Volvo Penta's were up 14% to SEK 2,723 M (2,391) and Volvo Aero's by 31% to SEK 2,163 M (1,647).

Operating income increased

In the first quarter of 2006, operating income increased by 20% to SEK 5,430 M (4,536), resulting in an operating margin of 9.0% (8.7%). The increased operating income is a result of higher sales and improved gross margin attributable to good price realization and favorable product and market mix.

Operating income was affected positively by approximately SEK 140 M mainly from the divestment of truck dealerships in France and Sweden and approximately SEK 90 M from the sale of shares within the Group's venture capital business (Volvo Technology Transfer). The preceding year included a capital gain of SEK 188 M from the sale of properties. The total effect of changed exchange rates affected operating income positively by approximately SEK 300 M in the first quarter of 2006, compared with the corresponding period in 2005.

Detailed comments are provided in the business area sections beginning on page 10.

Lower net interest expense

Net interest expense in the first quarter was SEK 25 M, compared with an expense of SEK 47 M in the year-earlier period.

Other financial income and expenses

Other financial income and expenses amounted to SEK 67 M (114). During the quarter Other financial income and expenses includes a positive effect of approximately SEK 106 M (140) from the market valuation of derivatives in accordance with IAS 39.

Income taxes

Tax expenses relating to both current and deferred tax amounted to SEK 1,474 M (1,355) during the first quarter of 2006. The tax rate for the quarter was 27% (29)

Income for the period and earnings per share increased

Income for the period increased to SEK 3,998 M (3,248) in the first quarter. Basic earnings per share before dilution amounted to SEK 9.84 (7.93). Conditional upon all outstanding options being exercised, earnings per share after full dilution amounted to SEK 9.82 (7.92).

Number of employees

On March 31, 2006, the number of employees in the Volvo Group was 81,812, compared with 81,856 at year-end 2005.

Volvo Group Income Statements	**First three months**	
SEK M	**2006**	**2005**
Net sales	**60,172**	**52,253**
Cost of sales	**(46,296)**	(40,559)
Gross income	**13,876**	**11,694**
Research and development expenses	**(1,951)**	(1,934)
Selling expenses	**(4,940)**	(4,381)
Administrative expenses	**(1,627)**	(1,585)
Other operating income and expenses	**(621)**	173
Income from Financial Services*	**571**	587
Income from investments in associated companies	**32**	(27)
Income from other investments	**90**	9
Operating income	**5,430**	**4,536**
Interest income and similar credits	**211**	226
Interest expenses and similar charges	**(236)**	(273)
Other financial income and expenses	**67**	114
Income after financial items	**5,472**	**4,603**
Income taxes	**(1,474)**	(1,355)
Income for the period**	**3,998**	**3,248**
** Attributable to:		
Equity holders of the Parent Company	**3,981**	3,234
Minority interests	**17**	14
	3,998	3,248

Basic earnings per share before dilution, SEK	**9.84**	7.93
Diluted earnings per share, SEK	**9.82**	7.92
Number of shares outstanding, million	**404.5**	404.4
Average number of shares during period, million	**404.5**	407.6
Average diluted number of shares during period, million	**405.2**	408.1
Number of company shares, held by AB Volvo, million	**21.2**	37.1
Average number of company shares, held by AB Volvo, million	**21.2**	33.9

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

Key operating ratios, Volvo Group	**First three months**	
%	**2006**	**2005**
Gross margin	**23.1**	22.4
Research and development expenses in % of net sales	**3.2**	3.7
Selling expenses in % of net sales	**8.2**	8.4
Administrative expenses in % of net sales	**2.7**	3.0
Operating margin	**9.0**	8.7

Condensed income statement – Financial Services	**First three months**	
SEK M	**2006**	**2005**
Net sales	**2,099**	1,778
Income after financial items	**571**	587
Income taxes	**(186)**	(132)
Income for the period	**385**	455

Key ratios – Financial Services	**March 31**	**Dec 31**
12-month rolling figures unless otherwise stated	**2006**	**2005**
Return on shareholders' equity, %	**14.1**	**15.3**
Equity ratio at end of period, %	**11.7**	**11.2**
Asset growth, %	**15.0**	**20.0**

The Volvo Group's financial position

Total assets in the Volvo Group amounted to SEK 261.1 billion at March 31, 2006 – up SEK 3.9 billion compared with year-end 2005. Assets increased mainly as a result of higher inventory levels, which was partly offset by currency movements amounting to SEK 2.1 billion.

Shares and participations increased by SEK 1.5 billion from the acquisition of 13% of the shares in Nissan Diesel. **For further information, see Accounting principles on page 24.**

Shareholders' equity at March 31, 2006, amounted to SEK 83.5 billion, corresponding to an equity ratio of 41.8%, excluding Financial Services. Changes in shareholders' equity during the period are specified on page 7. The Group's net financial assets, excluding Financial Services, at the same date amounted to SEK 17.7 billion, corresponding to 21.2% of shareholders' equity. Changes in net financial position are specified on page 7.

Total contingent liabilities at March 31, 2006, amounted to SEK 7.9 billion, on the same level as at year-end 2005 (SEK 7.9 billion).

Volvo Group Balance Sheets	**Volvo Group excl. Financial Services [1]**		**Financial Services**		**Volvo Group total**	
SEK M	**March 31 2006**	Dec 31 2005	**March 31 2006**	Dec 31 2005	**March 31 2006**	Dec 31 2005
Assets						
Intangible assets	**20,710**	20,348	**73**	73	**20,783**	20,421
Property, plant and equipment	**31,206**	31,330	**3,811**	3,738	**35,017**	35,068
Assets under operating leases	**10,262**	10,260	**633**	700	**19,734**	20,839
Shares and participations	**12,459**	10,357	**28**	28	**2,519**	751
Long-term customer finance receivables	**750**	725	**39,173**	39,083	**31,073**	31,184
Long-term interest-bearing receivables	**1,553**	1,399	**61**	60	**1,181**	1,433
Other long-term receivables	**6,736**	7,242	**279**	271	**6,534**	7,026
Inventories	**37,583**	33,583	**377**	342	**37,960**	33,937
Short-term customer finance receivables	**667**	652	**38,167**	38,907	**33,377**	33,282
Short-term interest bearing receivables	**6,376**	6,292	**0**	0	**766**	464
Other short-term receivables	**38,060**	36,750	**1,316**	1,607	**37,646**	35,855
Marketable securities	**24,575**	28,662	**13**	172	**24,588**	28,834
Cash and bank	**8,668**	7,385	**1,304**	868	**9,893**	8,113
Total assets	**199,605**	**194,985**	**85,235**	**85,849**	**261,071**	**257,207**
Shareholders' equity and liabilities						
Shareholders' equity [2]	**83,533**	78,760	**9,968**	9,634	**83,533**	78,760
Provisions for post-employment benefits	**11,596**	11,966	**23**	20	**11,619**	11,986
Other provisions	**17,405**	17,164	**1,216**	1,264	**18,805**	18,556
Loans	**11,858**	13,097	**69,344**	69,993	**72,894**	74,885
Other liabilities	**75,213**	73,998	**4,684**	4,938	**74,220**	73,020
Shareholders' equity and liabilities	**199,605**	**194,985**	**85,235**	**85,849**	**261,071**	**257,207**

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

2) Whereof minority interests SEK 266 M (260).

Changes in net financial position		
SEK bn	**First three months**	
Beginning of period		**18.7**
Cash flow from operating activities excl Financial Services	2.1	
Investments in fixed assets, net	(2.5)	
Operating cash-flow, excluding Financial Services		**(0.4)**
Investments and divestments of shares, net		(1.6)
Acquired and divested operations, net		0.3
Currency effect		0.4
Other		0.3
Total change		**(1.0)**
Net financial position at end of period		**17.7**

Changes in shareholders' equity	**First three months**	
SEK bn	**2006**	**2005**
Total equity at beginning of period	**78.8**	**70.2**
Shareholders' equity attributable to equity holders of the parent company at beginning of period	**78.5**	**70.0**
Impact from new accounting principles	**0.0**	**0.3**
Translation differences	**(0.1)**	0.9
Translation differences on hedge instruments of net investments in foreign operations	**0.0**	(0.1)
Available-for-sale investments	**0.2**	0.1
Cash flow hedges	**0.6**	(0.6)
Net income recognized directly in equity	**0.7**	**0.3**
Income for the period	**4.0**	3.2
Total recognized income and expense for the period	**4.7**	**3.5**
Repurchase own shares	**-**	(1.8)
Other changes	**0.0**	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	**83.2**	**72.0**
Minority interests at beginning of period	**0.3**	**0.2**
Translation differences	**0.0**	0.0
Net income recognized directly in equity	**0.0**	**0.0**
Income for the period	**0.0**	0.0
Total recognized income and expense for the period	**0.0**	**0.0**
Cash dividend	**0.0**	0.0
Other changes	**0.0**	0.0
Minority interests at end of period	**0.3**	**0.2**
Total equity at end of period	**83.5**	**72.2**

Key ratios **12-month rolling figures unless otherwise stated**	**March 31** **2006**	**Dec 31** **2005**
Income per share, SEK	**34.12**	32.21
Shareholders' equity attributable to parent company shareholders at end of period, SEK	**206**	194
Return on operating capital excluding Financial Services, %	**34.6**	33.7
Return on shareholders' equity, %	**18.2**	17.8
Net financial position, excluding Financial Services, at end of period, SEK billion	**17.7**	18.7
Net financial position, excluding Financial Services, at end of period, as percentage of shareholders' equity	**21.2**	23.7
Shareholders' equity at end of period as percentage of total assets	**32.0**	30.6
Shareholders' equity as percentage of total assets, excluding Financial Services	**41.8**	40.4

Improved cash flow

In the first quarter of 2006, operating cash flow, excluding Financial Services, amounted to a negative SEK 0.4 billion (neg: SEK 1.3 billion). Working capital increased by SEK 3.2 billion in the first quarter, an improvement compared with the preceding year, when working capital increased by SEK 4.6 billion. This was counteracted, however, by increased payments of mainly income taxes and increased investments in fixed assets.

Cash-flow statement	**First three months**	
SEK bn	**2006**	**2005**
Operating activities		
Operating income [1]	**4.9**	3.9
Depreciation and amortization	**1.9**	1.7
Other non-cash items	**0.0**	(0.1)
Change in working capital	**(3.2)**	(4.6)
Financial items and income taxes paid	**(1.5)**	(0.3)
Cash flow from operating activities	**2.1**	**0.6**
Investing activities		
Investments in fixed assets	**(2.6)**	(1.9)
Investment in leasing vehicles	**(0.1)**	(0.1)
Disposals of fixed assets and leasing vehicles	**0.2**	0.1
Operating cash flow excl. Financial Services	**(0.4)**	**(1.3)**
Operating cash flow, Financial Services	**0.1**	**0.0**
Operating cash flow, Eliminations	**(0.1)**	**0.0**
Operating cash flow, Volvo Group total	**(0.4)**	**(1.3)**
Investments and divestments of shares, net	**(1.6)**	0.0
Acquired and divested operations, net	**0.2**	0.2
Interest-bearing receivables incl. marketable securities, net	**4.2**	(1.8)
Cash flow after net investments	**2.4**	**(2.9)**
Financing activities		
Change in loans, net	**(0.5)**	2.6
Dividend to AB Volvo shareholders	**-**	-
Repurchase of own shares	**-**	(1.8)
Other	**0.0**	0.0
Change in cash and cash equivalents excl. translation differences	**1.9**	**(2.1)**
Translation difference on cash and cash equivalents	**(0.1)**	0.2
Change in cash and cash equivalents	**1.8**	**(1.9)**

1) Excluding Financial Services.

Financial review by business area

Net sales SEK M	First three months 2006	 2005	 Change	12 month moving values	Jan-Dec 2005
Trucks	**40,453**	35,911	13%	159,938	155,396
Buses	**4,187**	3,196	31%	17,580	16,589
Construction Equipment	**9,362**	7,182	30%	36,996	34,816
Volvo Penta	**2,723**	2,391	14%	10,108	9,776
Volvo Aero	**2,163**	1,647	31%	8,054	7,538
Other units and eliminations	**1,284**	1,926	(33%)	6,434	7,076
Net sales	**60,172**	**52,253**	**15%**	**239,110**	**231,191**

Operating income SEK M	First three months 2006	 2005	 Change	12 month moving values	Jan - Dec 2005
Trucks	**3,539**	3,077	15%	12,179	11,717
Buses	**131**	32	309%	569	470
Construction Equipment	**829**	558	49%	3,023	2,752
Volvo Penta	**222**	206	8%	959	943
Volvo Aero	**206**	210	(2%)	832	836
Financial Services	**571**	587	(3%)	2,017	2,033
Other units	**(68)**	(134)	-	(534)	(600)
Operating income	**5,430**	**4,536**	**20%**	**19,045**	**18,151**

Operating margin %	First three months 2006	 2005	12 month moving values	Jan-Dec 2005
Trucks	**8.7**	8.6	7.6	7.5
Buses	**3.1**	1.0	3.2	2.8
Construction Equipment	**8.9**	7.8	8.2	7.9
Volvo Penta	**8.2**	8.6	9.5	9.6
Volvo Aero	**9.5**	12.8	10.3	11.1
Operating margin	**9.0**	**8.7**	**8.0**	**7.9**

Trucks – good order bookings and improved profits

- New truck and engine generations well-received by customers
- Favorable order bookings
- Improved operating income

Net sales by market area	First three months		
SEK M	**2006**	**2005**	**Change**
Europe	**21,410**	19,414	10%
North America	**13,261**	9,914	34%
South America	**1,863**	1,562	19%
Asia	**1,958**	3,436	(43%)
Other markets	**1,961**	1,585	24%
Total	**40,453**	**35,911**	**13%**

Strong market for heavy trucks in North America and Europe

As of March, sales of heavy trucks (Class 8) in North America increased by 16% to 84,506 trucks (72,764).

In Europe the total number of registrations as of March increased by 2% to 69,942 heavy trucks (68,241). Registrations increased substantially in Germany, while they declined in France, Spain and the UK.

On the other hand, the Brazilian market decreased by 21% to 9,163 trucks (11,628).

The demand in Europe is expected to remain strong during the first half of 2006, among other things as an effect of a stronger economy and some customers buying trucks ahead of the new emission standards coming into effect on October 1, 2006. The forecast is for a total European market of 270,000-280 000 heavy trucks in 2006. The previous forecast was for a market of 270,000 trucks.

On the basis of the strong demand in North America and the industry's gradually improving delivery capacity, the total market is expected to amount to 340,000-350,000 heavy trucks. The previous forecast was a total market of 330,000-340,000 trucks.

Increased order bookings

Order bookings per market	First three months		
Number of trucks	**2006**	**2005**	**Change**
Europe	45,620	27,157	68%
North America	26,419	22,733	16%
South America	2,967	2,384	24%
Asia	4,429	9,737	(55%)
Other markets	2,082	2,610	(20%)
Total	**81,517**	**64,621**	**26%**

During the first quarter, the truck operations' total order bookings rose by 26% to 81,517 trucks (64,621). Order bookings increased very strongly in Europe, and in North America and South America order bookings also showed a favorable development. The lower order bookings in Asia were mainly related to reduced demand in the Middle East.

In Europe, order bookings were affected positively by the new products being well-received by customers and the strengthening of the European economy. Customers buying ahead of the new emission standards coming into effect on October 1, 2006 also contributed.

In North America, order bookings increased further from an already high level. Order bookings were affected positively by pre-buys prior to the new emission regulations becoming effective on January 1, 2007. As a consequence of production capacity for 2006 being nearly fully booked, order bookings are expected to decrease until customers start ordering trucks equipped with engines that meet the new emissions standards.

Continued high deliveries

Deliveries per market	First three months		
Number of trucks	**2006**	**2005**	**Change**
Europe	28,123	26,032	8%
North America	17,541	15,209	15%
South America	2,548	2,553	0%
Asia	2,869	6,876	(58%)
Other markets	2,233	1,935	15%
Total	**53,314**	**52,605**	**1%**

The truck operations' rate of delivery continued at a high level during the first quarter. In total 53,314 trucks were delivered, compared with 52,605 the preceding year. Deliveries increased in Europe and North America, while they were unchanged in South America and declined sharply in Asia as an effect of considerably lower demand in the Middle East.

Capacity utilization in the production plants is high in general. After some disruptions in the production in Europe in the beginning of the year, production rates and productivity were gradually improved during the quarter.

Increased sales and improved operating income

During the first quarter, the truck operations' net sales increased by 13% to SEK 40,453 M (35,911). Adjusted for currency movements, net sales rose 5%.

Operating income increased by 15% to SEK 3,539 M (3,077) and operating margin amounted to 8.7% (8.6). In Europe, new products with higher customer-value combined with strong demand resulted in a favorable price realization. In North America profitability continued to develop very well as a result of increased volumes and good price realization. The positive development was offset by lower profitability in markets outside Europe and North America, mainly as a consequence of lower deliveries.

Operating income was also impacted positively by a capital gain of approximately SEK 140 M, mainly from the sale of dealer operations in France and Sweden.

Continued high level of activity during the first quarter

The first quarter was characterized by a continued high level of activity with the launch of new products. After some production disruptions in Europe in connection with changeovers to new products at the beginning of the year, production rates have gradually been increased according to plan. In addition, production rates have been somewhat further increased to meet the favorable demand. At the same time, preparations are ongoing for future product launches and production changeovers.

In February, Volvo Trucks presented an entirely new engine family to meet the more stringent environmental requirements that come into force in North America on January 1, 2007. Not only are the new engines cleaner, their fuel consumption is on a par with that of the current engine range despite the fact that they have lower emissions levels.

In March, Volvo Trucks broadened its product program on the North American truck market. In conjunction with the opening of the Mid-America Trucking Show, the company launched two models with new cab variants for the prestige segment, the Volvo VT830 and Volvo VN730.

Volvo Trucks also presented a new version of the flagship Volvo FH16 in Europe. The new truck has a cleaner engine that fulfils the future Euro 4 exhaust standards and is also prepared for the Euro 5 standard.

Mack Trucks launched a new engine generation (MackPower) during the fourth quarter. Production of trucks with the new engine began during the end of the first quarter, although in small volumes. The new engine complies with current emission legislation (US 04), but includes the base technology that will allow it to comply with the new emission legislation (US 07).

The new Renault Premium Route truck has been very well received by customers. Renault Trucks is working intensively with preparations for new truck launches, Euro 4 engines and relocations in the industrial system during the second half of 2006.

Buses – increased deliveries and improved income

- Increased deliveries
- Completion of delivery to Santiago
- Positive earnings in Mexico
- Launch of city buses in India

Net sales by market area	First three months		
SEK M	**2006**	**2005**	**Change**
Europe	**1,811**	1,786	1%
North America	**1,252**	885	41%
South America	**424**	100	324%
Asia	**520**	210	148%
Other markets	**180**	215	(16%)
Total	**4,187**	**3,196**	**31%**

Stable market development

The bus market continues to develop favorably in all parts of the world. In the beginning of 2006, the European bus market showed signs of continued growth. The market for coaches in the US and Canada increased during the first quarter, and some operators are choosing to buy now, before new environmental regulations take effect in 2007. In Mexico, the coach market showed somewhat higher volume during the first quarter compared with the preceding year. Market development in South America is favorable, but there is some uncertainty in Brazil due to the currency development. In China, the number of registrations is rising, particularly in the segment for smaller city buses, while India is maintaining virtually the same levels as the preceding year. In general, the profitability of bus operators is under pressure due to high fuel prices.

Favorable order bookings and increased deliveries

Orders were booked for 2,943 buses during the first quarter, compared with 3,883 in the first quarter of 2005. The difference is attributable in large part (1,243) to the record-order for 1,779 vehicles to Santiago that were included among order bookings for the first quarter of 2005. Excluding the Santiago order, order bookings were 11% higher than orders received in the first quarter of 2005. Order bookings were higher in Europe, US/Canada, Mexico and China.

The order backlog at the end of the quarter contained 5,375 buses, compared with 5,862 a year earlier.

During the quarter, 2,691 buses (1,978) were delivered, an increase of 36% compared with the first quarter of 2005. With the exception of Europe, increased deliveries were reported in most markets.

Improved operating income

Net sales in the first quarter amounted to SEK 4,187 M, an increase of 31% compared with SEK 3,196 M in the preceding year. Adjusted for currency movements, net sales increased by 21%.

Operating income rose to SEK 131 M, compared with SEK 32 M in the preceding year. The operating margin increased to 3.1% (1.0). Improvements were noted in North and South America, where also Mexico now is profitable. Continued favorable development was also noted for spare parts business.

New products launched

Volvo Buses is focusing on greater efficiency in sales and industrial systems on a global basis. Efforts to reverse the trend of earnings in China are continuing and, as a result of the increased percentage of components purchased locally, requirements imposed by China’s Automotive Policy will be fulfilled during 2006. Preparations are now in progress for the introduction of Euro 3.

In Europe serial production of the new drivelines with Euro4/5 has been started, creating a high workload and changeover costs during coming quarters. Work with the new generation of engines, both in terms of production and sales, has a high priority in 2006.

In January 2006, Volvo’s first city buses were introduced in Bangalore, India – low-entry buses in the premium segment. Major orders were also signed in the first quarter, including 240 coaches to Mexico, 220 city buses to Caracas, Venezuela, and 60 bi-articulated buses to Curitiba, Brazil. A supplementary order was also signed for 300 city buses to Shanghai, China, for delivery before August 2006.

Construction Equipment – sharp increase in sales and earnings

- Sales up 30%
- Operating income up 49%
- Order book value up 58%

Net sales by market area	**First three months**		
SEK M	**2006**	**2005**	**Change**
Europe	**4,174**	3,163	32%
North America	**2,847**	2,419	18%
South America	**292**	234	25%
Asia	**1,638**	937	75%
Other markets	**411**	429	(4%)
Total	**9,362**	**7,182**	**30%**

Total world market up 6%

The total world market for heavy and compact construction equipment increased by 6% during the first quarter compared to the same period last year. In North America the market was up 5%, Europe grew by 2%, and Other markets were up 12%. Asia grew by 8%, strongly driven by China with a growth of 21%.

Total market development in the first three months, %	**Europe**	**North America**	**Asia**	**Other markets**	**Total**
Heavy equipment	+1	+10	+2	+12	+5
Compact equipment	+3	+4	+16	+13	+7
Total	**+2**	**+5**	**+8**	**+12**	**+6**

Market conditions for the rest of 2006 are expected to remain favorable. The North American market is expected to flatten out on a historically high level. The European market is expected to grow by 0-5%, and Asia and Other markets by 5-10%, mainly driven by Asia.

Continued strong order bookings

The value of the order backlog on March 31 was 58% higher compared with the same date in the preceding year.

Sharp increase in sales and operating income

Net sales for Construction Equipment increased during the first quarter by 30% to SEK 9,362 M (7,182). Adjusted for currency movements, sales rose by 21%.

Operating income increased during the period by 49% to SEK 829 M (558) and the operating margin increased to 8,9% (7,8). The improved performance is mainly due to higher volumes, a favorable product and geographical mix combined with increased productivity and high capacity utilization.

Continued focus on improved efficiency and new launches

Volvo CE is reinforcing its efforts to reduce cost and increase efficiency.

In February the B-series of the Skid Steer Loaders was launched in North America. The new series comprises five new models ranging from 45 to 81 bhp equipped with Volvo branded engines.

At the Intermat trade show in Paris during the last week of April, Construction Equipment will for the first time show the new 70 ton excavator and the new series of graders to European customers. Volvo CE will also present the Volvo Group’s developments in hybrid engine technology.

Volvo Penta – record-high order bookings

- Strong demand for industrial and marine engines
- Net sales exceeding an annualized level of SEK 10 billion for the first time
- 100 boat models with Volvo Penta IPS

Net sales by market area	First three months		
SEK M	**2006**	**2005**	**Change**
Europe	**1,535**	1,301	18%
North America	**756**	691	9%
South America	**46**	43	7%
Asia	**323**	313	3%
Other markets	**63**	43	47%
Total	**2,723**	**2,391**	**14%**

Stable demand for leisure boats, continued growth in demand for industrial engines

Demand for leisure boats, with particular emphasis on larger craft, remained stable both in Europe and North America during the first quarter. The leading boat builders have generally well-filled order books as the boating season approaches and high capacity utilization in their plants.

The total market for industrial engines continued to strengthen during the first quarter, partly because of high demand for diesel-powered gensets in the US.

Record-high order bookings

Volvo Penta's order bookings during the first quarter reached record levels. Development has been strong both for leisure boats and commercial vessels, an area in which focus on Volvo Penta's core segment is now reflected in a more favorable product mix. Order bookings for industrial engines were sharply stronger, compared with the weak order situation in the corresponding period in the preceding year.

Higher sales

Sales increased by 14% to SEK 2,723 M (2,391), which means that Volvo Penta for the first time ever has sales exceeding SEK 10 billion on an annualized basis. Adjusted for currency movements, sales rose by 7%. The new Volvo Penta IPS drive system and a favorable product mix contributed to the increase. Sales were distributed among the three business segments as follows: Marine Leisure: SEK 1,762 M (1,597); Marine Commercial: SEK 301 M (242); and Industrial: SEK 660 M (552).

Operating income increased to SEK 222 M (206). The operating margin declined slightly to 8.2% (8.6) due to increased investments in product development and customer support.

Volvo Penta IPS in growing number of boat models

Volvo Penta's IPS drive system has been introduced successively by a growing number of the world's boat builders. As the boating season approaches, nearly 100 different boat models offer the new drive system, which replaces traditional shaft installations in boats ranging in size from approximately 35 to 40 feet.

In conjunction with the winter boat shows, Volvo Penta launched a joystick for IPS-powered boats. The joystick function makes docking and maneuvering of larger boats both simpler and safer.

Volvo Aero – continued good profitability

- Continued growth in air traffic
- Important milestone for GEnx – successful first engine test
- Increased sales and continued good profitability in the component business

Net sales by market area	**First three months**		
SEK M	**2006**	**2005**	**Change**
Europe	**1,002**	726	38%
North America	**980**	775	26%
South America	**51**	49	4%
Asia	**93**	65	43%
Other markets	**37**	32	16%
Total	**2,163**	**1,647**	**31%**

The positive trend for air traffic continues

The year 2006 started with a 4.5% rate in air traffic growth in January. Total US traffic increased slightly less than 2%, total European traffic by 5% and Asia-Pacific international traffic grew by more than 6%. World passenger load factor continued to improve as air traffic growth exceeded capacity growth.

During the first quarter, large commercial jet deliveries climbed 27% from 157 last year to 199 this year. Airbus and Boeing have a combined delivery target of more than 800 large commercial aircraft in 2006.

Orders for large commercial jets increased 41% from 188 in the first quarter of last year to 266 in the corresponding period this year. The backlog exceeded 4,000 large commercial aircraft at the end of March, which corresponds to five years of production at this year’s projected production rate.

Costs for development of new engine components reduced operating income

Volvo Aero’s net sales rose 31% to SEK 2,163 M (1,647) in the first quarter. Adjusted for currency movements, sales rose by 19%. The sales increase was mostly due to increased order intake in the aerospace industry, which has resulted in increased volumes in both the production of components and in the aftermarket business.

Operating income was SEK 206 M compared with SEK 210 M in the preceding year. Operating margin amounted to 9.5% (12.8). The declines in operating income and operating margin are attributable to increases in the costs of raw materials and increased R&D costs in connection with the development of new engine components. Production start-ups of new components have also contributed to the production facilities not being used optimally.

First test of GEnx engine carried out according to plans

In March, General Electric Company carried out the first extensive outdoor test of the new GEnx engine, which contains five components from Volvo Aero. Despite a very tight schedule, the ground test was completed in time. Some 575 engines have already been sold to three different new commercial aircraft. GEnx will be used in regular traffic from 2008 when Boeing 787 will enter traffic. The GEnx is the largest undertaking that Volvo Aero ever made in a commercial engine.

Financial Services – good profitability continues

- Strong profitability
- Good credit portfolio growth and quality
- Improved customer satisfaction

New financing and penetration by business area	New financing, SEK M First three months		Penetration, % First three months	
	2006	**2005**	**2006**	**2005**
Volvo Trucks	**3,801**	3,712	**22**	29
Renault Trucks	**1,250**	1,090	**14**	15
Mack Trucks	**659**	412	**9**	8
Buses	**179**	433	**8**	17
Construction Equipment	**1,913**	1,336	**30**	32
Other	**1**	69	**-**	-
Total	**7,802**	7,052	**18**	21

New volume financing rose 11%

Total new financing volume in the first quarter of 2006 amounted to SEK 7.8 billion, an 11% increase compared with SEK 7.1 billion in the first quarter of 2005. The volume increase is seen in Volvo Trucks, Renault Trucks, Mack Trucks and Volvo Construction Equipment. In total, 9,239 units (9,196) were financed during the quarter, resulting in an average financing per contract of SEK 0.84 M.

In the markets where financing is offered, the average penetration rate in the first quarter was 18% (21). The decrease is due to challenging competitive environments in many markets as a result of high levels of liquidity.

The credit portfolio grew by 8.8%

Total assets at March 31, 2006 amounted to SEK 85 billion (74). Of the total assets, SEK 78 billion was attributable to the credit portfolio (67). Adjusted for exchange-rate movements, the credit portfolio grew by 8.8% (10.0). Volvo Trucks accounts for 47% of the credit portfolio, Construction Equipment for 21%, Renault Trucks for 15%, Mack Trucks for 9% and Buses for 6%. The remaining 2% is mainly attributable to Volvo Aero and Volvo Penta.

Good returns and profitability

Operating income in the first quarter amounted to SEK 571 M (588). The first quarter in 2005 included a positive effect of SEK 188 M from a sale of properties outside the Volvo Group's core business. Return on shareholders' equity for the rolling 12 months was 14.1% (13.9). The equity ratio at the end of the first quarter was 11.7% (12.1).

Write-offs in the first quarter amounted to SEK 64 M (70). The annualized write-offs ratio through March 31, 2006, was 0.32% (0.42). On March 31, 2006, the total credit reserves were 2.14% of the credit portfolio (2.20).

All business segments continued to perform well in the first quarter.

Activities in focus

During the first quarter, AB Volvo made a transfer of approximately SEK 500 M to China as part of the ongoing application process to establish financing activities in this market. The application process is entering the final phase with the Chinese authorities and, if all goes well, Financial Services expects to reach a conclusion during the third quarter of 2006 and commence financing business in the country shortly thereafter.

Competition during the first quarter to finance Volvo, Renault and Mack customers and equipment has been even more intense, particularly from banks. There is an excess of liquidity in both mature and emerging markets, and lenders offer liberal credit standards and aggressive pricing.

Financial Services continues to work towards operational excellence by optimizing business processes and improving service levels to counter the increased competition.

Significant events

Volvo became major shareholder in Nissan Diesel

On March 21, AB Volvo acquired 40 million common shares, corresponding to 13% of the shares, in the Japanese truck manufacturer Nissan Diesel from Nissan Motor Co. Ltd, with an option to acquire the remaining 6% of the shares in Nissan Diesel from Nissan Motor within four years. The purchase price is approximately SEK 1.5 billion.

The transaction strengthens the Volvo Group's Asian strategy and is intended to provide the Group with access to Nissan Diesel's dealer and service network in Japan and Southeast Asia, and create a possibility for further industrial cooperation with Nissan Diesel in such areas as engines and transmissions.

AB Volvo, Nissan Motor and Dongfeng Group, intend to, together with Chinese authorities, evaluate how to best develop Dongfeng Motor Co Ltd’s commercial vehicle business. Dongfeng Motor Co. Ltd is jointly owned by Nissan Motor and Dongfeng Group.

Renault Trucks signed agreement in principle with Nissan Motors concerning new light truck

In February, AB Volvo's subsidiary Renault Trucks entered into an agreement in principle with Nissan Motor Co., Ltd concerning the sales and marketing of a new light truck. The new truck, which will be manufactured by Nissan and sold under the Renault name, will supplement Renault Trucks' existing offer of light trucks, Renault Master and Renault Mascott.

In accordance with the agreement, the new truck will be sold via Renault Trucks' dealers, and deliveries are scheduled to commence during the first half of 2007. The new truck will be based on the same platform as that to be used for the next generation Nissan Cabstar and Atlas.

Volvo Group premiered hybrid technology for heavy vehicles

In the beginning of March, Volvo Group presented a new, efficient hybrid solution for heavy vehicles. The Volvo Group’s hybrid concept provides maximum fuel-saving effects on routes with frequent braking and accelerations, for example, city bus traffic, city distribution, refuse collection and construction work. Calculations indicate that fuel savings can amount to 35% in these applications.

Volvo Trucks launched new models for the North American market

In March, Volvo Trucks announced a broadening of its product program on the North American truck market with the launch of two models with new cab variants for the prestige segment, the Volvo VT830 and Volvo VN730. Both models are intended primarily for owner operators. The newly launched cab models offer the same interior roominess, and the lower roof provides better aerodynamics and correspondingly improved fuel economy for rigs with low trailers, such as tankers.

Annual General Meeting of AB Volvo

At the Annual General Meeting of AB Volvo held on April 5, 2006, the Board's proposal to pay a dividend to the shareholders of SEK 16.75 per share, a total of about SEK 6,775 M, was approved.

Per-Olof Eriksson, Tom Hedelius, Leif Johansson, Louis Schweitzer and Finn Johnsson were re-elected members of the Board of AB Volvo and Ying Yeh, Philippe Klein and Peter Bijur were newly elected. Finn Johnsson was elected Board Chairman.

The Meeting resolved to establish a share-based incentive program during the second quarter of 2006 for senior executives in the Volvo Group. The program mainly involves that a maximum of 518,000 Series B shares in the Company could be allotted to a maximum of 240 senior executives, including members of the Group Executive Committee, during the first six months of 2007. The allotment shall depend on the degree of fulfillment of certain financial goals for the 2006 fiscal year, which have been set by the Board. If these goals are fulfilled in their entirety and if the price of the Volvo B share at the time of allotment is SEK 370, the costs for the program will amount to about SEK 230 M. So that Volvo shall be able to meet its commitment in accordance with the program in a cost-efficient manner, the Meeting further resolved that Volvo may transfer own shares (treasury stock) to the participants in the program.

Further information is available at www.volvo.com.

Quarterly figures

Volvo Group **SEK M unless otherwise specified**	**1/2005**	**2/2005**	**3/2005**	**4/2005**	**1/2006**
Net sales	**52,253**	**61,119**	**52,532**	**65,287**	**60,172**
Cost of sales	(40,559)	(47,982)	(40,605)	(51,677)	**(46,296)**
Gross income	**11,694**	**13,137**	**11,927**	**13,610**	**13,876**
Research and development expenses	(1,934)	(1,860)	(1,791)	(1,972)	**(1,951)**
Selling expenses	(4,381)	(4,829)	(4,719)	(5,687)	**(4,940)**
Administrative expenses	(1,585)	(1,630)	(1,318)	(1,614)	**(1,627)**
Other operating income and expenses	173	1	(543)	(30)	**(621)**
Income from Financial Services 1)	587	483	484	479	**571**
Income from investments in associated companies	(27)	15	(39)	(517)	**32**
Income from other investments	9	33	3	(8)	**90**
Operating income	**4,536**	**5,350**	**4,004**	**4,261**	**5,430**
Interest income and similar credits	226	284	151	155	**211**
Interest expenses and similar charges	(273)	(326)	(239)	(296)	**(236)**
Other financial income and expenses	114	(55)	99	23	**67**
Income after financial items	**4,603**	**5,253**	**4,015**	**4,143**	**5,472**
Income taxes	(1,355)	(1,324)	(1,080)	(1,149)	**(1,474)**
Income for the period*	**3,248**	**3,929**	**2,935**	**2,994**	**3,998**
* Attributable to					
Equity holders of the parent company	3,234	3,911	2,927	2,980	**3,981**
Minority interests	14	18	8	14	**17**
	3,248	**3,929**	**2,935**	**2,994**	**3,998**

Depreciation and amortization included above	**1/2005**	**2/2005**	**3/2005**	**4/2005**	**1/2006**
Industrial and Commercial	1,583	1,631	1,694	1,984	**1,757**
Financial Services	125	148	100	56	**111**
Classification Group versus segment Financial Services	575	681	673	644	**653**
Total	**2,283**	**2,460**	**2,467**	**2,684**	**2,521**

Income per share, SEK 2)	7.93	9.67	7.24	7.37	**9.84**
Number of shares outstanding, million	404.4	404.5	404.5	404.5	**404.5**
Average number of shares during period, million	407.6	404.4	404.4	404.5	**404.5**
Number of company shares, held by AB Volvo, million	37.1	21.2	21.2	21.2	**21.2**

1) Financial Services reported according to equity method

2) Income per share is calculated as Income for the period (excl minority interests) divided by the weighted average number of shares outstanding during the period.

Key operating ratios, %	**1/2005**	**2/2005**	**3/2005**	**4/2005**	**1/2006**
Gross margin, %	22.4	21.5	22.7	20.8	**23.1**
Research and development expenses in % of net sales	3.7	3.0	3.4	3.0	**3.2**
Selling expenses in % of net sales	8.4	7.9	9.0	8.7	**8.2**
Administrative expenses in % of net sales	3.0	2.7	2.5	2.5	**2.7**
Operating margin, %	8.7	8.8	7.6	6.5	**9.0**

Net sales

SEK M	1/2005	2/2005	3/2005	4/2005	1/2006
Trucks	35,911	41,095	34,949	43,441	**40,453**
Buses	3,196	4,219	3,914	5,260	**4,187**
Construction Equipment	7,182	9,555	7,778	10,301	**9,362**
Volvo Penta	2,391	2,624	2,333	2,428	**2,723**
Volvo Aero	1,647	1,784	1,997	2,110	**2,163**
Other	1,926	1,842	1,561	1,747	**1,284**
Net sales Volvo Group	**52,253**	**61,119**	**52,532**	**65,287**	**60,172**
Financial Services	1,778	1,939	1,876	1,956	**2,099**
Eliminations and other	405	486	485	443	**464**
Net sales total	**54,436**	**63,544**	**54,893**	**67,686**	**62,735**

Operating income

SEK M	1/2005	2/2005	3/2005	4/2005	1/2006
Trucks	3,077	3,402	2,496	2,742	**3,539**
Buses	32	160	144	134	**131**
Construction Equipment	558	937	521	736	**829**
Volvo Penta	206	302	230	205	**222**
Volvo Aero	210	168	239	219	**206**
Financial Services	587	483	484	479	**571**
Other	(134)	(102)	(110)	(254)	**(68)**
Operating income (loss)	**4,536**	**5,350**	**4,004**	**4,261**	**5,430**

Operating margin

%	1/2005	2/2005	3/2005	4/2005	1/2006
Trucks	8.6	8.3	7.1	6.3	8.7
Buses	1.0	3.8	3.7	2.5	3.1
Construction Equipment	7.8	9.8	6.7	7.1	8.9
Volvo Penta	8.6	11.5	9.9	8.4	8.2
Volvo Aero	12.8	9.4	12.0	10.4	9.5
Operating margin	**8.7**	**8.8**	**7.6**	**6.5**	**9.0**

Financial Information

In the comments on earnings on previous pages Volvo Financial Services is reported in accordance with the equity method. From this page and forward, Volvo Financial Services is reported in accordance with the purchase method.

Consolidated income statements	First three months	
SEK M	**2006**	**2005**
Net sales	**62,735**	**54,436**
Cost of sales	**(47,897)**	(41,937)
Gross income	**14,838**	**12,499**
Research and development expenses	**(1,951)**	(1,934)
Selling expenses	**(5,245)**	(4,657)
Administrative expenses	**(1,668)**	(1,621)
Other operating income and expenses	**(666)**	259
Income from investments in associated companies	**32**	(19)
Income from other investments	**90**	9
Operating income	**5,430**	**4,536**
Interest income and similar credits	**159**	186
Interest expenses and similar charges	**(183)**	(233)
Other financial income and expenses	**66**	114
Income after financial items	**5,472**	**4,603**
Taxes	**(1,474)**	(1,355)
Income for the period*	**3,998**	**3,248**
* Attributable to:		
Equity holders of the parent company	**3,981**	3,234
Minority interests	**17**	14
	3,998	**3,248**

Consolidated Balance Sheets	**March 31**	**Dec 31**
SEK M	**2006**	**2005**
Assets		
Non-current assets		
Intangible assets	**20,783**	20,421
Tangible assets	**54,751**	55,907
Financial assets	**41,307**	40,394
Total non-current assets	**116,841**	116,722
Current assets		
Inventories	**37,960**	33,937
Short-term receivables	**71,789**	69,601
Marketable securities	**24,588**	28,834
Cash and bank accounts	**9,893**	8,113
Total current assets	**144,230**	140,485
Total assets	**261,071**	**257,207**
Shareholders' equity and liabilities		
Shareholders' equity 1)	**83,533**	78,760
Non-current provisions 2)	**21,350**	21,263
Non-current liabilities	**44,059**	48,894
Current provisions	**9,074**	9,279
Current liabilities	**103,055**	99,011
Total shareholders' equity and liabilities	**261,071**	**257,207**

1) Of which, minority interests amounted to SEK 266 M (260).

2) Pension obligations and deferred taxes regarded as non-current provisions.

Cash-flow statement	First three months			
SEK billion		**2006**		2005
Operating activities				
Operating income		**5.4**		4.5
Depreciation and amortization		**2.5**		2.3
Other non-cash items		**0.0**		(0.2)
Change in working capital		**(3.9)**		(5.1)
Financial items and income taxes		**(1.6)**		(0.6)
Cash flow from operating activities		**2.4**		**0.9**
Investing activities				
Investments in fixed assets	**(2.8)**		(2.0)	
Investment in leasing vehicles	**(0.7)**		(0.9)	
Disposals of fixed assets and leasing vehicles	**0.7**		0.7	
Investments in shares, net	**(1.6)**		0.0	
Acquired and divested operations, net	**0.2**		0.2	
Interest-bearing receivables incl. marketable securities, net	**4.2**	**0.0**	(1.8)	(3.8)
Cash flow after net investments		**2.4**		**(2.9)**
Financing activities				
Change in loans, net	**(0.5)**		2.6	
Dividend paid to AB Volvo shareholders	**-**		-	
Repurchase of own shares	**-**		(1.8)	
Other	**0.0**	**(0.5)**	0.0	0.8
Change in cash and cash equivalents		**1.9**		**(2.1)**
Translation difference on cash and cash equivalents		**(0.1)**		0.2
Change in cash and cash equivalents		**1.8**		**(1.9)**

Accounting principles

As of January 1, 2005 AB Volvo complies with International Financial Reporting Standards (IFRS), formerly IAS, as adopted by the European Union. 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 2005 Annual Report. This interim report has been prepared in accordance with IAS 1, Presentation of Financial Statements, in applicable parts, and IAS 34, Interim Financial Reporting.

New accounting principles in 2006

In addition to the information provided in Note 1 in the 2005 Annual Report regarding new accounting principles in 2006, Volvo applies the updated standard IAS 21, Effects of Changes in Foreign Exchange Rates, which does not have any significant effect on Volvo’s financial position. With regard to application of IFRIC 4, Determining whether an arrangement contains a lease, and the supplement to IAS 39, Financial Instruments: Recognition and Measurement, pertaining to financial guarantee contracts, the comparison year is restated. The effect on Volvo’s shareholders’ equity amounts to a negative SEK 7 M on the opening balance for 2005 and a negative SEK 1 M for the income for the 2005 period. The change in IAS 39, regarding the reporting of financial assets and liabilities to fair value, has not affected Volvo’s financial position or income.

Acquisition of shares in Nissan Diesel

On March 21, AB Volvo acquired 40 million shares, corresponding to 13% of the shares, in the Japanese truck manufacturer Nissan Diesel from Nissan Motor, with an option on Nissan Motor’s remaining 6% within four years. The holding is reported as an associated company, since Volvo believes that substantial influence exists. In accordance with IAS 28, Investments in Associates, under certain circumstances options shall be taken into account in determining whether substantial influence exists. Such circumstances exist regarding the option to acquire an additional 6% in Nissan Diesel. Other criteria that indicate that substantial influence exists are representatives on the company’s Board of Directors, participation in decision on strategic issues and guidelines, significant transactions between the companies, exchange of personnel in senior positions and exchange of significant technical information. Volvo expects to report its share in earnings of Nissan Diesel with a time-lag of one quarter.

Return on operating capital

Volvo reports return on operating capital in this interim report. Operating capital is defined as operating assets excluding Financial Services less operating liabilities excluding Financial Services. The Group’s rolling 12-month operating income less the operating income in the Financial Services segment is shown in relation to a quarterly weighted average of operating capital. For further information, see note 7 to the consolidated financial statements that are included in the Volvo Group's 2005 annual report.

Other information

Recalculation of exercise price and number of shares in the option program for senior executives in Volvo

Recalculation has taken place of the exercise price and the number of shares each option entitles the option holder to acquire in the 2002 option program with exercise between May 2, 2006 and May 1, 2008. The exercise price was previously SEK 163 per share and each option entitled the option holder to acquire one share. According to the terms and conditions of the option program, recalculation shall take place under certain circumstances such as extra dividends, issues of new shares and dividend of shares. At the AB Volvo Annual General Meeting in 2004, a decision was taken to distribute shares in Ainax AB to Volvo's shareholders. As a consequence hereof, a recalculation of the exercise price and the number of shares each option entitles the option holder to acquire has taken place. The new exercise price is SEK 156.19 per share and each option entitles the option holder to acquire 1.04363 Volvo B shares.

Göteborg, April 25, 2006
AB Volvo (publ)

Leif Johansson
President and CEO

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

Report on the second quarter of 2006

AB Volvo's report on the second quarter of 2006 will be published on Friday, July 21, 2006, and will be available at www.volvo.com.

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 the Stockholm Stock Exchange if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Deliveries

	First three months		
Delivered trucks	**2006**	**2005**	**Change**
Volvo Group			
Europe	28,123	26,032	8%
Western Europe	24,861	23,567	5%
Eastern Europe	3,262	2,465	32%
North America	17,541	15,209	15%
South America	2,548	2,553	0%
Asia	2,869	6,876	(58%)
Middle East	1,887	5,841	(68%)
Other Asia	982	1,035	(5%)
Other markets	2,233	1,935	15%
Total Volvo Group	**53,314**	**52,605**	**1%**
Mack Trucks			
Europe	-	-	-
Western Europe	-	-	-
Eastern Europe	-	-	-
North America	8,651	7,910	9%
South America	581	499	16%
Asia	16	91	(82%)
Middle East	16	89	(82%)
Other Asia	0	2	(100%)
Other markets	235	201	17%
Total Mack Trucks	**9,483**	**8,701**	**9%**
Renault Trucks			
Europe	17,080	15,072	13%
Western Europe	15,533	13,898	12%
Eastern Europe	1,547	1,174	32%
North America	126	81	56%
South America	469	142	230%
Asia	1,026	1,969	(48%)
Middle East	945	1,799	(47%)
Other Asia	81	170	(52%)
Other markets	1,236	1,046	18%
Total Renault Trucks	**19,937**	**18,310**	**9%**
Volvo Trucks			
Europe	11,043	10,960	1%
Western Europe	9,328	9,669	(4%)
Eastern Europe	1,715	1,291	33%
North America	8,764	7,218	21%
South America	1,498	1,912	(22%)
Asia	1,827	4,816	(62%)
Middle East	926	3,953	(77%)
Other Asia	901	863	4%
Other markets	762	688	11%
Total Volvo Trucks	**23,894**	**25,594**	**(7%)**
Delivered Buses			
Europe	900	1,072	(16%)
Western Europe	809	958	(16%)
Eastern Europe	91	114	(20%)
North America	427	315	36%
South America	283	106	167%
Asia	974	340	186%
Other markets	107	145	(26%)
Total Buses	**2,691**	**1,978**	**36%**