

VOLVO

First Quarter Results, 2000

April 26, 2000

Strength in Diversity

First Quarter Results

- Industrial diversity paying off
- Globally driven volume growth
- Volvo CE led the quarter
- Marin & Industrial momentum strong
- Bus turn around continues
- Improved result in Financial services

Key Events/Outlook

- EU Commission stops Volvo's acquisition of Scania
- Volvo acquiring RVI and MACK in exchange for 15% of Volvo's shares
- Market outlook
 - Europe - strong and stable
 - N.America - weak performance, but long term positive outlook
 - Asia - gradually improved demand

Sales by Market Area

First quarter 2000

	Percent of Volvo's sales	First quarter, bln		Change %
		2000	1999	
Western Europe	54	16.6	15.5	+7
Eastern Europe	3	0.8	0.6	+40
North America	32	9.7	8.3	+17
South America	3	1.1	1.0	+6
Asia	6	1.7	1.1	+54
Others	2	0.6	0.5	+20
Total	100	30.5	27.1	+13

- Net sales increased in all markets
- Trucks nearly doubled deliveries in Eastern Europe
- Slow improvement in South America
- Asia turning

Sales by Business Area

First quarter 2000

SEK M	Total %	First quarter		Change %
		2000	1999	
Trucks	51	15,129	14,215	+6
Buses	13	3,838	2,688	+43
Construction Equipm.	16	4,649	4,040	+15
Marine & Ind. Power Syst.	5	1,585	1,230	+29
Aero	8	2,286	2,167	+5
Finance	7	2,206	2,098	+5
Other & Eliminations		853	634	-
Volvo Group	100	30,546	27,072	+13

- Revenue growth in all business areas
- Volvo CE - Strong sales in Excavator and Compact Equipment
- Marine & Ind. - Robust sales of Marine Leisure and Industrial Engines in all regions
- Buses - Sales growth led by Europe & North America
- Trucks - No signs of less demand in Europe, market development in North America complex
- Aero - Still high volume in Aerospace Components and Engine Services

Operating Income by Business Area

First quarter 2000

SEK M	Total %	First quarter		Change %
		2000	1999	
Trucks	40	645	830	(22)
Buses	2	33	(64)	nm
Construction Equipm.	19	311	182	+71
Marine & Ind. Power Syst.	6	103	45	+129
Aero	7	110	139	(21)
Finance	25	398	167	138
Other & Eliminations		(175)	(41)	
Volvo Group	100	1,425	1,258	+13

- Volvo CE - Successful investments and divestments
- Marine & Ind. - Continuing positive momentum and record results
- Buses - Continuing improvement, opportunity for further development
- Trucks - N. America volumes, demand mix Europe, FL changeover
- Aero - Lower margins and price pressure within The AGES Group
- Finance - Separate reporting since Q1 2000, stable operating income development

First quarter 2000 - Consolidated Results

SEK M	First quarter		Adjustments		Normalized		Change %
	2000	1999	1999	1998	2000	1999	
Sales	30,546	27,072			30,546	27,072	+13
Operating income	1,425	27,953		(26,695) ¹	1,425	1,258	+13
Inc. ass. comp. & oth. inv.	375	20			375	20	
Interest net	111	(101)			111	(101)	
Other financial items	(23)	127			(23)	127	
Income after fin. items	1,888	27,999		(26,695) ¹	1,888	1,304	+45
Taxes	(629)	(435)		93 ¹	(629)	(342)	
Minority interest	8	(7)			8	(7)	
Net income	1,267	27,557		(26,602) ¹	1,267	955	+33
EPS	2.90	62.40			2.90	2.20	+33
Operating margin	4.7%	103.3%			4.7%	4.6%	

1) Excl. gain on sales of Volvo Cars

- Revenue growth due to geographic and industrial balance
- Operating income improvement in Volvo CE, Marine & Industrial Power Systems, Buses and Finance
- Improved Interest net
- EPS increased sharply, +33%

Volvo Construction Equipment

First Quarter 2000

SEK M	First quarter		Change
	2000	1999	
Sales	4,649	4,040	+ 15%
Operating income	311	182	+ 70%
Operating margin	6.7%	4.5%	+ 2.2
ROC, 12 M	20%	15%	+ 5.4

Major factors

- Best Q1 ever in terms of sales and operating income
- Excavator business is paying off
- New product lines launched
- Growth in compact equipment
- World market growth
- Substantial growth in Korean market

First quarter constraints

- Declining market and price pressure on Heavy Equipment in NAFTA

In Focus

- Order backlog in value terms 40% higher than last year
- Gain from strong markets in Europe and growth in Asia and S.America
- No extraordinary gains in Q2

Volvo Penta

First Quarter 2000

SEK M	First quarter		
	2000	1999	Change
Sales	1,585	1,230	+29%
Operating income	103	45	+129%
Operating margin	6.5%	3.7%	+2.8
ROC, 12M	32%	8%	+24.0

Major Factors

- Growth in all regions and segments
- Marine Leisure and Ind. Engines driving improvement
- Cost containment contributing positively
- Fully absorbing growing R&D investments
- Returns are high and improving
- Increased capital efficiency

First quarter constraints

- Still low demand in Brazil and Eastern Europe
- Some supplier capacity constraints

In Focus

- Product launches
- Strong order intake
- Capacity increasing activities in progress
- Execute decided Product Development Program

Volvo Buses

First Quarter 2000

SEK M	First quarter		
	2000	1999	Change
Volume (units)	2,626	1,822	44%
Sales	3,838	2,688	43%
Operating income	33	(64)	nm
Operating margin	0.9%	(2.4%)	3.3
ROC, 12M	5.4%	4.8%	0.6

Major Factors

- Strong deliveries in Europe, Mexico
- Reduced costs for purchased material
- Deliveries to Iran started

First quarter constraints

- High industrial start up costs in Mexico, Poland
- Body building capacity
- High capital tied up in North America
- Mix; not favourable

In Focus

- Good orderbook and continuous strong demand in Europe and North America (mainly Mexico)
- Signs of positive change in Asia Pacific, South America
- Further reductions in purchasing costs
- Strong renewed product program

Volvo Aero

First Quarter 2000

SEK M	First quarter		
	2000	1999	Change
Sales	2,286	2,167	5%
Operating income	110	139	-21%
Operating margin	4.8%	6.4%	(1.6)
ROC, 12M*	20%	24%	(4.5)

* excl. Aviation Support Services

Major Factors

- Continued revenue growth
- Lower margin
- F414/GE agreement signed
- Divestment of Truck Engine Parts Manufacturing

First quarter constraints

- Increased competition and pressure on margins within The AGES Group

In focus

- Take advantage of structural opportunities
- Capital Management
- Exploiting synergies in manufacturing

Volvo Trucks

First Quarter 2000

SEK M	First quarter		
	2000	1999	Change
Volume (units)	20 226	19 799	2%
Sales	15,129	14,215	6%
Operating income	645	830	-22%
Operating margin	4.3%	5.8%	
ROC, 12M	27%	28%	

Major Factors

- Strong markets in W. Europe
- Industry inventory problems in N. America
- Reduced line rates in N. America
- Increased deliveries in Asia and Eastern Europe

First quarter constraints

- Lower deliveries in N. America
- FL change over
- Capacity constraints in Europe
- Change of demand mix in Europe

In focus

- Capacity and sales mix Europe
- Increased sales in Asia and E. Europe
- New products in Europe (Volvo FL) and N. America
- Market development in N. America

Volvo to join forces with RVI and Mack

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- Consolidated strength in Markets and Products
 - Strong industrial logic
 - Positive financial terms for Volvo shareholders
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Merger Logic

Global Position - Volvo and Renault VI trucks/Mack



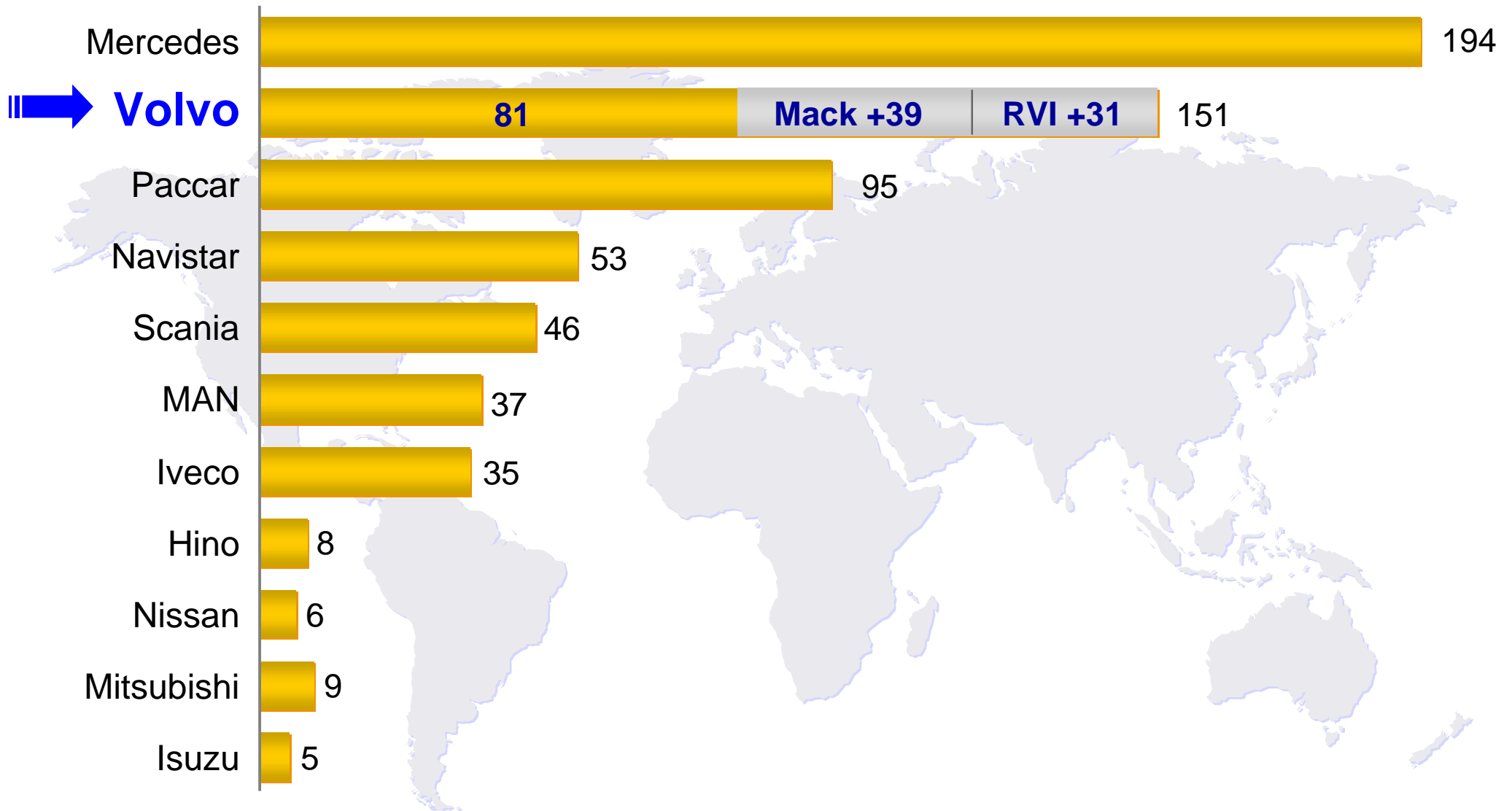
No. 1 in Heavy Trucks in Europe

No. 2 in Heavy Trucks in North America

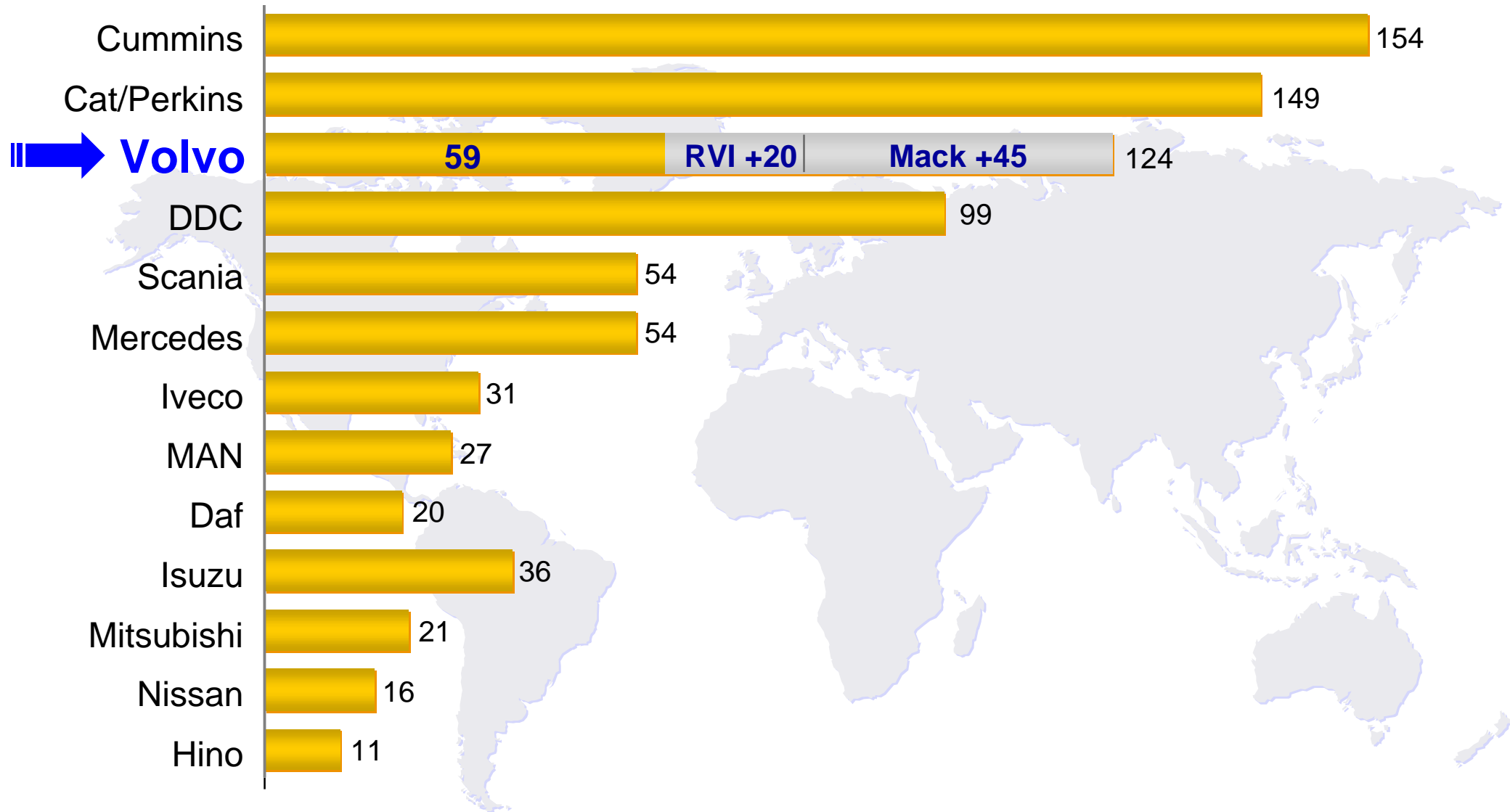
No. 2 in Heavy Trucks in the World

No. 3 in Heavy Diesel Engine in the World

World Heavy Truck Production 1999



World Heavy Diesel Engine Production 1999 14



Merger Logic

Markets and Products

Mack in North America

- Strong position in the vocational segments
- Strong brand image
- Strong dealer network
- Integrated engines - unique in North America
- Strong export into South American countries and Australia

Renault VI trucks in Europe

- Strong position in southern Europe
- Strong brand image
- Strong dealer network
- Newly launched heavy and medium trucks
- Strong presence in northern Africa

Key Figures 1999

	RVI trucks/ Mack	Volvo Trucks	Volvo Group incl. RVI/Mack
Sales (euro M)	6,000	7,900	20,200
(SEK M)	53,000	69,500	178,000
Op. Income* (euro M)	217	443	902
(SEK M)	1,900	3,900	8,000
Op. Margin (%)	3.6	5.6	4.5
No. of Employees	23,000	24,100	76,500
Sales units heavy trucks	70,000	81,200	151,200
Sales units medium trucks	9,000	3,800	12,800

*) Adjusted to Volvo accounting standards
Average exchange rate 1999: 8.82 SEK/Euro

Pro forma Key Financials

Volvo and RVI

Jan-Dec 1999¹, SEK bln	Volvo	RVI	Adjustment	Volvo Group incl. RVI
Sales	125,0	53,0		178,0
Operating income	6,6	1,9	(0,5)	8,0
Operating margin (%)	5,2	3,6		4,5
Net income ²	5,5	1,2	(0,9 ²)	5,8
EPS	12:40	-		13:10
EBITDA per share ³	22:20	-		29:60
Dec, 31 1999, SEK bln				
Net financial assets (debt) ⁴	31,0	(2,0 ⁵)	(14,0-18,2)	10,8-15,0

1) Payment through share buy-back programs in Volvo, total 15 percent. Goodwill estimated to SEK 10 bln, amortised over 20 years.

2) Adjusted for non-recurring items, goodwill, interest income and taxes.

3) Excl. sales finance and non recurring items

4) With a range of premium up to 30 percent on repurchases shares in Volvo.

5) Including pension and health care liabilities of SEK 5,2 bln. Estimated synergy effects not included

Cost savings

Synergy drivers:

Common Global organisation

- Purchasing
- Powertrain
- R&D
- Finance

Synergies

After 2 years

Purchasing	50%
Powertrain	25%
Assembly	} 25%
Distribution	
Support	

Total approx. SEK 3,500 M (Euro 420 M)

Additional savings long term:

Approx. + SEK 3,000 M (Euro 360 M)

Summary

Q 1 results -D iversity paying off

- Global expansion in all businesses
- Industrial diversity - stable operating income
- Financial Services increasing growth and profits
- Strong increase in EPS

Volvo acquiring RV I and M A C K

- EPS increase from start and substantial future potential
- Premium in buy-back program to existing shareholders
- Strong industrial logic
- Global growth opportunities