AB Volvo

Press Information

Volvo - six months ended June 30, 2001

First six months	2001	2000
Net sales, SEK M	90 848	59 244
Operating income excluding items affecting comparability, SEK M*	2 625	4 307
Operating income, SEK M	1 306	4 307
Income after financial items, SEK M	561	4 318
Net income, SEK M	555	3 153
Sales growth	53%	4%
Income per share excluding items affecting comparability, during most recent 12 months period, SEK	7,60	13,30
Return on shareholders' equity, excluding items affecting comparability, %	3,4	6,1

* Items affecting comparability in 2001, pertain to restructuring costs of SEK 1.3 billion.
Volvos operating income during the first six months 2001 was also favorably affected with SEK 941 M attributable to capitalization of development costs. See further "Accounting principles", on page 20.

- Global Trucks, Volvo Penta and Volvo CE report increasing market shares on declining markets
- Breakthrough within Volvo Powertrain; agreement to supply truck engines to Navistar.
- Unsatisfactory earnings for the Group. Cashflow positive in the second quarter.
- Continued positive development within Volvo Penta and Volvo Aero
- Divestments completed of Volvo’s MMC-holding and Volvia’s insurance operations.

Comments by the Chief Executive Officer

Two separate series of events currently dominate the Volvo Group. One is a long-term program to create a more competitive strategic structure. The other consists of more immediate measures to adapt operations to the prevailing business climate.

Structural work is proceeding according to plan. Although operating income remains clearly unsatisfactory, a number of promising trends were noted during the second quarter. Growth is strong in some parts of the Group. We are gaining market share. Volvo Aero and Volvo Penta continue to deliver strong performance. In addition, the focus on cash flow resulted in a significant improvement compared with the first quarter and with the corresponding period in 2000.

As in the most recent quarters, it is primarily the weak truck market in North America that restricts earnings growth for the Group. Demand is declining in Western Europe, and we expect a further weakening. A decline in the market for construction equipment is also becoming evident.

Since customer financing is primarily linked to Volvo Global Truck's sales in North America, Volvo Financial Services' profitability is affected by credit losses. Volvo Buses is also operating in declining markets. This applies particularly to the Nordic region and Great Britain, which are traditionally strong bus markets for the Volvo Group. Growth is favorable in Eastern Europe, Asia and South America, although economic conditions in North America and Western Europe, which account for the major share of the Group's sales, indicate that little help can be expected from the market over the next few quarters.

Despite these difficult business conditions, some units reported excellent results, and, as noted above, we see a number of promising trends. Penta continued to generate growth and excellent operating margins. Order bookings for both industrial and marine engines reached record levels toward the end of the period. In North America, Penta compensated a sharp decline in the market for marine engines by gaining market shares. Aero increased sales and operating income, despite the fact that growth in air traffic declined during the second quarter.

In North America, Global Trucks increased its market share for heavy trucks from 21 to nearly 25 percent, in part as a result of Mack's launch during the second quarter of two new truck series, Granite and Freedom.

Volvo Construction Equipment increased market shares in both Europe and North America, in large part through successful product introductions. Order bookings increased during the second quarter, primarily as a result of increased demand for Volvo's new articulated haulers. The second quarter was the best ever in terms of sales. Nonetheless, Construction Equipment reported a decline in operating income as a result of a less favorable product and market mix during the first six months of the year.

During the second quarter, SEK 3.2 billion was received from DaimlerChrysler as payment for Volvo's shareholdings and other commitments in Mitsubishi Motors. In addition, the remaining car-related operations in Volvia and Volvofinans were divested.

Within the two new units Global Trucks and Volvo Powertrain, decisions were taken that will result in more competitive products and significant cost savings over the next few years. Firstly, as part of its product plans, Global Trucks adopted a joint platform concept for its three truck brands. Secondly, Powertrain decided on product plans for the development of two engine families that will supply the entire Group (excluding Volvo Aero) with power systems. The largest of these, a 16-liter engine, will be sold primarily by Penta for industrial and marine power systems.

It was very encouraging that Powertrain in late-May was able to sign a Letter of Intent with Navistar for a long-term delivery contract for 12-liter diesel engines. This will result in significant volume increases that will strengthen the Group's engine program. The contract also shows that the market has confidence in our engine strategy.

In our effort to adapt operations to prevailing business conditions we have been forced to take strong measures that mean that many employees will leave the company. Such decisions are painful, but by taking these measures, we expect to emerge strong when markets turn upward again.

Leif Johansson

Significant events during the second quarter of 2001

Volvo to supply truck engines to Navistar
At the end of May 2001, AB Volvo's Powertrain business unit signed a Letter of Intent and is negotiating a long-term agreement with International Truck and Engine Corporation, a wholly-owned subsidiary of Navistar International Corporation, regarding the supply of 12 liter engines to International. The engines will be used in trucks manufactured by International in NAFTA countries, and will comply with the US 02 emission regulations. The engines will initially be produced at Volvo Powertrain's plant in Skövde, Sweden. However, Volvo eventually intends to produce the engines in North America.

Volvo Aero enters Rolls-Royce's Trent engine program
In May 2001, an agreement was signed through which Volvo Aero becomes a risk and revenue sharing partner in two Rolls-Royce engine programs, the Trent 500 for the Airbus A340-500/-600 and the Trent 900 for the new Airbus A380. Volvo Aero's responsibility in the cooperation with Rolls-Royce will cover design, development, manufacture and support for the Intermediate Compressor Case, which is one of the company's specialities. The first Trent 500 components from Volvo Aero will be delivered during the first quarter of 2002. Production of the new engines will last for at least 20 years.

Volvo sells its interest in Volvofinans
On June 28, 2001, Volvo reached an agreement to divest its entire 50% holding in AB Volvofinans to Ford Credit International, Inc for a total purchase price of SEK 871 M, which will have a marginally positive impact on Volvo's earnings in the third quarter, 2001. The divestment is dependent on approval from the relevant authorities.

AB Volvofinans predominantly finances passenger cars and is thus more naturally related to Volvo Cars, which is now owned by the Ford Motor Company, Inc.

Divestment of shares in Mitsubishi Motors Corporation ("MMC") completed
On June 29, 2001, Volvo received USD 297 M (SEK 3,182 M) as payment for the sale of its 3.3% holding in, and all rights and obligations relating to, MMC. The divestment resulted in a net capital gain of SEK 574 M in the second quarter of 2001. The capital gain is reported in Global Trucks and includes costs for terminating the distribution of Mitsubishi Canter trucks as well as costs for terminated development projects.

Divestment of the insurance operations in Volvia completed
On February 8, 2001,Volvia reached an agreement covering the divestment of its insurance operations. The buyer is the If insurance company, with which Volvia has had a close partnership. The divestment was completed in the second quarter of 2001 and resulted in a capital gain of SEK 562 M.

AB Volvo and Renault SA
Volvo and Renault have entered into arbitration regarding the final value of acquired assets and liabilities in Renault V.I. and Mack. This process could result in an adjustment in the value of the transfer. Any such adjustment will affect the amount of acquired liquid funds and Volvo's reported goodwill amount.

The outcome of this arbitration cannot be determined with certainty, however Volvo believes that the outcome will not lead to an increase in goodwill.

New members of the Volvo Board
At AB Volvo's Annual General Meeting held on April 25, 2001, Louis Schweitzer, Patrick Faure and Ken Whipple were elected new members of the AB Volvo Board. Board members Sören Gyll and Sören Mannheimer declined reelection to the AB Volvo Board. In addition, the following members were reelected: Lars Ramqvist (Chairman), Per-Olof Eriksson, Tom Hedelius, Finn Johnsson and Leif Johansson.

Volvo's repurchase of Company shares
During the beginning of 2001, Volvo repurchased 10% of the total number of shares outstanding in AB Volvo. As a result a total of SEK 8.3 billion was transferred to the shareholders' of AB Volvo. On February 9, 2001, 5% of the shares were transferred to Renault S.A. as final payment for the shares of Renault V.I. Volvo thus holds 5% of the total number A shares outstanding and 5% of the total number of B shares outstanding, corresponding to 5% of the voting rights and 5% of the share capital of AB Volvo.

The Volvo Group - 2001

Net sales

Net sales of the Volvo Group for the second quarter of 2001 amounted to SEK 47,098 M, an increase of 52%, compared with SEK 30,970 in 2000. All business areas reported increasing net sales in the second quarter and Global Trucks, Aero, Penta and Volvo CE reached the targeted growth rate of 10%.

With the combined truck operations of Mack, Renault and Volvo, net sales of Global Trucks' doubled and amounted to SEK 30,128 M. In North America, the company was able to increase its market share from 21% to 24.7%, despite a significant decline in deliveries. In Europe, the combined market share for Volvo and Renault was 27.5%, which was at the same level as in 2000.

Mainly due to weakening markets, Buses experienced a declining trend. Net sales adjusted for currency effects decreased by 5% and the number of buses sold by 10%. The most significant decrease was in Europe, with a decrease in volumes of 27%. Net sales for Volvo Construction Equipment reached record high levels, in part due to a strong dollar but also as result of successfully launched products. Volvo Penta managed to increase its sales and gain market shares on a declining market. Within Aero net sales adjusted for currency effects increased by 2%. This related mainly to Aerospace Components and Aviation Support Services.

During the first six months of 2001, the Group's net sales increased in all markets compared with last year. Adjusted for acquired companies and the effects of foreign exchange changes, net sales decreased by 4%. Net sales in Western Europe increased by 16.9 billion (55%), of which Renault V.I. represented the major part. Excluding acquired companies, Group net sales in western Europe increased by 5%. The decline in demand in North America, which continued during the second quarter affected net sales in Global Trucks negatively. Excluding acquired companies Group net sales in North America decreased by 8%. Net sales in Volvo's growth markets – Asia, Eastern Europe and South America – increased by 35% compared with last year and accounted for 11% of the Group's total sales. Excluding Mack and Renault V.I., net sales on these markets increased by 19.5% compared with preceding year.

During the first six months of 2001 Western Europe and North America accounted for 83.8% of the Group's total sales, compared with 84.7% during the preceding year. The distribution of net sales by market is further specified in the table below:

Net sales by market area	**Second quarter**		**First six months**		**Change**	
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**	**% of total**
Western Europe	23 624	15 381	47 321	30 450	+55	52
Eastern Europe	1 427	852	2 626	1 611	+63	3
North America	15 354	10 573	28 795	19 704	+46	32
South America	1 727	1 181	3 106	2 145	+45	3
Asia	2 756	2 223	4 697	3 971	+18	5
Other markets	2 210	760	4 303	1 363	+216	5
Total	**47 098**	**30 970**	**90 848**	**59 244**	**+53**	**100**

Income from investments in shares

Income from investments in shares in the second quarter amounted to SEK 1,396 M (108). The increase pertains mainly to a dividend received from Scania of SEK 637 M and a capital gain from the divestment of MMC of SEK 768 M, excluding costs for terminating the distribution of Mitsubishi Canter trucks as well as costs for terminated development projects.

Operating income

Operating income for the Group in the second quarter of 2001 amounted to SEK 2,123 M, compared with 2,507 M for the corresponding period during the preceding year. Operating income during the first six months of 2001 was favorably affected by SEK 941 M, which was attributable to capitalization of development costs. (See also page 20). The distribution of these costs was SEK 750 M for Global Trucks, SEK 71 M for Buses, SEK 64 M for Construction Equipment, SEK 38 M for Marine and industrial power systems and SEK 18 M for Aero. Other non-recurring items effecting operating income during the second quarter of 2001 included gains from the divestments of MMC (574) and Volvia (562), and the dividend from Scania (637). These positive effects were offset by credit losses and increased provisions in the US within Financial Services (–670). Non-recurring effects for 2000 pertain mainly to gain on sale of marketable securities (400) and surplus pension funds from SPP (683), a Swedish insurance company.

Global Trucks' operating income for the second quarter of 2001, was SEK 639 M (31). The downturn in North America continued with declining net sales and reduced margins. Together with effects of excess capacity, this affected operating income negatively. These negative effects were in part offset by the positive effects of the divestment of MMC.

Lower volumes and low capacity utilization especially in the North American plants, were mainly responsible for the operating loss in Buses of SEK 25 M in the second quarter. Operating income for Construction Equipment was SEK 408 M (740). The deterioration was due mainly to an unfavorable market and product mix and price pressure. Marine and Industrial Power Systems and Aero both reported higher operating income in 2001 than in 2000, Operating margins reached 11.2% and 9.3% respectively.

Within Financial Services operating income amounted to SEK 63 M. Credit losses and increased provisions in the US was partly offset by a capital gain on the sale of Volvia. Increased provisions are a direct effect of the declining market in North America.

The Group's operating margin for the second quarter amounted to 4.5%, compared with 8.1% in 2000.

Net interest expense
Net interest expense for the second quarter 2001 amounted to SEK 262 M compared with SEK 273 M for the first quarter of 2001. The funding cost was reduced compared to last quarter mainly due to lower US interest rates. However, higher average net financial debt and higher SEK rates had a negative impact on the net interest. Repurchase of shares and the acquisition of Mack and Renault V.I. affected the financial position and the net interest negatively. The payment for the divestment of MMC was received at the end of June and thus had only minor effects on average net financial debt during the second quarter.

Taxes
During the first six months of 2001, a tax expense of SEK 43 M was reported (1,150). Costs for current taxes were partly offset by an increase in deferred tax assets.

Restructuring costs
To secure the coordination gains made possible through the acquisition of Mack and Renault V.I., Volvo decided to implement a number of actions during the next three years to adapt the Group's industrial and commercial structure. For the period up to and including 2003, it is estimated that restructuring costs will total slightly more than SEK 4 billion. Since as of January 1, 2001 Volvo applies the new international accounting principles that will become obligatory in Sweden from 2002, the company's opportunities for allocating provisions for the approved measures are limited.

During the first quarter, restructuring costs of SEK 1.3 billion were charged against earnings, of which SEK 0.5 billion pertains to costs for personnel reductions as a direct result of the market decline in North America. The balance includes costs for coordinating purchasing and engine development. The remaining restructuring measures, mainly relating to approved product plans, will be announced later, and the total costs of about SEK 3 billion will be charged against earnings as incurred during the period 2001 to 2003. The actions taken will result in substantial cost savings. At the end of 2002, savings of about SEK 3.5 billion annually are estimated, primarily in purchasing and drivelines. Long term, the successive integration of the companies and their product programs will yield annual coordination gains of an estimated additional SEK 3 billion.

Residual value exposure
As a manufacturer of commercial vehicles Volvo is exposed to residual value risks from buy-back and operating lease agreements. Management of these risks are split between the business areas and Financial Services. It is Volvo's policy to provide for this exposure on a continuing basis, so that the book value of these vehicles are in line with current and expected future used truck price levels.

Over the last quarters, Volvo has increased its provisions for residual value risks as a consequence of declining used truck prices, primarily in the US. Volvo believes that current levels of provisions are satisfactory with respect to current and expected future price levels.

Consolidated income statements*	**Second quarter**		**First six months**	
SEK M	**2001**	**2000**	**2001**	**2000**
Net sales	**47 098**	**30 970**	**90 848**	**59 244**
Cost of sales	(38 887)	(24 906)	(75 123)	(47 734)
Gross income	**8 211**	**6 064**	**15 725**	**11 510**
Research and development expenses	(1 357)	(1 281)	(2 751)	(2 463)
Selling expenses	(3 599)	(2 264)	(6 977)	(4 371)
Administrative expenses	(1 776)	(1 087)	(3 435)	(2 250)
Other operating income and expenses	(815)	289	(1 511)	289
Income from Financial Services	63	678	176	1 128
Income from investments in shares	1 396	108	1 398	464
Items affecting comparability	-	-	(1 319)	-
Operating income	**2 123**	**2 507**	**1 306**	**4 307**
Interest income and similar credits	388	443	799	943
Interest expenses and similar charges	(650)	(441)	(1 334)	(830)
Other financial income and expenses	(49)	(79)	(210)	(102)
Income after financial items	**1 812**	**2 430**	**561**	**4 318**
Taxes	(465)	(521)	(43)	(1 150)
Minority interests in net (income) loss	9	(23)	37	(15)
Net income	**1 356**	**1 886**	**555**	**3 153**
Income per share, SEK	3,20	4,20	1,30	7,10

** Financial Services reported in accordance with the equity method. See further "Accounting principles" on page 20.*

Key operating ratios, Volvo Group	**Second quarter**		**First six months**	
%	**2001**	**2000**	**2001**	**2000**
Gross margin	17,4	19,6	17,3	19,4
Research and development expenses in % of net sales	2,9	4,1	3,0	4,2
Selling expenses in % of net sales	7,6	7,3	7,7	7,4
Administrative expenses in % of net sales	3,8	3,5	3,8	3,8
Operating margin*	4,5	8,1	2,9	7,3
Operating margin	4,5	8,1	1,4	7,3

** Excluding items affecting comparability*

Condensed income statement - Financial Services	**Second quarter**		**First six months**	
SEK M	**2001**	**2000**	**2001**	**2000**
Net sales	**2 368**	**2 480**	**4 608**	**4 752**
Income after financial items	**63**	**678**	**176**	**1 128**
Taxes	60	(190)	54	(323)
Net income	**123**	**488**	**230**	**805**

	Jan - June	**Jan - Dec**
Key ratios - Financial Services	**2001**	**2000**
Return on shareholders' equity, %	5,7	14,1
Equity ratio at end of period, %	10,7	11,5
Asset growth, %	5,3	17,8

Consolidated balance sheets	Volvo Group excl Financial Services 1)		Financial Services		Volvo Group total	
SEK M	June 30 2001	Dec 31 2000	June 30 2001	Dec 31 2000	June 30 2001	Dec 31 2000
Assets						
Intangible assets	15 783	6 781	171	144	15 954	6 925
Property, plant and equipment	31 180	19 652	2 731	2 579	33 911	22 231
Assets under operating leases	15 353	4 245	13 117	11 883	26 559	14 216
Shares and participations	35 052	37 366	1 070	778	28 633	30 481
Long-term customer finance receivables	624	10	26 512	23 026	27 012	22 909
Long-term interest-bearing receivables	6 294	5 091	23	23	6 295	5 032
Other long-term receivables	10 289	2 186	92	90	10 332	2 232
Inventories	34 946	22 998	461	553	35 405	23 551
Short-term customer finance receivables	471	5	21 096	19 168	20 810	18 882
Short-term interest bearing receivables	11 979	14 195	35,0	1,0	2 694	14 196
Other short-term receivables	32 109	22 696	2 070	2 627	33 572	24 120
Marketable securities	11 809	5 682	422	3 886	12 231	9 568
Cash and bank	8 252	5 276	2 257	1 764	9 882	6 400
Total assets	**214 141**	**146 183**	**70 057**	**66 522**	**263 290**	**200 743**
Shareholders' equity and liabilities						
Shareholders' equity	89 074	88 338	7 489	7 663	89 074	88 338
Minority interests	585	593	0	0	585	593
Provision for post-employment benefits	11 967	2 619	11	13	11 978	2 632
Other provisions	15 733	8 277	4 825	6 620	20 575	14 941
Loans	35 016	18 233	56 370	49 048	80 626	66 233
Other liabilities	61 766	28 123	1 362	3 178	60 452	28 006
Shareholders' equity and liabilities	**214 141**	**146 183**	**70 057**	**66 522**	**263 290**	**200 743**

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

The Volvo Group's total assets on June 30, 2001, amounted to SEK 263.3 billion, corresponding to an increase of SEK 62.5 billion compared with year-end 2000. Acquired and divested companies, primarily the acquisition of Mack and Renault V.I., represented an increase of SEK 55.2 billion. In addition, the weakening of the Swedish krona resulted in an increase in total assets of SEK 14.6 billion during the first six months.

The purchase price for the shares of Mack and Renault V.I. was set at SEK 10.7 billion, based on the Volvo share price on the acquisition date (January 2, 2001). Goodwill related to the acquisition was estimated at about SEK 7.3 billion. The estimated goodwill may be subject to change during 2001, as the fair value of all acquired assets and liabilities has not been established. See also page 3.

Shareholders’ equity amounted to SEK 89.1 billion as of June 30, 2001. Net debt on the same date amounted to SEK 8.6 billion. The changes in shareholders’ equity and net financial position since year-end are specified in the tables below.

Change of Net financial position, SEK bn	Second quarter		First six months	
Beginning of period		**(10,6)**		**9,4**
Cash flow from operating activities	3,5		3,8	
Investments in fixed assets, net	(1,9)		(3,8)	
Customer Finance receivables, net	(0,2)		(0,1)	
Investments in shares, net	3,2		3,0	
Acquired and divested operations	11,8		15,5	
Cash-flow after net investments, excluding Financial Services		**16,4**		**18,4**
Debt in acquired and divested operations*		0,0		(10,6)
Repurchase of own shares		0,0		(8,3)
Cash received from Ford		(12,1)		(12,1)
Dividend paid		(3,4)		(3,4)
Currency effect		(1,0)		(3,2)
Other		2,1		1,2
Total change		**2,0**		**(18,0)**
Net financial position at June 30, 2001		**(8,6)**		**(8,6)**

** Refers to debt in Renault VI/Mack and Arrow Truck sales*

Change in shareholders' equity **SEK bn**	**First six months** **2001**	 **2000**
Beginning of period	88,3	97,7
Translation differences	1,5	0,2
Repurchase of own shares	(8,3)	-
Issue of shares to Renault SA	10,4	-
Dividend to AB Volvo's shareholders	(3,4)	(3,1)
Net income	0,6	3,2
Other changes	0,0	(0,1)
Balance at June 30	**89,1**	**97,9**

Key ratios **12 month figures unless otherwise stated**	**July 00 - June 01**	**Jan - Dec 2000**
Sales growth, %	28,0	3,4
Income per share, SEK	5,40	11,20
Income per share, excluding items affecting comparability, SEK	7,60	11,20
Return on shareholders' equity, %	2,3	5,0
Return on shareholders' equity excluding items affecting comparability, %	3,4	5,0
Net financial position at end of period, SEK billion	(8,6)	9,4
Net financial position at end of period as percentage of shareholders' equity and minority interests	(9,6)	10,6
Shareholder' equity and minority interests as percentage of total assets	34,1	44,3
Shareholders' equity and minority interests excluding Financial Services, as percentage of total assets	41,9	60,8

Number of Volvo shares, millions	**June 30 2001**	**Dec 31 2000**	**June 30 2000**
Number of shares outstanding	419,4	397,3	441,5
Average number of shares outstanding during the period	425,4	421,7	441,5
Company shares held by AB Volvo	22,1	44,2	-

Cash flow statement SEK bn	Second quarter 2001	Second quarter 2000	First six months 2001	First six months 2000
Operating activities				
Operating income [1]	2,0	1,8	1,1	3,2
Add depreciation and amortization	2,1	0,9	3,9	1,8
Other non-cash items	(0,5)	(0,8)	(0,6)	(1,2)
Change in working capital	(0,3)	(1,3)	0,2	(2,9)
Financial items and income taxes paid	0,2	0,1	(0,8)	(0,4)
Cash flow from operating activities	**3,5**	**0,7**	**3,8**	**0,5**
Investing activities				
Investments in fixed assets	(2,1)	(1,0)	(4,0)	(2,3)
Investment in leasing vehicles	(0,1)	0,0	(0,3)	0,0
Disposals of fixed assets and leasing vehicles	0,3	0,0	0,5	0,1
Customer Finance receivables, net	(0,2)	0,0	(0,1)	0,0
Investments in shares, net	3,2	(0,1)	3,0	(1,4)
Acquired and divested operations	11,8	0,0	15,5	0,1
Cash-flow after net investments excl Financial Services	**16,4**	**(0,4)**	**18,4**	**(3,0)**
Cash-flow after net investments, Financial Services	**(2,8)**	**(0,2)**	**(4,2)**	**(0,4)**
Cash-flow after net investments, Volvo Group total	**13,6**	**(0,6)**	**14,2**	**(3,4)**
Financing activities				
Change in other loans, net	(4,2)	(2,9)	4,2	9,9
Loans to external parties, net	(0,5)	0,5	(1,1)	(0,4)
Repurchase of own shares	0,0	0,0	(8,3)	0,0
Dividend to AB Volvo' shareholders	(3,4)	(3,1)	(3,4)	(3,1)
Other	(0,2)	0,0	(0,2)	0,0
Change in liquid funds excl translation differences	**5,3**	**(6,1)**	**5,4**	**3,0**
Translation difference on liquid funds	0,2	0,0	0,7	0,1
Change in liquid funds	**5,5**	**(6,1)**	**6,1**	**3,1**

1) Excluding Financial Services

The Volvo Group's cash flow

Cash flow after net investments, excluding Financial Services, amounted to SEK 18.4 billion in the first six months, of which SEK 16.4 billion in the second quarter. Excluding the effects of acquisitions and divestments, cash flow for the Group improved significantly during the second quarter and reached SEK 1.4 billion. The improvement was partly related to lower inventory levels compared with the end of the first quarter, combined with received dividends. Cash flow from investments in shares primarily includes received payment for the holding in Mitsubishi Motors Corporation. Cash flow from acquired and divested companies mainly pertained to the final payment of SEK 12.1 billion received from Ford Motor Company for the sale of Volvo Cars and acquired liquid funds within Mack and Renault V.I. The purchase price paid for Mack and Renault V.I. did not affect cash flow, since the payment was made with Company shares of AB Volvo.

Cash flow after net investments within Financial Services was negative in an amount of SEK 4.2 billion during the first six months 2001, of which negative cash flow of SEK –2.8 billion was reported in the second quarter. The sale of Volvia's insurance operations to the If insurance company had an adverse effect on cash flow during the second quarter in an amount of SEK 1.7 billion.

During the beginning of 2001, Volvo repurchased 10% of the total number of outstanding shares of which 5% were transferred to Renault S.A. In total, the repurchase of shares reduced liquid funds by SEK 8.3 billion. During the second quarter, a dividend of SEK 3.4 billion was paid to the shareholders of AB Volvo. During the second quarter, net repayment of loans amounted to SEK 4,2 billion.

Financial review by business area

Net sales	**Second quarter**		**First six months**		**Change**	**12 months**	**Jan-Dec**
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**	**moving values**	**2000**
Global Trucks	30 128	15 781	60 090	30 910	+94	91 376	62 196
Buses	4 915	4 556	8 630	8 394	+3	17 423	17 187
Construction Equipment	6 067	5 438	10 755	10 087	+7	20 661	19 993
Marine and Industrial Power Systems	1 976	1 725	3 712	3 310	+12	7 001	6 599
Aero	3 060	2 731	5 667	5 017	+13	11 363	10 713
Other	3 801	3 158	7 200	6 245	+15	13 624	12 669
Eliminations	(2 849)	(2 419)	(5 206)	(4 719)	-	(9 452)	(8 965)
Net sales	**47 098**	**30 970**	**90 848**	**59 244**	**+53**	**151 996**	**120 392**

Operating income	**Second quarter**		**First six months**		**12 months**	**Jan - Dec**
SEK M	**2001**	**2000**	**2001**	**2000**	**moving values**	**2000**
Global Trucks	639	31	789	676	1 527	1 414
Buses	(25)	180	(108)	213	119	440
Construction Equipment	408	740	489	1 051	1 032	1 594
Marine and Industrial Power Systems	222	197	389	300	573	484
Aero	286	278	446	388	679	621
Financial Services	63	678	176	1 128	547	1 499
Other	530	403	444	551	509	616
Operating income*	**2 123**	**2 507**	**2 625**	**4 307**	**4 986**	**6 668**
Items affecting comparability	-	-	(1 319)	-	(1 319)	-
Operating income	**2 123**	**2 507**	**1 306**	**4 307**	**3 667**	**6 668**

**excl items affecting comparability*

Operating margin	**Second quarter**		**First six months**	
%	**2001**	**2000**	**2001**	**2000**
Global Trucks	2,1	0,2	1,3	2,2
Buses	(0,5)	4,0	(1,3)	2,5
Construction Equipment	6,7	13,6	4,5	10,4
Marine and Industrial Power Systems	11,2	11,4	10,5	9,1
Aero	9,3	10,2	7,9	7,7
Operating margin*	**4,5**	**8,1**	**2,9**	**7,3**
Operating margin	**4,5**	**8,1**	**1,4**	**7,3**

**excl items affecting comparability*

Volvo Global Trucks

The Volvo Global Trucks organization has been in operation since January 2, 2001. During the first 200 days, a comprehensive program to manage the vital integration between the three truck brands, Mack, Renault and Volvo, has been conducted.

In the second quarter of operation, product plans were further developed to provide for a common platform concept and for two families of engines. A brand management process was put in place. These actions ensure that the three truck brands will retain the uniqueness of their respective product features and characteristics. Accumulated synergies are also ahead of schedule.

Additionally, a number of strategic core projects were launched with focus on a small number of high-impact activities. One of these projects is the development of a North American business strategy, which includes the appointment of new management for Mack and Volvo Trucks North America. Under this new leadership, priority will be placed on maximizing the efficiency of the North American operations, particularly in the functions that support both of the brands. Other core projects include the creation of business strategies for European Operations and International Sales, as well as Purchasing, Product Development and warranty cost reduction.

Net sales by market area	**Second quarter**		**First six months**		**Change**
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**
Europe	17 049	8 889	34 961	17 913	+95
North America	8 949	4 763	17 537	9 228	+90
South America	1 145	712	2 018	1 300	+55
Asia	1 176	977	1 930	1 672	+15
Other markets	1 809	440	3 644	797	+357
Total	**30 128**	**15 781**	**60 090**	**30 910**	**+94**

Total market

The North American market continued to deteriorate during the second quarter, although factors indicate that it is beginning to stabilize at a low level. The recent interest rate cuts and a reduction in diesel prices have alleviated some of the pressure on truck customers, especially owner/operators.

Although both new and used truck inventories are being reduced, inventory levels are not expected to reach normal levels this year. Also contributing to the North American difficulties is the fact that lenders are tightening credit for new and used trucks, in combination with the fact that equipment replacement cycles are lengthening.

In Western Europe, the strong demand for heavy trucks peaked during 2000 (246,000-level) but is clearly softening in 2001. In addition, there is severe price competition in the German and UK markets. The Nordic region is experiencing some slowdown, but the markets in southern Europe continue to be strong.

Markets in the rest of the world remain stable and continue to grow. In the South East Asian markets, Volvo is increasing its share despite of economic uncertainty in the largest markets.

Deliveries

Compared with the corresponding period during the preceding year, deliveries continued to decline in North America and are now declining in Europe as well.

Volvo Global Trucks' total deliveries during the first six months of 2001 amounted to 82,084 trucks, a decline of 14% compared with the corresponding period in 2000 (95,050). The North American market continued to decline, with deliveries down 39% to 19,898 trucks (32,480). In a decreased European market Volvo Global Truck's deliveries were down 2% to 52,262 (53,596), of which Eastern Europe represented a 10% increase to 3,479 vehicles (3,165). Deliveries in South America increased by 34% to 2,986 vehicles (2,232). For international markets, deliveries increased by 3% to 6,938 (6,742).

Order situation
Volvo Global Trucks' order bookings declined by 14% during the first six months compared with the corresponding period in 2000. Order bookings declined 32% in North America and 7% in Europe.

Market share
Although volumes are down, Mack and Volvo's combined market share increased in North America to 24.7% from 21% for the corresponding period in 2000. This figure includes a 14.3% share for Mack (an increase of 3.1%) and 10.4% for Volvo (up from 9.8%). At 27.5%, the combined market shares in the heavy duty-segment, for Volvo and Renault in Western Europe remained the same as during the first six months of the preceding year. The market share was 12.2% for Renault (a decrease of 0.3%) and 15.3% for Volvo (an increase of 0.3%), which puts the Volvo brand in second position in that market.

Financial performance
Volvo Global Trucks' net sales for the first six months amounted to SEK 60,090 M (30,910). Operating income during the first six months of 2001 was SEK 789 M (676). Volvo Global Trucks' operating margins declined to 1.3% (2.2). Operating income in the second quarter was SEK 639 M (31) and included a gain of SEK 574 M from the sale of Volvo's holding in MMC to DaimlerChrysler.

Focus continues on managing the North American downturn and the European slowdown. In order to do so, the implementation continues of the cost improvement program introduced within Volvo Trucks last year and within Mack and Renault V.I. in the first quarter this year, as does an ongoing evaluation of production rates and inventory. Personnel were reduced by an additional 1,500 in the second quarter. The total reduction since to year-end 2000, is 3,300. Combined, US production facilities have taken 78 "down" days during the first six months 2001.

New products
In June, Mack introduced two new product lines in the US– the Granite and the Freedom series of trucks. The Granite trucks are targeted to solidify Mack's traditional strengths in vocational applications, such as construction and refuse. The Freedom is a cab-over medium-duty series of trucks designed to significantly reduce operating costs, while maximizing operator comfort and efficiency.

Buses

Net sales by market area	Second quarter		First six months		Change
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**
Europe	1 782	1 704	3 108	3 358	(7)
North America	2 285	2 229	4 187	3 929	+7
South America	259	218	444	345	+29
Asia	485	261	677	528	+28
Other markets	104	144	214	234	(9)
Total	**4 915**	**4 556**	**8 630**	**8 394**	**+3**

Total market
Demand in the global bus market continues to shrink due to uncertain prospects and higher costs for operators. During the first six months of 2001 the European coach market decreased while the city bus market in Europe was more stable. The Nordic countries and the UK – traditionally strong Volvo Bus markets – declined more, compared with other parts of Europe. Coach sales in the UK were affected by foot-and-mouth decease. In the North American coach market, the significant decline that started during the later part of last year continued.

Deliveries
Volvo delivered 4,844 (5,404) buses and bus chassis during the first six months of 2001, which was 10% less than in the first half of 2000. The decrease was mostly attributable to Europe and the Middle East, while South America and Asia showed a more positive trend. The reduction in Europe was mainly due to reduced demand, but high seasonal deliveries were noted at the end of the second quarter in the Nordic countries. City buses in the US showed a decline, while deliveries in Mexico continued to increase, even though the total Mexican market continued to decrease. Deliveries in the second quarter amounted to 2,727 (2,778). Deliveries of complete buses amounted to 50% (47) of the total.

Market share
During the first four months, Volvo Buses maintained its market shares in Continental Europe while there was a slight drop in the UK and the Nordic countries. The latter was due to lower deliveries to major customers, which improved during the second quarter. The market share in Brazil remains stable while gains have been made in other parts of South America. Volvo retains its strong market share in the luxury coach segment in China. Moreover in Hong Kong, Volvo has recaptured market shares. The market share for coaches in the US and Canada was maintained, while city buses experienced a decline. In Mexico, Volvo Buses increased its market share.

Order situation
The order backlog at the end of June was slightly lower than on the same date a year earlier. Europe had a significantly lower order backlog. City buses in North America had a lower order backlog compared with last year, and Mexico had a significantly lower order backlog for coaches. Important orders were received in the Middle East, Hong Kong and Africa, while South America showed a stable order backlog. At the end of the second quarter, the Shanghai joint venture closed the first orders for Volvo buses from some major bus operators in Shanghai.

Financial performance
Net sales increased to SEK 8,630 M (8,394) during the first six months, while sales for the second quarter improved to SEK 4,915 M (4,556). The sales value was higher in spite of lower volume due to the effect of currency rates and product mix. The operating loss in the first six months of 2001 amounted to SEK 108 M compared with an operating income of SEK 213 M in the first half of 2000. The decrease was due largely to reduced sales volumes in Europe and the US and, as a consequence, to low capacity utilization in US and European manufacturing facilities. Mexico and South America remained strong, while Nova Bus continued to show weak performance. Volvo Buses continued to take measures to adopt the cost structure to the current market situation both in Europe and North America. Closure of the Helsinki plant was started and other major reductions in the workforce were gradually implemented in both Europe and North America.

New products
In April and May, new products based on the TX platform were launched in European markets. These included complete coaches and intercity buses, a rear-engine chassis and a low entry bus. The products were very well received in the market. During the autumn Volvo Buses will have a complete new line of coaches and intercity buses to meet customer and environmental demands, as well as internal requirements for production efficiency.

Construction Equipment

Net sales by market area	Second quarter		First six months		Change
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**
Europe	3 066	2 783	5 539	5 252	+5
North America	1 858	1 643	3 052	2 988	+2
South America	230	183	468	358	+31
Asia	855	624	1 406	1 123	+25
Other markets	58	205	290	366	(21)
Total	**6 067**	**5 438**	**10 755**	**10 087**	**+7**

Total market
The total world market for heavy construction equipment decreased by about 9% in the second quarter, compared with the same period during the preceding year. In North America, the decline was about 17%, in Europe approximately 5% and in other markets about 6%.

The total world market for compact equipment decreased by some 5% during the period. In North America, the decline was nearly 6%, while the decrease in Europe and in other markets was 4% and 8% respectively.

The total combined market for heavy and compact equipment decreased by 7% during the second quarter, compared with the preceding year, with the most significant decline of 14% occurring in North America.

Market share
Volvo CE was able to increase its share of the market in both Europe and North America, in part as a result of successful product launches.

Order situation
The value of the order bookings as of June 30, was 7% higher than on the same date last year and slightly higher than on March 31, 2001. The improved order situation is mainly due to increased order bookings for the new series of articulated haulers.

Financial performance
Volvo CE´s net sales during the second quarter increased by 12% to SEK 6,067 M (5,438), which is the highest quarterly sales figure ever. During the first six months, sales rose to a record level of SEK 10,755 M (10,087).

Operating income for the second quarter amounted to SEK 408 M (740). The decrease was a result of an unfavorable product and market mix combined with price pressure. The operating margin for the second quarter was 6.7% (13.6).

On June 6, 2001, Volvo CE announced that it will reduce its current workforce of around 8,500 by approximately 950 salaried and hourly employees in various units around the world. The main reasons for this redundancy program are trends in Volvo CE's major markets. The North American market has been in decline over a number of quarters, and this is expected to continue. In Europe, this trend has just started. At the same time, the Company needs to strengthen its long-term competitiveness.

When the redundancy program is implemented, the total cost reduction for Volvo CE will amount to between SEK 300 and 400 M annually. The major share of costs of approximately SEK 150 to 200 M for implementing the program will be charged against income during the third and fourth quarters of this year.

New products
In June Volvo CE received the Red Dot Award, a prestigious design prize, for the design of the new articulated haulers A35 and A40 introduced during the first quarter, 2001. This is the second time that Volvo CE has received a major award for industrial design. The first time was when the new compact wheel loaders were awarded.

Marine and Industrial Power Systems

Net sales by market area	Second quarter		First six months		Change
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**
Europe	1 036	879	2 003	1 688	+19
North America	626	594	1 132	1 136	(0)
South America	41	38	78	73	+7
Asia	228	182	424	347	+22
Other markets	45	32	75	66	+14
Total	**1 976**	**1 725**	**3 712**	**3 310**	**+12**

Total market
The total market was increasingly affected during the second quarter of 2001 by the general downturn in global economic conditions. Despite this, orders for Volvo Penta reached record levels towards the end of the period as a result of very strong order bookings for both marine and industrial engines.

In North America, the total market for marine engines declined by up to 30%, compared with the corresponding period during the preceding year. Volvo Penta was able to compensate for this decline through increased market shares.

Market share
All of Volvo Penta's market segments showed strong trends during the second quarter, with continued strong growth in both industrial and marine diesel engines. Total sales of diesel engines continued to

increase during the second quarter, which significantly strengthened Volvo Penta's positions in the market.

Volvo Penta's new product program and its strategy to focus on key customers contributed to increased market shares among major boat builders in Europe and North America.

Order situation
During the second quarter, Volvo Penta received an order from Saudi Arabia for a total of 1,700 industrial engines for irrigation pumps. An order from Brazil for a total of 800 industrial engines for generating plants was an important step in Volvo Penta's ambition to increase sales of industrial power systems in South America.

Financial performance
Net sales during the second quarter of 2001 amounted to SEK 1,976 M (1,725), an increase of 15%, compared with the corresponding period during the preceding year. Continued strong growth in sales, in combination with unchanged levels for operating costs, contributed to achieve record levels for both profits and margins. Volvo Penta's operating income amounted to SEK 222 M (197), with an operating margin of 11% (11). Profitability during the second quarter was also positively affected by a favorable exchange-rate trend. Net sales and operating income for the first six months 2001, reached SEK 3,712 M (3,310) and SEK 389 M (300) respectively.

New products
During the second quarter, Volvo Penta introduced a new 12-liter diesel engine for industrial applications and 5 to 7-liter diesel engines for mobile industrial applications.

Aero

Net sales by market area	**Second quarter**		**First six months**		**Change**
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**
Europe	1 195	1 172	2 412	2 168	+11
North America	1 678	1 338	2 841	2 420	+17
South America	48	31	88	61	+44
Asia	107	159	248	299	(17)
Other markets	32	31	78	69	+13
Total	**3 060**	**2 731**	**5 667**	**5 017**	**+13**

Total market
The growth in international air traffic showed signs of decline in the second quarter. In April, global air traffic increased by less than 1%, compared with the same month during the preceding year. The increase after four months was 3%, which was lower than the long-term trend of about 5% and significantly below last year's increase of 7.5%.

During the first five months of the year, the two dominant aircraft manufacturers, Boeing and Airbus, received 313 new plane orders, compared with 377 one year previously. This decline has not yet had any negative effects on order bookings for Volvo Aero.

Financial performance
Volvo Aero's net sales during the second quarter of 2001 increased by 12% to SEK 3,060 M (2,731). Operating income amounted to SEK 286 M (278), in large part due to continued strong growth for components for civil aircraft engines in combination with improved profitability for Volvo Aero Services (formerly the AGES Group). The operating margin was 9% (10).

New agreements
Volvo Aero and Rolls-Royce have signed a contract through which Volvo Aero becomes a risk and revenue-sharing partner in two Rolls-Royce engine programs: Trent 500 for Airbus 340-400/-600 and Trent 900, which will be mounted in Airbus' forthcoming A380 super-jumbo.

According to another contract signed during the second quarter, Volvo Aero Services will sell surplus spare parts for the world's largest airline, American Airlines.

Volvo Aero was selected by Pratt & Whitney as a strategic partner in the development of the company's new RJ60 rocket motor. This is the largest assignment to date in the US for Volvo Aero's Space division. Furthermore, the Italian company FiatAvio and Volvo Aero signed a contract for the manufacture of LOX turbines for an additional 23 Vulcain motors for the Ariane 5 rocket.

In the military segment, Volvo Aero received assignments from the Finnish and the Swiss air forces to adapt a flame holder of the company's own design used in the engine, RM12, of the Gripen aircraft, to the F404 motor used in the F18 aircraft.

Financial Services

During the second quarter, the volume of new financing amounted to SEK 5.3 billion of which SEK 3.6 billion (68%) was truck financing. The volume is SEK 0.6 billion higher than in the first quarter 2001, mainly due to increased financing of construction equipment. The degree of penetration expressed as a percentage of Volvo unit sales excluding Mack and Renault V.I., amounted to 21%. Penetration in markets where Financial Services is offering financing on sales of new trucks amounted to 30%, compared with 27% for the corresponding period of the preceding year.

Total assets as of June 30, 2001 amounted to SEK 70 billion, of which SEK 61 billion was attributable to the credit portfolio. During the second quarter, the divestment of Volvia reduced the balance sheet by at total of SEK 4 billion. Adjusted for the effects of foreign exchange movements, the credit portfolio increased by 3% for the year to date. 70% of the portfolio was related to truck financing, 15% to bus financing and 13% to the financing of construction equipment. The remaining 2% is related to financing within Volvo's other business areas. About 21% of Financial Services' credit portfolio is related to the US truck market.

Operating income for the second quarter amounted to SEK 63 M (678) compared with first quarter earnings of 113 (450). Second quarter operating income included a capital gain of SEK 562 M relating to the sale of Volvia's insurance operations as well as total provisions amounting to SEK 770 M of which approximately SEK 670 M was attributable to realized and expected future credit losses in the US truck Financing portfolio. Operating income for the second quarter of 2000 included SEK 438 M representing a gain from the sale of Volvia's securities portfolio and SPP surplus funds.

At the end of June, total credit reserves amounted to 3.1% of the credit portfolio compared with 2.2% at the end of the first quarter. Total write-offs during the second quarter amounted to SEK 240 M (71) compared with SEK 163 M (68) for the first quarter.

During the second quarter, some positive trends were noted in the US regarding delinquencies over 90 days and repossessions. Through the actions taken during the quarter, the number of non-performing contracts was reduced to 2.7% compared with 4.0% at the end of the first quarter.

In order to develop the Financial Services business, close relationships are being forged with the other business areas aiming to provide all business areas within Volvo a full range of integrated financial services. In addition, great efforts were made during the second quarter to develop the relationship with Mack and Renault V.I. in order to become the financial service provider for these brands. As a consequence, financing operations were initiated in some new markets and full implementation is expected during the third and fourth quarter.

AB Volvo (Parent Company)

AB Volvo's net sales during the first half of 2001 amounted to SEK 223 M (197). Income before tax was SEK 15,027 M (428), which included earnings from shares and participations in Group companies amounting to SEK 14,352 M (13), as well as earnings from shares and participations in other companies amounting to SEK 1,250 M (653). Investments in fixed assets amounted to SEK 8 M (4). Liquid funds on the closing date amounted to SEK 18,090 M, compared with SEK 7 M at year-end.

At the end of the second quarter, net financial assets amounted to SEK 12,818, compared with a net debt of SEK 5,178 M at year-end.

Number of employees

As of June 30, 2001, the Volvo Group had 75,635 employees, compared with 54,266 at the end of 2000. The increase is attributable primarily to employees in acquired companies, of which Mack and Renault V.I. contributed 23,148 employees.

Göteborg, July 24, 2001

AB Volvo (publ)

Leif Johansson
President and CEO

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

Quarterly figures, Volvo Group SEK M unless otherwise specified	2/2000	3/2000	4/2000	1/2001	2/2001
Net sales	**30 970**	**27 911**	**33 237**	**43 750**	**47 098**
Cost of sales	(24 906)	(22 825)	(26 572)	(36 236)	(38 887)
Gross income	**6 064**	**5 086**	**6 665**	**7 514**	**8 211**
Research and development expenses	(1 281)	(1 122)	(1 291)	(1 394)	(1 357)
Selling expenses	(2 264)	(2 303)	(2 611)	(3 378)	(3 599)
Administrative expenses	(1 087)	(1 180)	(1 221)	(1 659)	(1 776)
Other operating income and expenses	289	0	20	(696)	(815)
Income from Financial Services*	678	220	151	113	63
Inc from investments in shares	108	(10)	(43)	2	1 396
Items affecting comparability	-	-	-	(1 319)	-
Operating income	**2 507**	**691**	**1 670**	**(817)**	**2 123**
Interest income and similar credits	443	333	312	411	388
Interest expenses and similar charges	(441)	(466)	(549)	(684)	(650)
Other financial income and expenses	(79)	(17)	(46)	(161)	(49)
Income after financial items	**2 430**	**541**	**1 387**	**(1 251)**	**1 812**
Taxes	(521)	(166)	(194)	422	(465)
Minority interests	(23)	(6)	(6)	28	9
Net income	**1 886**	**369**	**1 187**	**(801)**	**1 356**
Depreciation and amortization included above					
Volvo Group excl Financial Services	893	908	1 150	1 818	2 106
Financial Services	704	468	669	698	691
Total	**1 597**	**1 376**	**1 819**	**2 516**	**2 797**
Income per share, SEK	**4,20**	**1,10**	**3,00**	**(1,90)**	**3,20**
Average number of shares, million	441,5	406,3	397,4	431,4	419,4

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

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

Key operating ratios %	2/2000	3/2000	4/2000	1/2001	2/2001
Gross margin	19,6	18,2	20,1	17,2	17,4
Research and development expenses in % of net sales	4,1	4,0	3,9	3,2	2,9
Selling expenses in % of net sales	7,3	8,3	7,9	7,7	7,6
Administrative expenses in % of net sales	3,5	4,2	3,7	3,8	3,8
Operating margin	8,1	2,5	5,0	(1,9)	4,5
Operating margin, excl items affecting comparability	8,1	2,5	5,0	1,1	4,5

Net sales **SEK M**	**2/2000**	**3/2000**	**4/2000**	**1/2001**	**2/2001**
Global Trucks	15 781	13 635	17 651	29 962	30 128
Buses	4 556	3 883	4 910	3 715	4 915
Construction Equipment	5 438	4 804	5 102	4 688	6 067
Marine and Industrial Power Systems	1 725	1 610	1 679	1 736	1 976
Aero	2 731	2 814	2 882	2 607	3 060
Other	3 158	2 959	3 465	3 399	3 801
Eliminations	(2 419)	(1 794)	(2 452)	(2 357)	(2 849)
Net sales	**30 970**	**27 911**	**33 237**	**43 750**	**47 098**

Operating income **SEK M**	**2/2000**	**3/2000**	**4/2000**	**1/2001**	**2/2001**
Global Trucks	31	53	685	150	639
Buses	180	65	162	(83)	(25)
Construction Equipment	740	282	261	81	408
Marine and Industrial Power Systems	197	121	63	167	222
Aero	278	72	161	160	286
Financial Services	678	220	151	113	63
Other	403	(122)	187	(86)	530
Operating income*	**2 507**	**691**	**1 670**	**502**	**2 123**
Items affecting comparability	-	-	-	(1 319)	0
Operating income	**2 507**	**691**	**1 670**	**(817)**	**2 123**

** excluding items affecting comparability*

Operating margins **%**	**2/2000**	**3/2000**	**4/2000**	**1/2001**	**2/2001**
Global Trucks	0,2	0,4	3,9	0,5	2,1
Buses	4,0	1,7	3,3	(2,2)	(0,5)
Construction Equipment	13,6	5,9	5,1	1,7	6,7
Marine and Industrial Power Systems	11,4	7,5	3,8	9,6	11,2
Aero	10,2	2,6	5,6	6,1	9,3
Operating margin*	**8,1**	**2,5**	**5,0**	**1,1**	**4,5**
Operating margin	**8,1**	**2,5**	**5,0**	**(1,9)**	**4,5**

** excluding items affecting comparability*

Accounting principles

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

As of January 1, 2001, Volvo is applying the following new accounting standards issued by the Swedish Financial Accounting Standards Council: RR1:00 Business combinations, RR12 Tangible Assets, RR13 Associates, RR14 Joint ventures, RR15 Intangible Assets, RR16 Provisions, Contingent Liabilities and Contingent Assets, RR17 Impairment of assets, RR18 Income Per Share, RR19, Discontinuing Operations and RR20 Interim Financial Reporting. All accounting standards comply in all significant respects to the corresponding accounting standard issued by the International Accounting Standards Committee (IASC).

In applying the transition rules as a consequence of the aforementioned accounting standards, there are no retroactive effects on Volvo's earlier financial statements. In applying the new standards during fiscal year 2001, RR1:00 Business combinations, RR15 Intangible Assets, RR16 Provisions, Contingent Liabilities and Contingent Assets result in a change in Volvo's accounting principles. In accordance with RR1:00 Business combinations, when a subsidiary is acquired through the issue of own shares, the purchase consideration is determined at the market price of the shares at the time of the transaction. In accordance with Volvo's previous accounting principles, such a purchase consideration was determined based on the average market price of the issued shares during ten days prior to the public disclosure of the transaction. In accordance with RR15 Intangible Assets, the expenditures for development of new products, production and information systems shall be reported as intangible assets if such expenditures with a high degree of certainty will result in future financial benefits for the company. The acquisition value for such intangible assets shall de amortized over the estimated useful life of the assets. Volvo's application of the new rules means that very high demands are established in order for these development expenditures to be reported as assets. For example, it must be possible to prove the technical functionality of a new product prior to this development being reported as an asset. In normal cases, this means that expenditures are capitalized only during the industrialization phase of a product development project. In accordance with Volvo's previous accounting principles, all costs for the development of new products, production and information systems were expensed on a current basis. In accordance with RR16 Provisions, Contingent Liabilities and Contingent Assets, a provision for decided restructuring measures is reported first when a detailed plan for the implementation of the measures is complete and when this plan is communicated to those who are involved. In accordance with Volvo's previous accounting principles, a provision for restructuring measures was reported in connection with the measures being decided by the company's management.

As from 2001, some changes have been implemented in the presentation of Volvo's income statement and cash-flow statement. The first change is that the business area Financial Services is reported in accordance with the equity method which means the result of this operation is reported as a separate line item. The change has been made as an adaption to normal practice within the industry. In Volvo's annual report and in this report(see page 21), the income statement and cash-flow statement are also presented according to the earlier applied presentation format. The second change is that investments in shares and participations and the income/cash-flow from these investments will be included as a part the operating activities rather than as a part of the financial items. The change has been made as an adaption to Volvo's internal business control model in connection with the new organization.

Volvo Group, Financial Services consolidated

Consolidated income statements	First six months	
SEK M	**2001**	**2000**
Net sales	**95 055**	**63 996**
Cost of sales	(78 119)	(51 405)
Gross income	**16 936**	**12 591**
Research and development expenses	(2 751)	(2 463)
Selling expenses	(7 494)	(4 751)
Administrative expenses	(3 548)	(2 402)
Other operating income and expenses	(1 957)	836
Income from investments in shares	1 439	496
Items affecting comparability	(1 319)	-
Operating income	**1 306**	**4 307**
Interest income and similar credits	799	943
Interest expenses and similar charges	(1 334)	(830)
Other financial income and expenses	(210)	(102)
Income after financial items	**561**	**4 318**
Taxes	(43)	(1 150)
Minority interests in net (income) loss	37	(15)
Net income	**555**	**3 153**

Cash flow statement	First six months	
SEK bn	**2001**	**2000**
Operating activities		
Operating income	1,3	4,3
Add depreciation and amortization	5,3	3,1
Other non-cash items	(0,6)	(0,6)
Change in working capital	(0,6)	(3,1)
Financial items and income taxes	(0,6)	(1,0)
Cash flow from operating activities	**4,8**	**2,7**
Investing activities		
Investments in fixed assets	(4,3)	(2,5)
Investment in leasing vehicles	(2,6)	(2,1)
Disposals of fixed assets and leasing vehicles	1,2	0,9
Customer Finance receivables, net	(1,7)	(1,1)
Investments in shares, net	3,0	(1,4)
Acquired and divested operations	13,8	0,1
Cash-flow after net investments	**14,2**	**(3,4)**
Financing activities		
Increase in other loans	4,2	9,9
Loans to external parties, net	(1,1)	(0,4)
Repurchase of own shares	(8,3)	-
Dividend to AB Volvo' shareholders	(3,4)	(3,1)
Other	(0,2)	0,0
Change in liquid funds excl translation differences	**5,4**	**3,0**
Translation difference on liquid funds	0,7	0,1
Change in liquid funds	**6,1**	**3,1**

Units invoiced Volvo Global Trucks	Second quarter 2001	Second quarter 2000	First half-year 2001	First half-year 2000	Change in %
Europe	24,607	26,202	52,262	53,596	-3%
Western Europe	22,762	24,516	48,783	50,431	-3%
Eastern Europe	1,845	1,686	3,479	3,165	+10%
North America	9,748	16,099	19,898	32,480	-39%
South America	1,703	1,278	2,986	2,232	+34%
Asia	1,236	1,765	2,230	2,912	-23%
Other markets	2,651	2,517	4,708	3,830	+23%
Total, Volvo Global Trucks	**39,945**	**47,861**	**82,084**	**95,050**	**-14%**

Mack Trucks, Inc	Second quarter 2001	Second quarter 2000	First half-year 2001	First half-year 2000	Change in %
North America	5,970	9,405	12,534	19,362	-35%
South America	396	137	585	186	+215%
Other markets	235	192	415	370	+12%
Total	**6,601**	**9,734**	**13,534**	**19,918**	-32%

Renault V.I.	Second quarter 2001	Second quarter 2000	First half-year 2001	First half-year 2000	Change in %
Europe	14,541	13,866	30,253	29,054	+4%
Western Europe	13,878	13,188	28,905	27,804	+4%
Eastern Europe	663	678	1,348	1,250	+8%
Other markets	1,830	1,827	3,203	2,661	+20%
Total	**16,371**	**15,693**	**33,456**	**31,715**	+6%

Volvo Trucks	Second quarter 2001	Second quarter 2000	First half-year 2001	First half-year 2000	Change in %
Europe	10,066	12,336	22,009	24,542	-10%
Western Europe	8,884	11,328	19,878	22,627	-12%
Eastern Europe	1,182	1,008	2,131	1,915	+11%
North America	3,778	6,694	7,364	13,118	-44%
South America	1,307	1,141	2,401	2,046	+17%
Asia	1,228	1,764	2,222	2,911	-24%
Other markets	594	499	1,098	800	+37%
Total	**16,973**	**22,434**	**35,094**	**43,417**	-19%

Units invoived, buses/bus chassies	Second quarter 2001	Second quarter 2000	First half-year 2001	First half-year 2000	Change in %
Europe	924	1,009	1,554	2,009	-23%
Western Europe	907	957	1,503	1,931	-22%
Eastern Europe	17	52	51	78	-35%
North America	956	1,077	1,899	1,965	-3%
South America	319	276	583	424	+38%
Asia	408	297	615	825	-26%
Other markets	120	119	193	181	+7%
Total, buses/bus chassies	**2,727**	**2,778**	**4,844**	**5,404**	-10%