AB Volvo

Press Information

Volvo - nine months ended September 30, 2001

First nine months	2001	2000
Net sales, SEK M	131 982	87 155
Operating income excluding restructuring costs, SEK M*	2 413	4 998
Operating income, SEK M*	(312)	4 998
Income after financial items, SEK M	(1 319)	4 859
Net income, SEK M	(980)	3 522
Sales growth, %	51	4
Income per share excluding restructuring costs, during most recent 12 months period, SEK	5.30	11.90
Return on shareholders' equity, excluding restructuring costs, %	2.4	5.4

* Volvos operating income during the first nine months 2001 was favorably affected in the amount of SEK 1,458 M attributable to capitalization of development costs. Operating income in the third quarter was adversely affected by a deficit of SEK 472 M in Volvo's Swedish pension foundation. See "Accounting principles", on page 20.

- Extensive adaption to the changing market situation within all business areas, however with continued focus on product renewal

- Continued positive cash flow within all business areas in the third quarter but earnings remain unsatisfactory

- Operating loss in the third quarter, excluding restructuring costs, was SEK 212 M (income: 691), and included a charge of SEK 472 M relating to a deficit in Volvo's Swedish pension foundation

- The integration of the acquired companies Mack and Renault V.I. is developing according to plan, operating income for Global Trucks charged with restructuring costs of SEK 1,280 M in the third quarter

- Global Trucks, Volvo CE and Volvo Penta report increasing market shares in declining markets

Comments by the Chief Executive Officer

The operations of Volvo Group continue to be characterized by measures to adapt its operations to economic conditions, while the long-term effort to create an effective industrial structure proceeds undiminished.

At the same time as we focus on cost efficiencies, we are prioritizing renewal of the product portfolio, and thereby strengthening our market positions. During the third quarter, Renault V.I. launched a new long haulage truck: Renault Magnum, Buses launched a luxury coach: Volvo 9900, and Aero delivered for the first time a gas turbine for a biogas plant. Volvo Penta reported a strong performance and introduced the new KAD300 in the third quarter.

The recession in North America continued and worsened to some extent, as a result of the terrorist attacks in September.

In Europe, the situation was mixed. The downturn in central and northern Europe continued, while sales in southern Europe remained stable. The market in western Europe decreased, as a total.

The difficult market conditions resulted in unsatisfactory profitability for the Group. However, despite the weak earnings trend, our efforts to improve cash flow showed results, and the Group reported positive cash flow for the period.

In order to strengthen Volvo’s profitability and earnings potential, a number of actions are now being taken in all parts of the organization. These actions are intended to adapt costs to lower demand and to improve the company’s commercial and industrial structure.

Volvo Buses is reducing the number of employees in Mexico by 900 employees and in the US by 100 persons.

Volvo CE is reducing personnel by 950 employees, and rationalizes its industrial structure in both the US and in Europe.

Global Trucks is closing Mack’s assembly plant in Winnsboro in the US. All assembly of trucks in the US will thus be concentrated to the two remaining facilities in New River Valley and Macungie. These measures are a part of the restructuring program intended to create a more competitive industrial structure for Volvo Global Trucks.

The sharp decline in air travel will affect Volvo Aero, which initiated reductions in North America during the third quarter, and anticipates further adjustments.

These measures will result in a large number of employees leaving the company, and as of September, a total of 5,200 persons have already left. These decisions, however painful, are necessary to strengthen the Group’s competitiveness. Combined with the continued focus on product renewal, I am convinced that Volvo will have a stronger competitive position and be among the first to benefit when economic conditions improve again.

Leif Johansson

Significant events during the third quarter of 2001

Volvo divests its Low Cab-Over-Engine (LCOE) business
On July 27, 2001, Volvo Trucks North America agreed to sell its Xpeditor® LCOE truck product line to Grand Vehicle Works Holdings, LLC. By divesting its LCOE operations, Volvo met the condition imposed by the U.S. Department of Justice for approval of its acquisition of Mack and Renault V.I.

Under the terms of the agreement, a newly formed Grand Vehicle Works Holdings subsidiary, known as Autocar LLC, has acquired the assets with which Volvo assembles and sells heavy-duty LCOE trucks and aftermarket parts which are unique to them. It has also acquired rights to the Autocar® brand name, under which it will market the LCOE products.

Divestment of shares in Volvofinans completed
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. The divestment was completed during the third quarter with a marginally positive effect on Volvo’s earnings.

Volvo's largest sponsorship ever sets sail
The Volvo Ocean Race started on September 23, 2001. The eight competing boats left Southampton in the UK heading towards Cape Town, South Africa, the first of nine stopovers. The Volvo Ocean Race is the Grand Prix of ocean races and rated as one of the top seven TV sporting events, worldwide. The race covers 32,700 nautical miles with nine stopovers, finishing in Kiel, Germany in June 2002.

Significant events earlier in 2001

Volvo forms Volvo Global Trucks
On January 2, 2001, AB Volvo's acquisition of Renault's truck operations, Mack and Renault V.I., became effective. Under the terms of the acquisition AB Volvo acquired all the shares of Renault V.I. in exchange for 15% of AB Volvo's shares.

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.

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.

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 of Directors. 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.

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.

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 third quarter of 2001 amounted to SEK 41,134 M, compared with SEK 27,911 in 2000. Net sales for the first nine months was SEK 131,982 M (87,155), a decrease of 4% adjusted for acquired companies and currency effects. All business areas reported increased net sales during the third quarter and Global Trucks, Volvo CE and Volvo Penta 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 26,354 M. Despite of the significant decline in deliveries, Volvo Global Trucks was able to increase its share of the market in North America by 1.4% since the beginning of the year. In Europe, the combined market share for Volvo and Renault was maintained at the same level as in 2000.

Net sales for Volvo CE remained at a high level, in part due to a favorable currency trend but also as result of successfully launched new products. During the third quarter Volvo CE's sales increased by 12%. Volvo Penta's sales remained strong with an increase of 10% in the third quarter on a declining market. As a result of increasing sales of components and spare parts for commercial aircraft, Volvo Aero's net sales rose 6%.

During the third quarter of 2001, the Group's net sales increased in all market areas compared with the year earlier period. Adjusted for acquired companies, net sales increased by 3%. Net sales in Western Europe increased by SEK 23 billion (53%), most of which was attributable to the acquired Renault V.I. Excluding acquired companies, Group net sales in Western Europe increased by 3%. The decline in demand in North America, which continued in the third quarter, had an adverse effect on net sales, and excluding acquired companies Group net sales declined by 2%. Net sales in Volvo's growth markets – Asia, Eastern Europe and South America – increased by 34% compared with a year earlier and accounted for 12% of the Group's total sales. Excluding Mack and Renault V.I., net sales on these markets rose by 17% compared with the preceding year.

During the first nine months of 2001, Western Europe and North America accounted for 83.1% of the Group's total sales, compared with 83.7% during the preceding year. The distribution of net sales by market is further specified in the table below:

Net sales by market area	**Third quarter**		**First nine months**		**Change**	
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**	**% of total**
Western Europe	20 124	13 565	67 445	44 015	+53	52
Eastern Europe	1 328	744	3 954	2 355	+68	3
North America	13 381	9 234	42 176	28 938	+46	32
South America	1 439	1 414	4 545	3 559	+28	3
Asia	2 533	1 862	7 230	5 833	+24	5
Other markets	2 329	1 092	6 632	2 455	+170	5
Total	**41 134**	**27 911**	**131 982**	**87 155**	**+51**	**100**

Income from investments in shares

Income from investments in shares for the first nine months amounted to SEK 1,327 M (454), attributable mainly to a dividend received from Scania and a capital gain from the divestment of shares in Mitsubishi Motors. In the third quarter investments in shares amounted to a loss of SEK 71 M (10).

Operating income/loss

Operating loss, excluding restructuring costs amounted to SEK 212 M in the third quarter of 2001, compared with an operating income of SEK 691 M in the corresponding period a year earlier. Operating margin in the third quarter was a negative 0.5%, compared with 2.5% positive in 2000.

Global Trucks' operating loss for the third quarter of 2001 was SEK 340 M (income: 53). The downturn in North America continued, with declining net sales and reduced margins. Combined with the effects of excess capacity, this affected operating income negatively.

Lower volumes and low capacity utilization, particularly in the North American plants, were mainly responsible for the operating loss in Buses of SEK 185 M (income: 65) in the third quarter. Construction

Equipment reported operating income of SEK 266 M, which was in line with performance in 2000. Marine and Industrial Power Systems and Aero reported higher operating income in 2001 than in 2000, operating margins were 7.9% and 3.9% respectively.

Within Financial Services operating income amounted to SEK 69 M (220). The losses and repossessions on the US portfolio continued to decrease in the third quarter, compared with the first and second quarter, although they still remain at a high level.

Group operating income for in the third quarter has been negatively affected by provisions of SEK 472 M relating to a deficit within the Volvo Group's Swedish pension foundation for securing commitments in accordance with the ITP plan. The deficit is a result of the downturn on the stock markets. The deficit is distributed among Global Trucks, SEK 161 M, Buses, SEK 17 M, Construction Equipment, SEK 61 M, Marine and Industrial Power Systems, SEK 22 M, Aero, SEK 56 M, Financial Services, SEK 3 Mkr, and AB Volvo together with other companies, SEK 152 M. See also page 20.

Operating income, excluding restructuring costs reached SEK 2,413 M (4,998) during the first nine months of 2001. Earnings was favorably affected by SEK 1,458 M, which was attributable to capitalization of development costs. See also page 20. The distribution of these costs was SEK 1,168 M for Global Trucks, SEK 96 M for Buses, SEK 126 M for Construction Equipment, SEK 50 M for Marine and Industrial Power Systems and SEK 18 M for Aero.

Net interest expense
Net interest expense for the third quarter 2001 amounted to SEK 224 M compared with SEK 262 M for the second quarter of 2001. The funding cost improved compared with the preceding quarter, mainly due to lower US interest rates.

Taxes
During the first nine months of 2001, a tax income of SEK 273 M was reported compared with a tax expense of SEK 1,316 M for the corresponding period during the preceeding year. The tax income relate to an increase in deferred tax assets.

Restructuring costs
Operating income in the third quarter was affected by restructuring costs of SEK 1,406 M, of which; Global Trucks SEK 1,280 M, Volvo CE SEK 84 M and Volvo Buses SEK42 M.

In the first quarter, 2001, Volvo decided to implement a number of actions during the next three years in order to secure the coordination gains made possible through the acquisition of Mack and Renault V.I.. For the period up to and including 2003, it is estimated that restructuring costs will total slightly more than SEK 4 billion.

The integration program is developing according to plan and during the third quarter a restructuring charge of SEK 1,280 M was recorded in addition to the SEK 1,319 M recorded already in the first quarter. Actions taken in the third quarter mainly include a reduction of production capacity in North America. Volvo Global Trucks' North American assembly operations will be concentrated into two manufacturing plants, Mack's Macungie plant in Pennsylvania and Volvo's plant in New River Valley. Mack's Winnsboro plant will be closed and the production transferred to New River Valley during 2002.

The remaining restructuring measures will be announced later and charged against earnings as incurred during the period 2001 to 2003. These actions 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 is split between Financial Services and the other business areas. 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.

During past 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*	Third quarter		First nine months	
SEK M	2001	2000	2001	2000
Net sales	**41 134**	**27 911**	**131 982**	**87 155**
Cost of sales	(34 033)	(22 825)	(109 156)	(70 559)
Gross income	**7 101**	**5 086**	**22 826**	**16 596**
Research and development expenses	(1 279)	(1 122)	(4 030)	(3 585)
Selling expenses	(3 444)	(2 303)	(10 421)	(6 674)
Administrative expenses	(1 525)	(1 180)	(4 960)	(3 430)
Other operating income and expenses	(1 063)	0	(2 574)	289
Income from Financial Services	69	220	245	1 348
Income from investments in shares	(71)	(10)	1 327	454
Restructuring costs	(1 406)	-	(2 725)	-
Operating income	**(1 618)**	**691**	**(312)**	**4 998**
Interest income and similar credits	466	333	1 265	1 276
Interest expenses and similar charges	(690)	(466)	(2 024)	(1 296)
Other financial income and expenses	(38)	(17)	(248)	(119)
Income after financial items	**(1 880)**	**541**	**(1 319)**	**4 859**
Taxes	316	(166)	273	(1 316)
Minority interests in net (income) loss	29	(6)	66	(21)
Net income	**(1 535)**	**369**	**(980)**	**3 522**
Income per share, SEK	(3.60)	1.10	(2.30)	8.20
Average number of shares	419.4	406.3	423.4	429.8

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

Key operating ratios, Volvo Group	Third quarter		First nine months	
%	2001	2000	2001	2000
Gross margin	17.3	18.2	17.3	19.0
Research and development expenses in % of net sales	3.1	4.0	3.1	4.1
Selling expenses in % of net sales	8.4	8.3	7.9	7.7
Administrative expenses in % of net sales	3.7	4.2	3.8	3.9
Operating margin*	(0.5)	2.5	1.8	5.7
Operating margin	(3.9)	2.5	(0.2)	5.7

** Excluding restructuring costs*

Condensed income statement - Financial Services	Third quarter		First nine months	
SEK M	2001	2000	2001	2000
Net sales	**2 573**	**2 231**	**7 181**	**6 983**
Income after financial items	**69**	**220**	**245**	**1 348**
Taxes	9	(106)	63	(429)
Net income	**78**	**114**	**308**	**919**

	Jan - Sept	Jan - Dec
Key ratios - Financial Services	2001	2000
Return on shareholders' equity, %	5.2	14.1
Equity ratio at end of period, %	11.0	11.5
Asset growth, %	9.2	17.8

Consolidated balance sheets	Volvo Group excl Financial Services 1)		Financial Services		Volvo Group total	
SEK M	Sept 30 2001	Dec 31 2000	Sept 30 2001	Dec 31 2000	Sept 30 2001	Dec 31 2000
Assets						
Intangible assets	15 926	6 781	181	144	16 107	6 925
Property, plant and equipment	31 074	19 652	2 802	2 579	33 876	22 231
Assets under operating leases	16 465	4 245	13 668	11 883	28 213	14 216
Shares and participations	35 694	37 366	213	778	27 911	30 481
Long-term customer finance receivables	205	10	27 197	23 026	27 289	22 909
Long-term interest-bearing receivables	5 806	5 091	21	23	5 803	5 032
Other long-term receivables	10 344	2 186	93	90	10 380	2 232
Inventories	34 347	22 998	532	553	34 879	23 551
Short-term customer finance receivables	78	5	21 905	19 168	20 932	18 882
Short-term interest bearing receivables	13 525	14 195	2	1	2 922	14 196
Other short-term receivables	30 780	22 696	2 133	2 627	32 346	24 120
Marketable securities	12 775	5 682	460	3 886	13 235	9 568
Cash and bank	4 884	5 276	3 407	1 764	7 736	6 400
Total assets	**211 903**	**146 183**	**72 614**	**66 522**	**261 629**	**200 743**
Shareholders' equity and liabilities						
Shareholders' equity	87 461	88 338	7 996	7 663	87 461	88 338
Minority interests	543	593	0	0	543	593
Provision for post-employment benefits	12 425	2 619	13	13	12 438	2 632
Other provisions	16 106	8 277	4 731	6 620	20 837	14 941
Loans	33 211	18 233	57 565	49 048	78 638	66 233
Other liabilities	62 157	28 123	2 309	3 178	61 712	28 006
Shareholders' equity and liabilities	**211 903**	**146 183**	**72 614**	**66 522**	**261 629**	**200 743**

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

The Volvo Group's total assets at the end of September, 2001, amounted to SEK 261.6 billion, corresponding to an increase of SEK 60.9 billion compared with year-end 2000. Acquired and divested companies, primarily the acquisition of Mack and Renault V.I., represented an increase of SEK 54.7 billion. In addition, the weakening of the Swedish krona resulted in an increase in total assets of SEK 15.6 billion. During the third quarter total assets was reduced by SEK 1.7 billion mainly as a result of reductions of inventories, receivables and liquid funds.

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 will be adjusted during the fourth quarter, 2001, as the fair value of all acquired assets and liabilities will be established. See also information regarding arbitration between AB Volvo and Renault SA on page 3.

Shareholders’ equity amounted to SEK 87.5 billion as of September 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	Third quarter		First nine months	
Beginning of period		**(8.6)**		**9.4**
Cash flow from operating activities	2.3		6.1	
Investments in fixed assets, net	(1.6)		(5.4)	
Customer Finance receivables, net	0.7		0.6	
Investments in shares, net	(0.2)		2.8	
Acquired and divested operations	(0.7)		14.8	
Cash-flow after net investments, excluding Financial Services		**0.5**		**18.9**
Debt in acquired and divested operations*		-		(10.6)
Repurchase of own shares		-		(8.3)
Receivable from Ford Motor Company		-		(12.1)
Dividend paid		-		(3.4)
Currency effect		0.6		(2.6)
Other		(1.1)		0.1
Total change		**0.0**		**(18.0)**
Net financial position at end of period		**(8.6)**		**(8.6)**

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

Key ratios **12 month figures unless otherwise stated**	**Oct 00 - Sept 01**	**Jan - Dec 2000**
Sales growth, %	37.6	3.4
Income per share, SEK	0.70	11.20
Income per share, excluding restructuring costs, SEK	5.30	11.20
Return on shareholders' equity,%	0.2	5.0
Return on shareholders' equity excluding restructuring costs, %	2.4	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	(9.8)	10.6
Shareholder' equity and minority interests as percentage of total assets	33.6	44.3
Shareholders' equity and minority interests excluding Financial Services, as percentage of total assets	41.5	60.8

Change in shareholders' equity **SEK bn**	**First nine months** **2001**	 **2000**
Beginning of period	**88.3**	**97.7**
Translation differences	1.5	1.3
Repurchase of own shares	-8.3	-11.8
Issue of shares to Renault SA	10.4	-
Dividend to AB Volvo's shareholders	-3.4	-3.1
Net income	-1.0	3.5
Balance at September 30	**87.5**	**87.6**

Number of Volvo shares, millions	**Sept 30 2001**	**Dec 31 2000**	**Sept 30 2000**
Number of shares outstanding	419.4	397.3	397.3
Average number of shares outstanding during the period	423.4	421.7	429.8
Company shares held by AB Volvo	22.1	44.2	44.2

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

** excluding Financial Services*

The Volvo Group's cash flow after net investments, excluding Financial Services, amounted to SEK 18.9 billion, of which SEK 0.5 billion in the third quarter. Excluding the effects of acquisitions and divestments, cash flow for the Group reached SEK 1.3 billion, of which SEK 1.4 billion in the the third quarter. The positive development from the second quarter, mostly related to a reduction in operating capital tied-up, carried over into the third quarter. All business areas contributed to the improvement through positive cash flows, while net interest- and tax payments had an adverse effect. The transfer of interest-bearing receivables from the truckoperations in North America to Financial Services had a positive effect on cash flow of SEK 0.7 billion in the third quarter.

Cash flow from investments in shares is mainly related to the sale of Volvo’s holding in Mitsubishi Motors Corporation in the second quarter. Cash flow from acquired and divested companies mainly pertained to the final payment of SEK 12.1 billion from 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 4.1 billion of which a positive cash flow of SEK 0.1 billion was reported in the third quarter. The divestment of the holding in Volvofinans had a positive effect on cash flow of SEK 0.9 billion during the third quarter while the sale of Volvia’s insurance operations had an adverse effect of SEK 1.7 billion in the second quarter.

During the beginning of 2001, Volvo repurchased 10% of the total number of shares outstanding, of which 5% were transferred to Renault SA. 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. Net borrowing during the first nine months amounted to SEK 2.5 billion, of which a net of SEK 1.7 billion was amortized during the third quarter.

Financial review by business area

Net sales SEK M	**Third quarter 2001**	**Third quarter 2000**	**First nine months 2001**	**First nine months 2000**	**Change in %**	**12 months moving values**	**Jan-Dec 2000**
Global Trucks	26 354	13 635	86 444	44 545	+94	104 095	62 196
Buses	4 001	3 883	12 631	12 277	+3	17 541	17 187
Construction Equipment	5 388	4 804	16 143	14 891	+8	21 245	19 993
Marine and Industrial Power Systems	1 774	1 610	5 486	4 920	+12	7 165	6 599
Aero	2 994	2 814	8 661	7 831	+11	11 543	10 713
Other	3 295	2 959	10 495	9 204	+14	13 960	12 669
Eliminations	(2 672)	(1 794)	(7 878)	(6 513)	-	(10 330)	(8 965)
Net sales	**41 134**	**27 911**	**131 982**	**87 155**	**+51**	**165 219**	**120 392**

Operating income SEK M	**Third quarter 2001**	**Third quarter 2000**	**First nine months 2001**	**First nine months 2000**	**12 months moving values**	**Jan - Dec 2000**
Global Trucks	(340)	53	449	729	1 134	1 414
Buses	(185)	65	(293)	278	(131)	440
Construction Equipment	266	282	755	1 333	1 016	1 594
Marine and Industrial Power Systems	141	121	530	421	593	484
Aero	118	72	564	460	725	621
Financial Services	69	220	245	1 348	396	1 499
Other	(281)	(122)	163	429	350	616
Operating income*	**(212)**	**691**	**2 413**	**4 998**	**4 083**	**6 668**
Restructuring costs	(1 406)	-	(2 725)	-	(2 725)	-
Operating income	**(1 618)**	**691**	**(312)**	**4 998**	**1 358**	**6 668**

**excl restructuring costs*

Operating margin %	**Third quarter 2001**	**Third quarter 2000**	**First nine months 2001**	**First nine months 2000**
Global Trucks	(1.3)	0.4	0.5	1.6
Buses	(4.6)	1.7	(2.3)	2.3
Construction Equipment	4.9	5.9	4.7	9.0
Marine and Industrial Power Systems	7.9	7.5	9.7	8.6
Aero	3.9	2.6	6.5	5.9
Operating margin*	**(0.5)**	**2.5**	**1.8**	**5.7**
Operating margin	**(3.9)**	**2.5**	**(0.2)**	**5.7**

**excl restructuring costs*

Volvo Global Trucks

The third quarter was a period of continued adverse market conditions in North America. As a result, Volvo Global Trucks' volumes declined. This had a negative effect on profitability, which was also affected adversely by restructuring charges. Despite this, Volvo Global Trucks reported a positive cash flow for the third quarter.

Volvo Global Trucks is continuing to take critical – but necessary –actions to offset the effect of the current market situation. To establish a viable and profitable business structure, the company has initiated and implemented a "core projects program". By focusing on clearly identified, high-impact activities implemented within all three truck companies, these projects will close the present profitability gap within the industrial and commercial operations. Specific projects include North American optimization, European optimization and international optimization. Actions taken in these projects are intended to improve Volvo Global Trucks' position in today's market and to strategically position the company for profitable growth when the market recovers.

As part of the North American optimization project, structural changes are already being implemented. Industrial capacity utilization, which today stands at only 30% at Volvo Global Trucks' three North American plants, will be increased significantly, by phasing out Mack's Winnsboro plant. Mack's Winnsboro production, which includes the Vision and CH models, will be transferred to Volvo Trucks' New River Valley facilities. Additionally, a number of back-office functions, which are currently carried out both at Volvo Trucks North America (VTNA) and Mack, will be consolidated. However, separate headquarters for each brand will be maintained.

Despite the weakening market in Europe and adverse markets conditions in North America, the positive momentum of the integration process is being maintained. Third quarter synergies are being achieved according to plan. In addition, several projects of vital importance for the long-term future of Volvo Global Trucks were further developed. These include vehicle programs, a two-platform engine program and a multi-brand management platform.

Net sales by market area	**Third quarter**		**First nine months**		**Change**
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**
Europe	14 798	7 818	49 759	25 731	+93
North America	7 668	3 648	25 205	12 876	+96
South America	1 003	896	3 021	2 196	+38
Asia	960	707	2 890	2 379	+21
Other markets	1 925	566	5 569	1 363	+309
Total	**26 354**	**13 635**	**86 444**	**44 545**	**+94**

Total market

Until recently, the North American market had been showing the early signs of stabilization. However, the terror attacks of September 11 resulted in increased economic uncertainty throughout the truck industry. Customers are extending their truck renewal periods, and several dealers are facing difficulties. The North American heavy truck market still shows no signs of recovery, and retail sales totaled 118,000 units during the first eight months of the year, a decline of 37% compared with the corresponding period last year. The decline in North America is due to high industry inventories of new and used trucks, resulting in severe price pressure, weak carrier profitability and increased customer uncertainty. Although new truck inventory levels are steadily improving in the industry, the backlog of used trucks continues to be a problem.

Sales in Western Europe peaked at a level of 246,000 units in 2000 and are still holding up. In the first eight months of 2001, total heavy truck market registrations amounted to 165,000, a decline of 2% compared with the corresponding period in the preceding year. The Southern European markets, where Renault V.I. is particularly strong, remain more or less at the same high levels as last year.

The heavy truck market in South America remained strong during the third quarter but is expected to decline somewhat, due to the economic crisis in Argentina.

The overall outlook for Asian economies is bleak, but the truck market in certain high-potential countries, such as China and South Korea, is buoyant.

Deliveries [1]
Volvo Global Trucks' total deliveries amounted to 113,226 trucks for the January-September period, a decrease of 16% compared with the first nine months of 2000.

In Europe, total deliveries for Volvo Global Trucks amounted to 70,979, a decrease of 7%, which includes the decrease in Western Europe of nearly 8% to 66,057. Pipeline inventory level has been reduced significantly during this period. Eastern European deliveries, however, increased by 9% to 4,922 trucks.

In North America, Volvo Global Trucks delivered a total of 26,982 vehicles, a decrease of 39% compared with the corresponding period a year earlier. Deliveries in South America amounted to 4,406 trucks, an increase of 16% compared with January-September 2000.

Deliveries to Asian markets were down by 16% to a total of 3,955 trucks. However, deliveries increased on markets such as China, Japan and South Korea. Deliveries also rose in Australia and Africa.

Order situation [1]
Volvo Global Trucks' order bookings decreased by 9% during the first nine months compared with the corresponding period in 2000. Bookings declined by 29% in North America and by 3% in Europe. Some of the more significant orders for the third quarter were; – an order from Saipa Diesel in Iran for 600 Volvo FH12 trucks, bringing the total number of Volvo trucks ordered by Saipa Diesel this year to 1,100 – an order of 400 Renault Midlum trucks for the United Nations peacekeeping forces – and an order for 500 Mack CH from a major US hauler.

Market share [1]
Despite an extremely competitive business environment, Volvo Global Trucks managed to gain market shares in North America during the first nine months. Mack increased its market share to 14.1%, an increase of 1.4% since the beginning of the year, and Volvo maintained its market share of slightly more than 10%.

In Western Europe, where the competitive environment has also intensified, both Renault and Volvo managed to maintain their market share. By the end of August, Renault increased its market share slightly to 12%, from 11.8% at the beginning of the year, and Volvo maintained its market share of 14.9%.

Financial performance
Net sales for the third quarter amounted to SEK 26,354 M, bringing the total net sales this year to SEK 86,444 M. Operating income, excluding restructuring costs, for the first nine months was SEK 449 M, of which an operating loss of SEK 340 M was recorded during the third quarter. Costs related to product introductions had an effect on earnings in the third quarter.

Major measures are being taken to improve capital efficiency within Volvo Global Trucks. As a part of the core projects program – a cash flow initiative entitled "Cash2Grow" was implemented. It aims to create awareness and understanding throughout the organization of the importance of positive cash flow. As in the second quarter, Volvo Global Trucks is reporting a positive cash flow in the third quarter. The major contributing factor is tighter control of the operating capital and in particular very strict inventory control.

In order to align production with market demand during the third quarter, additional non-production "down days" were taken at Mack. Altogether, a total of 83 down-days have been taken this year in addition to the annually scheduled 10-day summer shutdown. Volvo Trucks North America has had a total of 30 down-days to date this year, in addition to the scheduled summer shutdown.

A line rate and workforce program in North America and Europe continued during the third quarter, reducing the number of employees this year by 4,520 for the first nine months which is nearly 12% of the entire work force. However, through acquisitions the company also added 950 employees, resulting in a net reduction of 3,550.

[1] Including Mack and Renault V.I. in 2000.

Restructuring
The restructuring program announced in the first quarter of 2001 is developing according to plan and during the third quarter a restructuring charge of SEK 1,280 M was recorded in addition to the SEK 1,319 M recorded in the first quarter. For the period up to and including 2003, it is estimated that restructuring costs will total slightly more than SEK 4 billion. The remaining restructuring measures will be charged against earnings as incurred, during 2001-2003.

New products
In September over 3,500 participants attended the launch of the new Magnum, Renault V.I.'s long-distance truck. Apart from an extensive restyling of the exterior, the interior of the new Magnum has been equipped with a number of features that allow for increased driver comfort. As the result of a number of innovations, including a gradual-control fan and new roof fairings, fuel economy for the new model is improved. As of October 1, 2001, all Volvo Global Trucks vehicles are available with Euro-3 compliant engines with low fuel consumption.

Buses

Net sales by market area	**Third quarter**		**First nine months**		**Change**
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**
Europe	1 531	1 472	4 639	4 830	(4)
North America	1 676	1 743	5 863	5 672	+3
South America	140	223	584	568	+3
Asia	507	316	1 184	844	+40
Other markets	147	129	361	363	(1)
Total	**4 001**	**3 883**	**12 631**	**12 277**	**+3**

Total market
The weakening business climate in the world economy was accelerated by the events in the US this September. The effects are already being noted in the travelling pattern in North America, while uncertainty is spreading also to other parts of the world. The traditionally strong Volvo markets – UK and the Nordic countries – decreased, while the city bus market in France and Italy increased. The foot and mouth disease crisis as well as the present events in the world influenced UK tourism adversely, which directly affected the coach market. In the US and Canada, the declining coach market weakened further and lack of financing for affected the market unfavorably.

Deliveries
Volvo delivered 7,162 (8,040) buses and bus chassis during the first nine months of 2001. Deliveries the third quarter amounted to 2,318 (2,636). The decrease was mainly attributable to Europe, Middle East, US and Canada, while Asia and Mexico showed a positive trend. The effects in the different market areas were mainly due to the developments of the respective total market. Volvo succeeded to manage the shift from Euro 2 to Euro 3 in the European markets on October 1 in a favorable way. Hong Kong and Mainland China increased the deliveries significantly compared with the same time last year. Deliveries of complete buses amounted to 49% (46) of the total.

Market share
Due to increasing price competition on a shrinking total market Volvo lost market shares in Europe, the US and Canada. A more market-adopted product offering to the Chinese luxury coach market made it possible to retain the leading position in spite of stronger competition. Volvo regained its leading position on the important Hong Kong city bus market. Market share improvements were attained in some South American markets.

Order situation
The order backlog at the end of September was 12% higher than on the same date a year earlier. A recovery was achieved in Europe and the Middle East compared with the first six months. Volvo succeeded in securing an important order including maintenance contracts to a major operator in UK. As a result of the market development in North America, the order backlog remained at a low level. The introduction of Volvo products in the Shanghai joint venture impacts positively on the order situation. Asia and South America showed positive development.

Financial performance
Net sales for the first nine months increased to SEK 12,631 M (12,277), while sales for the third quarter improved to SEK 4,001 M (3,883). The sales value was higher mostly due to currency effects. Operating loss in the first nine months was SEK 293 M (income: 278). The operating loss for the third quarter was SEK 185 M compared with an operating income of SEK 65 M a year earlier. The decline was due mainly to the lower sales volumes in Europe and the US and, consequently, by the low capacity utilization in the US and European manufacturing facilities. As a result of tight capital control, Volvo Buses reported a positive cash flow in the third quarter.

During the first nine months Volvo has gradually taken measures to adapt the cost structure to the prevailing market conditions. In the beginning of September, major reductions in the workforce were made in Mexico after finalizing deliveries of a major order. Moreover, other reductions were successively implemented both in Europe and North America.

New products
In October, Volvo concluded the launch of the TX platform by introducing the new luxury coach, Volvo 9900, prior to the start of the coach season. The products based on the TX platform were very well received by customers and the trade press. Volvo received the award Busbuilder of the year 2002 for its new product range. Accordingly, Volvo is able to present one of the industry’s most modern product ranges including complete buses and chassis for city and intercity traffic as well as coaches, that meet customer and environmental demands as well as internal requirements for production efficiency. Volvo entered a new market at the end of October with the inauguration of luxury coach production in the Volvo factory in Bangalore, India.

Construction Equipment

Net sales by market area	**Third quarter**		**First nine months**		**Change**
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**
Europe	2 624	2 423	8 163	7 675	+6
North America	1 824	1 439	4 876	4 427	+10
South America	179	194	647	552	+17
Asia	572	583	1 978	1 706	+16
Other markets	189	165	479	531	(10)
Total	**5 388**	**4 804**	**16 143**	**14 891**	**+8**

Total market
The total combined market for heavy construction equipment and compact equipment declined by 13% during the third quarter, compared with the corresponding period in the preceding year. In North America the downturn was 6%, in Europe 10% and in other markets 18%. Year-to-date the total combined world market is down by 9%.

The market for **heavy** construction equipment declined by about 11% in the third quarter of which North America showed a decline of about 7%, Europe approximately 6% and other markets about 16%. For **compact** equipment the market fell by about 15% during the third quarter of which North America represented a decline of 1%, Europe 13% and other markets 19%.

Market share
Volvo CE was able to strengthen its share of the market in several important geographical and product areas mainly due to its strong brand and up-to-date product program.

Order situation
The value of the order bookings as of September 30, 2001 was 3% lower than on the same date in 2000, and 18% lower compared with June 30, 2001. The order situation is mainly due to a lower market demand.

Financial performance
Volvo CE´s net sales during the third quarter increased by 12% to SEK 5,388 M (4,804). During the first nine months sales rose 8% to SEK 16,143 M (14,891). The increase in sales is mainly related to currency effects succesfully launced products and increased market shares.

Operating income, excluding restructuring costs in the third quarter amounted to SEK 266 M (282). The operating margin for the third quarter was 4.9% (5.9). Cash flow in the third quarter continued to be positive and continues to be in focus.

Restructuring costs of SEK 84 M were reported during the third quarter relating to the redundancy program launched earlier this year. Out of a total expected redundancy of 950, around 450 employees have already left Volvo CE since the program was introduced in June. Most of the remaining affected employees will leave by the fourth quarter of this year and the first quarter of 2002.

In order to balance the slow down in Volvo CE´s main markets an extensive program to improve financial performance was launched in the beginning of October. The program includes activities such as price realisation, close monitoring of capital expenditures, focus on projects with short pay-off times and tight cost control.

New products
In September, Volvo CE received the Excellent Swedish Design award for the new Articulated Haulers A35D and A40D from Svensk Form. This is the second prestigious design award Volvo CE and the new haulers have received this year.

Marine and Industrial Power Systems

Net sales by market area	Third quarter		First nine months		Change
SEK M	2001	2000	2001	2000	in %
Europe	854	754	2 857	2 442	+17
North America	551	597	1 683	1 733	(3)
South America	64	37	142	110	+29
Asia	258	183	682	530	+29
Other markets	47	39	122	105	+16
Total	**1 774**	**1 610**	**5 486**	**4 920**	**+12**

Total market
The global market for marine diesel and gasoline power systems was negatively affected by the continued economic downturn in North America and Europe. Demand for industrial power systems remains stable, however.

Total volumes in Asia and the rest of the world were also affected by the decline in the world economy, with the exception of certain markets, such as China.

Market share
Volvo Penta compensated for the decline in total markets in North America and retained sales at an unchanged level, compared with the year-earlier period, partly as the result of increased market share and diesel power systems growth. There was also continued stable increase of Volvo Penta’s marine and industrial engine sales in Europe and the rest of the world. Strongly reinforced positions were secured by Volvo Penta in Asia, partly as a result of the doubling of sales in China, compared with the year-earlier period and strong sales development in downward markets such as South Korea and Brazil.

Order situation
Volvo Penta continued to perform well in a declining world market and order bookings reached an all-time high during the third quarter, with a very substantial increase, particularly for industrial power systems. Volvo Penta’s strategy of focusing on key customers contributed to maintaining order bookings at a continued high level, despite the general economic downturn.

Financial performance
Net sales during the third quarter of 2001 totaled SEK 1,774 M (1,610), an increase of 10% compared with the year-earlier period.

The operating income for the third quarter amounted to SEK 141 M (121) and the operating margin was 7.9% (7.5). There was a positive effect on earnings by the strong sales increase, continued favorable development of the operating expenses and favorable currency rates.

Net sales for the first nine months of 2001 totaled SEK 5,486 M (4,920) and operating income was SEK 530 M (421).

New products
During the third quarter, Volvo Penta launched the new KAD 300, a six-cylinder diesel engine in the output range of 300 horsepower for marine leisure boats. The engine received a very positive reception in the market. Volvo Penta also expanded its product range for gasoline engines and launched the new D2-55 diesel engine for sailboats.

Aero

Net sales by market area	**Third quarter**		**First nine months**		**Change**
SEK M	**2001**	**2000**	**2001**	**2000**	**in %**
Europe	975	880	3 387	3 048	+11
North America	1 695	1 812	4 536	4 232	+7
South America	48	31	136	92	+48
Asia	252	67	500	366	+37
Other markets	24	24	102	93	+10
Total	**2 994**	**2 814**	**8 661**	**7 831**	**+11**

Total market
After a lengthy period of steady increases for the international air traffic sector, a break in this trend was noted during the early summer, with reduced passenger and freight traffic figures compared with the year-earlier period.

The terror attack in the US on September 11 put a stop to all air traffic to and from the US for a few days. Other international air traffic was also affected. Although air traffic gradually recovered somewhat towards the end of the month, it appears that the slowdown that was previously anticipated arrived much earlier and has had a much stronger impact than anyone could have imagined.

The two major aircraft manufacturers – Boeing and Airbus – forecast that they will deliver a combined total of approximately 750 airplanes during 2002, which can be compared with slightly more than 830 aircraft in 2001 and 800 in 2000. According to Boeing, current estimates for 2003 indicate that the downward trend will continue.

The reduced amount of air travel is also affecting the spare parts market to a high degree and the need for engine maintenance, two areas in which Volvo Aero is also involved. The US airlines will reduce their capacity by approximately 20%, primarily by grounding or scrapping older aircraft.

Financial performance
The substantial decline in air traffic after September 11 had no major impact on Volvo Aero's earnings for the third quarter of 2001. Net sales during the period rose by 6.4% to SEK 2,994 M (2,814). Operating income increased to SEK 118 M (72), largely due to the continued strong increase in sales of components and spare parts for commercial aircraft engines. The operating margin was 3.9% (2.6).

The focus is now on adapting operations to the new conditions that apply following the terror attacks. Volvo Aero Services in the US, which sells spare parts to airlines, was affected at an early stage by the decline in air travel. The company has thus served notice to some 70 employees, which account for about 20% of the total workforce. Measures included the closure of the New York office, while operations in Shannon, Ireland, are also being phased out.

Volvo Aero has also introduced a general freeze on new recruitment and a restriction on the number of consultants. All investments are to be reviewed, while market developments are to be monitored carefully to permit the rapid adaptation of staffing as necessary.

New agreements

Volvo Aero's Land & Marine Gas Turbines business area sold, for the first time, a gas turbine (VT600) for a biogas plant, to a waste facility outside Helsingborg, in southern Sweden. Volvo Aero will be responsible for the technical equipment, including a gas-turbine-based combicycle, which will convert biogas from the waste facility to 800 kilowatts of electricity and 1,500 kilowatts of district heating.

The new co-generation plant will be a reference facility with an environmental focus and is expected to meet a very large amount of interest throughout Europe.

Financial Services

During the third quarter, the volume of new financing amounted to SEK 5.2 billion of which SEK 3.4 billion (67%) was truck financing. The volume of new financing year to date amounts to SEK 15.2 billion compared with SEK 14.5 M in the corresponding period a year earlier.

The degree of penetration expressed as a percentage of Volvo unit sales excluding Mack and Renault V.I. amounted to 23%. Penetration in markets where Financial Services is offering financing on sales of new trucks amounted to 32%, compared with 27% in the year earlier period.

Total assets as of September 30, 2001 amounted to SEK 73 billion, of which SEK 63 billion was in the credit portfolio. Adjusted for the effects of foreign exchange movements, the credit portfolio increased by 7% year to date. 67% of the portfolio was related to Volvo truck financing, 14% to the financing of construction equipment and 15% to bus financing. The remaining 4% is related to financing of Renault V.I. and Mack and the other business areas. Geographically, about 20 % of Financial Services credit portfolio is related to the US truck market.

Operating income for the third quarter amounted to SEK 69 M (220) compared with second quarter earnings of SEK 63 M (678).

At the end of September, total credit reserves amounted to 3.0% of the credit portfolio compared with 2.5% at the end of September 2000. Total write-off during the third quarter amounted to SEK 223 M compared with SEK 240 M for the second quarter. Year to date, write off amounts to SEK 627 M (382).

During the third quarter, the losses and repossessions on the US portfolio continued to decrease compared with the first and second quarter, although they still remain at a high level. The number of non-performing contracts was 2.6%, which is similar to the level in June but lower than the level in March, when the number of non-performing contracts was 4.0%.

Future growth within Volvo Financial Services is expected mainly from Mack and Renault V.I. financing together with increased financing of the other business areas within the Group. During the third quarter, financing of Mack and Renault V.I. was established on several markets including France and US. In order to develop the Financial Services business, close relationships are being forged with the other business areas aiming to provide a full range of integrated financial services to all business areas within Volvo.

Number of employees

As of September 30, 2001, the Volvo Group had 74,112 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 by 24,148 employees. Excluding acquired companies the number of employees was reduced by more than 5,200.

Göteborg, October 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	3/2000	4/2000	1/2001	2/2001	3/2001
Net sales	**27 911**	**33 237**	**43 750**	**47 098**	**41 134**
Cost of sales	(22 825)	(26 572)	(36 236)	(38 887)	(34 033)
Gross income	**5 086**	**6 665**	**7 514**	**8 211**	**7 101**
Research and development expenses	(1 122)	(1 291)	(1 394)	(1 357)	(1 279)
Selling expenses	(2 303)	(2 611)	(3 378)	(3 599)	(3 444)
Administrative expenses	(1 180)	(1 221)	(1 659)	(1 776)	(1 525)
Other operating income and expenses	0	20	(696)	(815)	(1 063)
Income from Financial Services*	220	151	113	63	69
Income from investments in shares	(10)	(43)	2	1 396	(71)
Restructuring costs	-	-	(1 319)	-	(1 406)
Operating income	**691**	**1 670**	**(817)**	**2 123**	**(1 618)**
Interest income and similar credits	333	312	411	388	466
Interest expenses and similar charges	(466)	(549)	(684)	(650)	(690)
Other financial income and expenses	(17)	(46)	(161)	(49)	(38)
Income after financial items	**541**	**1 387**	**(1 251)**	**1 812**	**(1 880)**
Taxes	(166)	(194)	422	(465)	316
Minority interests	(6)	(6)	28	9	29
Net income	**369**	**1 187**	**(801)**	**1 356**	**(1 535)**

Depreciation and amortization included above					
Volvo Group excl Financial Services	908	1 150	1 818	2 106	1 907
Financial Services	468	669	698	691	834
Total	**1 376**	**1 819**	**2 516**	**2 797**	**2 741**

Income per share, SEK	**1,10**	**3,00**	**(1,90)**	**3,20**	**(3,60)**
Average number of shares, million	406,3	397,4	431,4	419,4	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 %	**3/2000**	**4/2000**	**1/2001**	**2/2001**	**3/2001**
Gross margin	18.2	20.1	17.2	17.4	17.3
Research and development expenses in % of net sales	4.0	3.9	3.2	2.9	3.1
Selling expenses in % of net sales	8.3	7.9	7.7	7.6	8.4
Administrative expenses in % of net sales	4.2	3.7	3.8	3.8	3.7
Operating margin	2.5	5.0	(1.9)	4.5	(3.9)
Operating margin excl restructuring costs	2.5	5.0	1.1	4.5	(0.5)

Net sales

SEK M	3/2000	4/2000	1/2001	2/2001	3/2001
Global Trucks	13 635	17 651	29 962	30 128	26 354
Buses	3 883	4 910	3 715	4 915	4 001
Construction Equipment	4 804	5 102	4 688	6 067	5 388
Marine and Industrial Power Systems	1 610	1 679	1 736	1 976	1 774
Aero	2 814	2 882	2 607	3 060	2 994
Other	2 959	3 465	3 399	3 801	3 295
Eliminations	(1 794)	(2 452)	(2 357)	(2 849)	(2 672)
Net sales	**27 911**	**33 237**	**43 750**	**47 098**	**41 134**

Operating income

SEK M	3/2000	4/2000	1/2001	2/2001	3/2001
Global Trucks	53	685	150	639	(340)
Buses	65	162	(83)	(25)	(185)
Construction Equipment	282	261	81	408	266
Marine and Industrial Power Systems	121	63	167	222	141
Aero	72	161	160	286	118
Financial Services	220	151	113	63	69
Other	(122)	187	(86)	530	(281)
Operating income*	**691**	**1 670**	**502**	**2 123**	**(212)**
Restructuring costs	-	-	(1 319)	-	(1 406)
Operating income	**691**	**1 670**	**(817)**	**2 123**	**(1 618)**

** excluding restructuring costs*

Operating margins

%	3/2000	4/2000	1/2001	2/2001	3/2001
Global Trucks	0.4	3.9	0.5	2.1	(1.3)
Buses	1.7	3.3	(2.2)	(0.5)	(4.6)
Construction Equipment	5.9	5.1	1.7	6.7	4.9
Marine and Industrial Power Systems	7.5	3.8	9.6	11.2	7.9
Aero	2.6	5.6	6.1	9.3	3.9
Operating margin*	**2.5**	**5.0**	**1.1**	**4.5**	**(0.5)**
Operating margin	**2.5**	**5.0**	**(1.9)**	**4.5**	**(3.9)**

** excluding restructuring costs*

Accounting principles

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

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

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

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

Deficit within Volvo's Swedish pension foundation

Operating income during the third quarter was negatively affected by a deficit of SEK 472 M in Volvo's Swedish pension foundation for securing commitments in accordance with the ITP-plan.

In conjunction with its establishment in 1996, the foundation received from the Volvo Group pension funds amounting to about SEK 2.5 billion, corresponding at that time to pension commitments in accordance with the ITP plan. The management of these funds has since 1996 resulted in a reduction of the Volvo Group's pension costs. This has been possible because the foundation was able to finance portions of new pension commitments without requiring new funds from the Group. In addition, it has been possible to cover pension costs in excess of the ITP plan.

During 2001, however, the foundation's capital under management declined in value as a result of the downturn in the stock market. At the same time, the total liability for pension commitments increased, due in part to new obligations. The result was that net asset value was SEK 472 M lower than commitments at the end of the third quarter.

The value of assets under management amounted to SEK 3,398 M at that time, while total pension commitments amounted to SEK 3,870 M. In view of these circumstances, reserves to cover this deficit are reported in the Volvo Group's financial accounts for the third quarter of 2001.

Units invoiced Volvo Global Trucks	Third quarter 2001	Third quarter 2000	First nine months 2001	First nine months 2000	Change in %
Europe	18,993	22,417	70,979	76,013	-6.6%
Western Europe	17,550	21,075	66,057	71,506	-7.6%
Eastern Europe	1,443	1,342	4,922	4,507	+9.2%
North America	7,084	11,664	26,982	44,144	-38.9%
South America	1,420	1,565	4,406	3,797	+16%
Asia	1,449	1,350	3,955	4,694	-15.7%
Other markets	2,196	2,012	6,904	5,410	+27.6%
Total, Volvo Global Trucks	**31,142**	**39,008**	**113,226**	**134,058**	**-15.5%**

Mack Trucks, Inc	Third quarter 2001	Third quarter 2000	First nine months 2001	First nine months 2000	Change in %
North America	4,091	7,110	16,625	26,472	-37.2%
South America	340	161	925	347	+166.6%
Other markets	305	314	720	684	+5.3%
Total	**4,736**	**7,585**	**18,270**	**27,503**	-33.6%

Renault V.I.	Third quarter 2001	Third quarter 2000	First nine months 2001	First nine months 2000	Change in %
Europe	10,859	12,175	40,836	41,229	-1.0%
Western Europe	10,382	11,561	39,011	39,365	-0.9%
Eastern Europe	477	614	1,825	1,864	-2.1%
Other markets	1,487	1,481	4,966	4,142	+19.9%
Total	**12,346**	**13,656**	**45,802**	**45,371**	+0.9%

Volvo Trucks	Third quarter 2001	Third quarter 2000	First nine months 2001	First nine months 2000	Change in %
Europe	8,131	10,242	30,140	34,784	-13.4%
Western Europe	7,168	9,514	27,046	32,141	-15.9%
Eastern Europe	963	728	3,094	2,643	+17.1%
North America	2,993	4,554	10,357	17,672	-41.4%
South America	1,080	1,404	3,481	3,450	+0.9%
Asia	1,296	1,026	3,518	3,937	-10.6%
Other markets	560	541	1,658	1,341	+23.6%
Total	**14,060**	**17,767**	**49,154**	**61,184**	-19.7%

Units invoiced, buses/bus chassies	Third quarter 2001	Third quarter 2000	First nine months 2001	First nine months 2000	Change in %
Europe	688	890	2,261	2.899	-22,0%
Western Europe	668	875	2,141	2.806	-23,7%
Eastern Europe	20	15	120	93	29,0%
North America	781	935	2,680	2.898	-7,5%
South America	208	321	789	747	5,6%
Asia	532	353	1,147	1.178	-2,6%
Other markets	109	137	285	318	-10,4%
Total, buses/bus chassies	2,318	2.636	7,162	8.040	-10,9%