

Three months ended March 31, 2002

VOLVO 1927-2002



	2002	2001
Net sales, SEK M	40,385	43,750
Operating income (loss) excluding restructuring costs, SEK M	(362)	502
Operating income (loss), SEK M	(362)	(817)
Income (loss) after financial items, SEK M	(618)	(1,251)
Net income (loss), SEK M	(746)	(801)
Sales growth, %	(8)	55
Income (loss) per share during most recent 12 months period, SEK	(3.40)	6.40
Return on shareholders' equity, %	(1.6)	2.9

- The first quarter was characterized by the previously announced intense efforts to phase in new products and ramp-up production. This applied particularly to Volvo Trucks and Construction Equipment with an adverse effect on earnings.
- The reported operating loss in the first quarter of 2002 was SEK 362 M, compared with a loss of SEK 817 M in the year-earlier period. Excluding restructuring costs, operating income in the first quarter of 2001 was SEK 502 M.
- More than 20,000 orders have been signed for the new Volvo FH and Volvo FM trucks. The introduction of the new truck ranges has recently started in Volvo Trucks' International markets. Mack, Renault and Volvo CE also noted positive trends in order bookings.
- Cash flow was negative in the first quarter of 2002 as a result of inventory build-up relating to product introductions. Cash flow continues to be a priority area within the Volvo Group.

Comments by the Chief Executive Officer

The general market trend continued to affect the Group in different ways during the first quarter. Volvo Penta had another quarter of very strong performance, with increasing sales compared to the first quarter last year. Volvo Penta is successfully creating added value within our engine operations, and continues to compensate the weaker demand by gaining market shares.

In North America, our truck operations were still under pressure. Our competitors large inventories of used trucks continued to hamper prices and sales of new trucks. A slight increase of order intake could indicate that the market has bottomed out. In Europe, the market slowed down, but not as much as the consensual outlook of the industry has anticipated.

The first three months were also characterized by intensive efforts to phase in the new products that were launched in the second half of 2001. This particularly applied to Volvo Trucks, which is currently implementing the most extensive model replacement program ever. As previously announced, this replacement resulted in extensive ramp up activities in both production and for our suppliers. The most intensive part of the replacement process is over and production will start to catch up with orders in the second quarter. The strong demand for the trucks is of course a very positive sign, even if it has not improved earnings yet. More than 20,000 orders have been received since the Volvo FH and Volvo FM models were launched in November 2001. Also Renault Trucks' new model range, with the new Renault Magnum among others, has increased customer demand and increased market shares. This is particularly evident within heavy-duty trucks in France, where Renault Trucks reached a record level in February.

Volvo CE is also going through an important product replacement phase, as the new generation of wheel loaders and excavators are set in production. Volvo CE



showed for the first time its extended product range at the ConExpo exhibition in Las Vegas in March. The extended range of compact equipment has been very well received. Volvo CE's order intake increased significantly during the first quarter.

We still suffered from weak demand for new trucks, primarily in North America. The major changes in production had a further adverse effect on deliveries during the quarter. It also affected cash flow during the first quarter. The North American recession also affected Financial Services and Volvo CE in a large extent. Volvo CE was also affected of the downturn in Europe where Germany is particularly weak. Volvo Aero's sales and operating income dropped, mainly depending on the effects from September 11, which started to affect aerospace services during the first quarter. September 11, has also affected Volvo Buses with lower demand for coaches.

All in all, this resulted in 8% lower sales volumes and a clearly unsatisfactory performance for the Group in the first quarter. Order bookings are beginning to improve, however as a result of the extensive product renewal that has been carried out

throughout the entire Volvo Group.

To sum up, we are in the middle of a difficult business cycle and are going through an intensive period of ramp up activities. The business environment will continue to be difficult across the Group during 2002. There are few firm signs of immediate recovery. Rising political tensions in the Middle East, and increasing oil prices add concern about the strength and timing of the economic recovery of North America. Consequently, our focus on Business Cycle Management will continue with a specific emphasis on inventory and cash flow. The closing of the truck plant in Winnsboro, US, is proceeding according to plan, as well as the integration process within the truck operations. The readiness to make additional production adjustments and structural adaptations remains.

This is of course also a period of opportunities. We are going to take full advantage of our new products. We are also going to capitalize on increased productivity and structural improvements. Our aim is definitely to further strengthen our position during this recession.

Leif Johansson

Significant events during the first quarter of 2002

New structure for Volvo's truck operations

Since Volvo's acquisition of Renault V.I. (now named Renault Trucks) and Mack Trucks, a large part of the operations has been focused on immediate integration programs and development of a strategy for the future comprising product plans for both vehicles and engines. Most of this work is now completed and the years immediately ahead will be characterized by implementation of approved strategies and product plans in order to take advantage of the synergies created through the acquisition. A clear focus on customers, based on distinct and powerful brand names, will be decisive. A new organization and management was thus necessary. As of January 7, 2002, Volvo, Mack and Renault Trucks are separate business areas reporting to the Volvo Group Headquarters.

Volvo CE launched new products

Volvo Construction Equipment launched its B-series of excavators; a new generation of machines designed to provide more power and productivity and improved operator comfort. Volvo CE also launched the new Volvo E-series of wheel loaders. The new wheel loaders combine high productivity, low fuel consumption and low environmental impact, making them the ideal machines for rock, rehandling and log-handling applications.

Newly developed Volvo backhoe loader at the ConExpo

As announced in December 2001, Volvo Construction Equipment showcased its newly developed backhoe loader at the ConExpo tradeshow in Las Vegas, US, March 19–23, 2002. The machines represents the company's new entry into the competitive, worldwide backhoe loader market, where Volvo is entering the most popular size class for these machines.



Volvo delivers 200 city buses to Johannesburg

Volvo (Southern Africa) Pty began delivery of 200 city buses to Metrobus in Johannesburg, South Africa. The delivery comprises 150 B7TL double-decker buses and 50 standard B7R buses. The delivery marks an important modernization of the city's fleet of buses and also represents a new element on the urban scene prior to this year's major UN summit meeting, where world leaders will discuss environmental and economic development.

Volvo Aero Engine Services lands major overhaul order from Aeroflot

Volvo Aero signed an agreement with the Russian airline Aeroflot, whereby Volvo Aero will overhaul Aeroflot's JT9D-59A engines, powering its DC 10-40 aircraft. The initial value of the contract is USD 60 M, making it the largest overhaul contract signed by Volvo Aero since 1998. There is also a potential for a total order value of USD 120 M if Aeroflot decides to add more DC 10-40's to its fleet.

Volvo Penta introduced the new Ocean Series propulsion system

During the first quarter of 2002, Volvo Penta introduced the Ocean Series, a new composite marine propulsion system, intended primarily to approach the US saltwater fishing market. The Ocean Series offers unparalleled performance in this segment, which traditionally has relied on outboard propulsion. During the Miami International Boat show in February, the new propulsion system was awarded the prestigious "Innovation Award" for its product excellence.

The Volvo Group – 2002

Net sales

Net sales of the Volvo Group for the first quarter of 2002 amounted to SEK 40,385 M, compared with SEK 43,750 M in 2001, down 11% adjusted for changes in currency rates and group structure. Ramp-up of production of the newly introduced products within Trucks and Construction Equipment adversely affected deliveries during the first three months of 2002 and were the main reason for the decline in sales. Continued weak volumes in North America also affected net sales.

Net sales of Trucks' amounted to SEK 26,558 M, a decline of 13% adjusted for currency effects compared with the year earlier period. Deliveries of Volvo trucks within Europe declined by 43%, mainly related to the ramp-up of production of the completely new Volvo FH and Volvo FM trucks. Initial start-up effects in production, resulting in delayed deliveries, also affected sales adversely in the first quarter. Deliveries of Renault trucks above 16 tons declined by 11% compared with the year earlier period. The development in North America continued to be weak and the deliveries of Mack trucks declined by 31% and Volvo trucks by 19%.

Net sales of Buses for the first three months of 2002 amounted to SEK 3,165 M, a decline of 1% adjusted for currency effects and the effect of consolidating Prévost/Nova Bus using the proportional method as of the fourth quarter 2001. Net sales for Volvo CE declined by 12%, excluding currency effects, in part due to a negative geographical mix and ramp-up issues relating to the production start of new models. Volvo Penta's sales remained strong in the first quarter with an increase

of 9%, excluding currency effects. As a result of the downturn in the airline industry, Volvo Aero's net sales declined by 10%.

During the first quarter of 2002, the Group's net sales in Western Europe declined by 11%, mainly due to the

production start of newly introduced products. Net sales in North America were down 13% and South America declined 12%, while significant growth was noted in Eastern Europe, Asia and on other markets.

The distribution of net sales by market is further specified in the table below:

SEK M	First three months		Change in %	% of total
	2002	2001		
Western Europe	21,097	23,697	(11)	52
Eastern Europe	1,318	1,199	+10	3
North America	11,738	13,441	(13)	29
South America	1,211	1,379	(12)	3
Asia	2,650	1,941	+37	7
Other markets	2,371	2,093	+13	6
Total	40,385	43,750	(8)	100

Consolidated income statements ¹⁾

SEK M	First three months	
	2002	2001
Net sales	40,385	43,750
Cost of sales	(33,205)	(36,236)
Gross income	7,180	7,514
Research and development expenses	(1,505)	(1,394)
Selling expenses	(3,797)	(3,378)
Administrative expenses	(1,277)	(1,659)
Other operating income and expenses	(1,094)	(696)
Income from Financial Services	115	113
Income from investments in associated companies	16	(2)
Income from other investments	0	4
Restructuring costs	-	(1,319)
Operating income (loss)	(362)	(817)
Interest income and similar credits	266	411
Interest expenses and similar charges	(514)	(684)
Other financial income and expenses	(8)	(161)
Income (loss) after financial items	(618)	(1,251)
Taxes	(118)	422
Minority interests in net (income) loss	(10)	28
Net income (loss)	(746)	(801)
Income (loss) per share, SEK	(1.80)	(1.90)
Average number of shares, millions	419.4	431.4

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



Operating income/loss

Operating loss for the first three months in 2002, amounted to SEK 362 M, compared with operating income, excluding restructuring costs, of SEK 502 M in the corresponding period a year earlier. The loss is mainly attributable to lower earnings within Trucks, Buses and Construction Equipment.

Trucks' operating loss for the first quarter of 2002 was SEK 474 M compared with an operating income of SEK 150 M in the year-earlier period. The operating loss was largely related to continued, but decreasing, losses in North America and to lower deliveries in Europe as a result of the production ramp-up of the new Volvo FH and Volvo FM trucks.

Buses operating loss of SEK 94 M was basically unchanged compared with the year-earlier period, mainly as a result of low volumes. Construction Equipment's earnings declined significantly, to an operating loss of SEK 131 M. The loss is related to production start of new models, negative geographical mix and vendor supply issues. Earnings for Volvo Penta continued to be favorable; operating margin was 7% in the first quarter of 2002. Volvo Aero's operating income was halved compared with the year-earlier period due to weaker demand. Financial Services operating income amounted to SEK 115 M, which was in line with 2001.

Selling expenses were higher compared with the year-earlier period as a result of dealer consolidation. The increase in other operating expenses was mainly due to exchange rate differences. Operating income for the first three months of 2002 included a less positive effect from capitalization of development costs of SEK 156 M, compared with the corresponding period in 2001. These effects are related to

Key operating ratios, Volvo Group	First three months	
	2002	2001
%		
Gross margin	17.8	17.2
Research and development expenses in % of net sales	3.7	3.2
Selling expenses in % of net sales	9.4	7.7
Administrative expenses in % of net sales	3.2	3.8
Operating margin ¹⁾	(0.9)	1.1
Operating margin	(0.9)	(1.9)

1) Excluding restructuring costs

Condensed income statement - Financial Services		
SEK M	First three months	
	2002	2001
Net sales	2,448	2,240
Income after financial items	115	113
Taxes	(27)	(6)
Net income	88	107

Key ratios - Financial Services		
	Jan-March	Jan-Dec
	2002	2001
Return on shareholders' equity, %	4.1	4.2
Equity ratio at end of period, %	10.3	10.3
Assets growth, %	(3.3)	10.5

Key ratios		
12 month figures unless otherwise stated	Jan-March 2002	Jan-Dec 2001
Sales growth, %	(7.7)	50.0
Income (loss) per share, SEK	(3.40)	(3.50)
Income per share, excluding restructuring costs, SEK	1.00	3.10
Return on shareholders' equity, %	(1.6)	(1.7)
Return on shareholders' equity excluding restructuring costs, %	0.5	1.5
Net financial position at end of period, SEK billion	(9.3)	(7.0)
Net financial position at end of period as percentage of shareholders' equity and minority interests	(11.1)	(8.2)
Shareholder' equity and minority interests as percentage of total assets	32.9	32.8
Shareholders' equity and minority interests excluding Financial Services, as percentage of total assets	42.5	41.8

new accounting standards, which were applied as of 2001. The total effect for the first three months 2002 was SEK 334 M, compared with SEK 490 M in the year-earlier period.

The deficit in Volvo's Swedish pension foundation increased by SEK 181 M during the first three months of 2002, mainly due to increased pension obligations combined with a weak development on the stock market. The weaker position had a corresponding negative effect on Volvo's operating income during the quarter.

Net interest expense

Net interest expense for the first three months declined to SEK 248 M compared with SEK 273 M in the year-earlier period. The positive effects of lower net financial debt and lower interest rates in the US were partly offset by lower average SEK exchange rates during the period.

Taxes

During the first three months of 2002, a tax expense of SEK 118 M was reported, mainly related to current tax expenses in subsidiaries outside Sweden. Deferred tax income related to the change in tax-loss carry forwards has not been recognized during the period.

Total assets

The Volvo Group's total assets at March 31, 2002 amounted to SEK 254.6 billion, corresponding to a decrease of SEK 6.4 billion compared with year-end 2001. Approximately SEK 6.1 billion of the decrease was related to currency effects.

Consolidated balance sheets	Volvo Group excl Financial Services ¹⁾		Financial Services		Volvo Group total	
	March 31 2002	Dec 31 2001	March 31 2002	Dec 31 2001	March 31 2002	Dec 31 2001
SEK M						
Assets						
Intangible assets	17,201	17,366	150	159	17,351	17,525
Property, plant and equipment	29,584	30,370	2,917	2,864	32,501	33,234
Assets under operating leases	13,987	15,020	13,669	14,060	25,803	27,101
Shares and participations	34,681	35,145	203	203	27,525	27,798
Long-term customer finance receivables	51	19	26,139	26,256	25,960	26,075
Long-term interest-bearing receivables	5,433	5,627	8	0	5,400	5,554
Other long-term receivables	9,113	9,017	123	73	9,048	8,902
Inventories	31,425	30,557	389	518	31,814	31,075
Short-term customer finance receivables	24	95	22,706	23,732	22,007	22,709
Short-term interest bearing receivables	3,984	6,799	80	82	2,152	2,525
Other short-term receivables	28,623	29,798	2,688	2,647	30,512	31,044
Marketable securities	17,113	12,997	448	517	17,561	13,514
Cash and bank	5,537	11,877	1,803	2,417	6,922	13,869
Total assets	196,756	204,687	71,323	73,528	254,556	260,925
Shareholders' equity and liabilities						
Shareholders' equity	83,276	85,185	7,359	7,550	83,276	85,185
Minority interests	377	391	0	0	377	391
Provision for post-employment benefits	14,345	14,632	15	15	14,360	14,647
Other provisions	13,960	14,085	4,091	4,342	18,050	18,427
Loans	27,004	29,710	56,371	57,956	80,066	81,568
Other liabilities	57,794	60,684	3,487	3,665	58,427	60,707
Shareholders' equity and liabilities	196,756	204,687	71,323	73,528	254,556	260,925

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

Change of Net financial position, SEK bn	First three months
Beginning of period	(7.0)
Cash flow from operating activities	(1.3)
Investments in fixed assets, net	(1.4)
Customer Finance receivables, net	0.0
Investments in shares, net	0.0
Acquired and divested operations	0.2
Cash-flow after net investments, excluding Financial Services	(2.5)
Debt in acquired and divested operations	(0.2)
Change in provision for post employment benefits	(0.2)
Currency effect	0.6
Other	(0.0)
Total change	(2.4)
Net financial position at end of period	(9.3)

Shareholders' equity

Shareholders' equity amounted to SEK 83.3 billion as of March 31, 2002, corresponding to an equity ratio of 42.5%, excluding Financial Services. Net debt on the same date amounted to SEK 9.3 billion. Net financial debt corresponded to 11.1% of shareholders' equity and minority interest. The changes in shareholders' equity and net financial position since year-end are specified in the tables below.

The Volvo Group's cash flow

Cash flow after net investments, excluding Financial Services, was a negative SEK 2.5 billion during the first quarter of 2002. Cash flow in the year-earlier period, excluding acquired liquid funds within Renault Trucks and Mack Trucks, was a negative SEK 1.7 billion. Apart from the fact that cash flow during the first quarter normally is weak due to seasonal variations in the operating capital, weak earnings and inventory build-up as a consequence of the production start of new models also had a negative effect.

Cash flow after net investments within Financial Services was a negative SEK 1.1 billion (1.4).

Net borrowing in the Group increased by SEK 0.6 billion during the first three months of the year. Liquid funds declined SEK 2.9 billion during the period, amounting to SEK 24.5 billion at March 31.

Change in shareholders' equity		
SEK bn	2002	2001
Beginning of period	85.2	88.3
Translation differences	(1.0)	1.0
Repurchase of own shares	–	(8.3)
Issue of shares to Renault SA	–	10.4
Net income (loss) during the period	(0.7)	(0.8)
Other changes	(0.2)	(0.1)
Balance at end of period	83.3	90.5

Number of Volvo shares		
Millions	March 31 2002	Dec 31 2001
Number of shares outstanding	419.4	419.4
Average number of shares outstanding during the period	419.4	422.4
Company shares held by AB Volvo	22.1	22.1

Cash flow statements		
SEK bn	First three months	
	2002	2001
Operating activities ¹⁾		
Operating income (loss)	(0.5)	(0.9)
Add depreciation and amortization	1.9	1.8
Other non-cash items	0.1	(0.1)
Change in working capital	(2.6)	0.5
Financial items and income taxes paid	(0.2)	(1.0)
Cash flow from operating activities	(1.3)	0.3
Investing activities ¹⁾		
Investments in fixed assets	(1.7)	(1.9)
Investments in leasing vehicles	0.0	(0.2)
Disposals of fixed assets and leasing vehicles	0.3	0.2
Customer Finance receivables, net	0.0	0.1
Investments in shares, net	0.0	(0.2)
Acquired and divested operations	0.2	3.7
Cash-flow after net investments excl Financial Services	(2.5)	2.0
Cash-flow after net investments, Financial Services	(1.1)	(1.4)
Cash-flow after net investments, Volvo Group total	(3.6)	0.6
Financing activities		
Change in other loans, net	0.6	8.4
Loans to external parties, net	0.3	(0.6)
Repurchase of own shares	–	(8.3)
Change in liquid funds excl translation differences	(2.7)	0.1
Translation difference on liquid funds	(0.2)	0.5
Change in liquid funds	(2.9)	0.6

1) Excluding Financial Services

Condensed cash-flow statement, Financial Services		
SEK M	First three months	
	2002	2001
Cash flow from operating activities	0.8	0.7
Net investments in credit portfolio etc	(1.9)	(2.1)
Cash-flow after net investments	(1.1)	(1.4)

Financial review by business area



Trucks

At the beginning of 2002, the Volvo Group changed the organizational structure of its truck operations by making the three truck companies – Mack Trucks, Renault Trucks and Volvo Trucks – separate business areas.

The truck operations of the Volvo Group reports directly to the Volvo Group Headquarters. The joint organization for co-ordinating Product Planning, Purchasing and Product Development, Volvo 3P, has formed a separate internal business unit.

Net sales by market area

SEK M	First three months		Change in %
	2002	2001	
Europe	14,959	17,098	(13)
North America	7,721	8,562	(10)
South America	845	873	(3)
Asia	1,099	754	+46
Other markets	1,934	1,834	+5
Total	26,558	29,121	(9)

Total market

The North American market continued on a very low level during the first quarter. Pre-buys due to the new, future emission legislation could be noticed. Indications of stabilization in the market were seen in March.

The demand for heavy trucks in Western Europe remained strong in the first three months of the year but with increasing price pressure. Indicators show a favorable trend in the industry at the beginning of this year and order bookings are beginning to rise somewhat.

Many markets in Eastern Europe and Asia continued to show a stable situation.

SEK M	First three months		Change in %	12-months rolling
	2002	2001		
Trucks	26,558	29,121	(9)	114,005
Buses	3,165	3,715	(15)	16,125
Construction Equipment	4,476	4,688	(5)	20,923
Volvo Penta	1,962	1,736	13	7,606
Volvo Aero	2,485	2,607	(5)	11,662
Other	1,739	1,883	(8)	6,929
Net sales	40,385	43,750	(8)	177,250

SEK M	First three months		12-months rolling values	
	2002	2001	rolling values	Jan–Dec 2001
Trucks	(474)	150	416	1,040
Buses	(94)	(83)	(535)	(524)
Construction Equipment	(131)	81	679	891
Volvo Penta	146	167	637	658
Volvo Aero	78	160	571	653
Financial Services	115	113	327	325
Other	(2)	(86)	227	143
Operating income (loss) ¹⁾	(362)	502	2,322	3,186
Restructuring costs	–	(1,319)	(2,543)	(3,862)
Operating income (loss)	(362)	(817)	(221)	(676)

1) Excluding restructuring costs

%	First three months		12 months rolling values	
	2002	2001	rolling values	Jan–Dec 2001
Trucks	(1.8)	0.5	0.4	0.9
Buses	(3.0)	(2.2)	(3.3)	(3.1)
Construction Equipment	(2.9)	1.7	3.2	4.2
Volvo Penta	7.4	9.6	8.4	8.9
Volvo Aero	3.1	6.1	4.9	5.5
Operating margin¹⁾	(0.9)	1.1	1.3	1.8
Operating margin	(0.9)	(1.9)	(0.1)	(0.4)

1) Excluding restructuring costs

Deliveries

Trucks' total deliveries during the first three months of 2002 amounted to 33,322 vehicles, a decline of 21% compared with the year-earlier period.

In Europe, deliveries from Trucks amounted to 20,821 vehicles, down 24%.

The decline is largely related to the production start of the new Volvo FH/FM trucks.

In North America, Trucks delivered a total of 7,442 vehicles, a decrease of 27% compared with the corresponding period in 2001. In Asia, however, Trucks' deliveries increased by 52% to 1,718 trucks.



Order situation

The new Volvo FM and Volvo FH program in Western Europe created strong customer demand and more than 20,000 orders were signed. Accordingly, Volvo Trucks' order intake rose by 2% in the first quarter. Eastern Europe also developed well, with strong order intake in several markets. The demand for long-haulage trucks in North American was very low in the beginning of the year and Volvo Trucks' order intake was 8% lower than the same period last year. The positive sales development continued in Asia with a very strong order intake in the Middle East, China and South Korea. In the US, Mack posted a 27% increase in its order intake during the first quarter. The activity is viewed as a move by customers to "pre-buy" current models, to avoid new engine technologies being introduced to meet new EPA emissions regulations.

The order intake for Renault Trucks increased noticeably during the beginning of the year, particularly in France, Spain and Germany. The Renault truck ranges, all of which were renewed in the past six years, are well appreciated and order intakes for Renault Magnum, Premium, Midlum and Mascott show steady increases at the end of March, between 4% and 15%. The launch of the new Renault Magnum in September 2001 has focused the interest of the customers on the new models.

Market share

Volvo's market shares for heavy trucks in Western Europe declined to 13.8% (15.7) in February due to the change over to new products (new Volvo FM/FH) in the production. The market share in class 8 in the USA fell to 7.3% (11.3) as Volvo Trucks chose not to participate in a number of very aggressive price biddings to some larger transport fleets. Mack's US market share through March was 12.3%, down from 12.6% a year ago.



At the end of January, the Renault Trucks share in the over 6-ton segment in Europe had increased by 0.5%, in the medium-duty segment by 0.7% and in the heavy-duty segment by 0.4%. Renault Trucks market share in France is rising, specifically for the heavy-duty ranges, up 2.7% at the end of February at a record high 36.6%.

Financial performance

Net sales for the first three months amounted to SEK 26,558 M compared with SEK 29,121 M in the year-earlier period. Operating loss for the first three months was SEK 474 M (income, excluding restructuring costs, 150). The loss in the first quarter was largely related to continued, but decreasing, losses in the North American operations and to lower deliveries of Volvo trucks as a result of the ramp-up of production of the new Volvo

FH and Volvo FM trucks. Earnings within Mack were affected by the economic downturn in Venezuela.

New products

The launch of the new Volvo FM and FH, which started in November last year, has been very well received by the customers, dealers and media. The launch is now under way in Volvo Trucks' International markets.

The new Volvo and Renault trucks were on display at the RAI international trade show in Amsterdam at the beginning of February. The new Renault Magnum attracted interest from visitors with its new look and new interior concept. The Renault Midlum was presented with its new 18-ton version. At the end of March, Spanish journalists elected Renault Magnum "Camion del Año 2002".

Buses

Net sales by market area

SEK M	First three months		Change in %
	2002	2001	
Europe	1,560	1,326	+18
North America	857	1,902	(55)
South America	97	185	(48)
Asia	444	192	+131
Other markets	207	110	+88
Total	3,165	3,715	(15)

Total market

The demand both in Europe and North America continues to decline. The touring business is still being hit by the lack of confidence regarding economical development which affects the coach market adversely. Some operators in Europe and the US are reducing their fleets, which increases the used vehicle trade. Due to the unstable financial situation in South America, the market continued on a low level. The markets in Asia Pacific region showed more stable development.

Deliveries

Volvo delivered 1,842 buses and coaches during the first quarter of 2002 compared with 2,117 in the year-earlier period. The decline is mainly related to lower deliveries in Mexico, South America and the US, which was offset to some extent, by higher deliveries to China, South Africa and Thailand. 38% was complete buses compared with 50% last year. The lower percentage is attributable largely to the North American joint ventures being consolidated in accordance with the proportional method as of October 1, 2001.

Order Situation

As a result of the complete and competitive product range with high customer value, the order situation in the Nordic area was favorable. Coach order intake in Volvo's main European markets as well as in the US and Canada was negatively affected by the



uncertainty of the development in the touring business. Reduced traveling in Mexico resulted in operators postponing their purchases of high-value buses. Due to the unstable market development, low order intake was reported in South America in the first quarter of 2002. Overall, the order book is good but the order intake has weakened.

Market shares

The tough price competition in Europe and the US adversely affected Volvo's market share while Asia Pacific had a strong development. Volvo is offering a premium product and Volvo's intention is to avoid unprofitable deals. Volvo persistently increased prices in Brazil during the past year, which resulted in lost market share. The competition did not show any signs of following these hikes until recently.

Financial performance

Net sales amounted to SEK 3,165 M (3,715) during the first three months, mainly due to the North American joint-ventures being consolidated with the proportional method as from October 1, 2001. Lower sales of coaches have also had

a negative effect. The operating loss was SEK 94 M compared with a loss of SEK 83 M in the year earlier period. Progress has been accomplished in focused areas to within short reach a turn-around. Unfortunately, the significant decline in South America and Mexico has offset the positive developments in other regions.

In focus

Volvo is continuing to carry out the plans to exit the US transit market – the Nova operations in Roswell – and focus on the Canadian business, Nova St Eustache, based on a major order from the city of Montreal received last year. In Europe business focuses on increasing productivity by improving the production efficiency, reducing product cost and securing a high level of quality, which is facilitated by the new competitive product range.

In China, Volvo products were awarded "Coach of the Year" and "Bus of the Year" at the bus show in Shanghai in March this year.



Construction Equipment

Net sales by market area

SEK M	First three months		Change in %
	2002	2001	
Europe	2,245	2,473	(9)
North America	1,226	1,194	+3
South America	175	238	(26)
Asia	667	551	+21
Other markets	163	232	(30)
Total	4,476	4,688	(5)

Total market

The total combined world market for heavy and compact construction equipment declined by 6% during the first quarter of 2002, compared with the corresponding period in the preceding year. The downturn in North America was 9%, in Europe 6% and in the other markets 4%.

The market for heavy construction equipment declined by approximately 6% in the first quarter. Both the North American and European markets showed a decline of 12%. Other markets showed an increase of about 1%.

For compact equipment, the total market fell about 5% during the quarter. The North American market was up 1%,

while the European market declined 2% and the other markets fell 10%.

Market share

Compared with the year-earlier period, Volvo CE was able to increase its share of the market in several important geographical and product areas, mainly due to recently launched products backed by a strong brand name.

Order situation

The value of the order bookings as of March 31 was 40% higher than on the same date in 2001 and nearly 60% higher compared with year-end 2001.

Financial performance

Volvo CE's net sales during the first quarter amounted to SEK 4,476 M (4,688). The operating loss was SEK 131 M (income: 81).

The decrease in sales and earnings is mainly due to the overall difficult market conditions and the subsequent impact on capacity utilization coupled with a negative geographic mix. In addition, certain vendor supply and ramp-up issues impacted adversely on production rates.

Other developments

In March, Volvo CE announced its acquisition of the manufacturing and product design rights to a range of soil compaction equipment from SuperPac Inc. This product range will initially be distributed through Volvo CE's recently launched rental initiative and certain dealers under the SuperPac brand. Volvo will continue to develop the products and at a later stage brand them Volvo.

Additionally, Volvo and Komatsu confirmed their basic agreement for cooperation on production and development of construction equipment components. As a first step, the companies signed an agreement for production of Komatsu designed cabs at Volvo CE's cab plant in Hallsberg, Sweden. Production is scheduled to start at the beginning of 2003

and the volume will be set for approximately 1,500 units per year.

The new internally developed backhoe loader was successfully launched at the ConExpo trade show in Las Vegas in March. The range of backhoe loaders will be produced in Poland.

Volvo Penta

Net sales by market area

SEK M	First three months		Change in %
	2002	2001	
Europe	1,034	967	+7
North America	578	506	+14
South America	33	37	(11)
Asia	281	196	+43
Other markets	36	30	+20
Total	1,962	1,736	+13

Total Market

The North American marine and industrial engine market showed signs of a recovery during the first quarter of the year. The total market for marine and industrial engines in Europe remained at the same level as the first quarter of 2001, which means that demand continues to be high. The market for industrial engines for gensets in China and engines for irrigation plants in Saudi Arabia remained favorable. Demand was also reasonably strong in other world markets.

Market share

During the quarter, Volvo Penta strengthened its share of the marine engine market in North America. The large, independent builders of leisure craft in Europe continued to be successful, which in turn boosted Volvo Penta's marine engine business. The successful introductions of the KAD 300 and D2-55 marine diesel engines in 2001 have made a strong contribution to Volvo Penta's leading position. Volvo Penta's European sales of industrial engines for gensets increased, while sales of industrial engines for mobile applications declined slightly. Taken as a whole, this



trend means that the company's share of the industrial engines market in Europe is virtually unchanged.

Order bookings

During the first quarter of 2002, an increase was noted in Volvo Penta order bookings for mainly gasoline-powered engines in the North American market. Order bookings also continued to increase in Asia. The order situation for diesel engines in Europe continued to be strong, although some signs of a decline could be noted toward the end of the period. In a historical perspective, Volvo Penta's total order backlog at the end of the quarter was at a very high level.

Financial performance

Volvo Penta's net sales amounted to SEK 1,962 M (1,736), up 13% compared with the preceding year. Operating income for the first quarter amounted to SEK 146 M (167).

Changes in the allocation of development costs for engines within the Volvo Group had an adverse effect on earnings compared with the year-earlier period. Adjusted for this, Volvo Penta reached a slightly better result than in 2001. Earnings

were positively affected by the strong sales recovery in the North American market, continued stable sales increases in other regions and by an unchanged level of operating expenses. The Marine Commercial business area showed strong development, with sales up by more than 20% during the first quarter.

Product news

In recent years, Volvo Penta has implemented a number of significant product launches within the Marine Leisure, Marine Commercial and Industrial business segments. The company's strategy is to renew substantial parts of Volvo Penta's existing engine program during a five-year period. As part of this strategy, new 10-liter engines for industrial applications were launched during the first quarter of 2002 and the engine range for commercial marine traffic was expanded.



Volvo Aero

Net sales by market area

SEK M	First three months		Change in %
	2002	2001	
Europe	986	1,217	(19)
North America	1,260	1,163	+8
South America	51	40	+28
Asia	156	141	+11
Other markets	32	46	(30)
Total	2,485	2,607	(5)

Total market

Following the sharp downturn in international air travel last autumn, which was dramatically compounded by the terrorist attacks on September 11, airline passenger traffic began to recover, month by month, during the first quarter of the year.

However, total air traffic around the world is still a minus compared with the year-earlier figure. Statistics for passenger traffic indicates that air travel was down 10.7% in January, compared with the corresponding month of the preceding year.

According to industry analysts, order bookings for both Boeing and Airbus are

expected to decline this year by 30–40%, compared with 2001 and bottom out during 2003. Key factors for a reversal of the negative trend for the industry are the general economic situation, improvements in the finances of the airlines, and how many of the approximately 2,000 aircraft that are currently parked in the desert will be scrapped.

During 2002, Boeing and Airbus are expected to deliver 650-700 aircraft, compared with 852 in 2001. Forecasts for 2003 refer to 575-600 aircraft.

Deliveries of components for new aircraft engines are still on a high level, but are expected to decrease this autumn affected by the lower demand for aircraft. The high utilization of the aircraft fleet in use will in time positively affect production of new spare parts. This will also have a positive impact on recovery within engine overhaul and spare parts sales within Volvo Aero Services, which were immediately influenced by the terror attack September 11.

Order situation

As a consequence of the crisis affecting the aviation industry, orders for components for new aircraft engines have declined, compared with the corresponding period of 2001.

The decline in air travel has also had a major effect on the spare parts market and engine-maintenance requirements.

Financial performance

Net sales declined by 4.7% during the period to SEK 2,485 M (2,607). Operating income fell to SEK 78 M (160), despite a continued strong trend of earnings from newly manufactured components and spare parts for commercial aircraft engines. The operating margin was 3.1% (6.1). The areas with the greatest profitability problems are those that were affected earliest by the downturn following September 11, namely spare parts and engine overhaul operations.

Current focus is on adapting operations to meet the new conditions prevailing in

the aviation industry. Volvo Aero Services in the US, which sells spare parts to airlines, reduced its workforce by 70 employees last autumn. In total about 370 employees will have to leave Volvo Aero, of which 70 have already left.

On the overhaul side, the company is working intensively to secure orders in a declining market. Volvo Aero Services is continuing its efforts to sign long-term agreements with both airlines and the large manufacturers in the sector.

Work to generate export sales of Sweden's Gripen combat aircraft, with the Volvo RM12 engine, are continuing. Slovakia is the latest country to have shown an interest in this aircraft.

New orders

The need for engine overhauls has declined in pace with air traffic having contracted throughout the world since autumn 2001. Despite this trend, in February Volvo Aero Engine Services successfully secured a contract with Russia's Aeroflot for the maintenance of the JT9D engine, an order worth approximately USD 60 M during a five-year period. This is the largest single overhaul contract signed by Volvo Aero since 1998 and is, at the same time, an important breakthrough into the expanding Russian market.

Ryanair, the Irish low-price airline, has placed an order for 100 Boeing 737-800 aircraft, with an option for an additional 50 aircraft of the same type. For Volvo Aero's part, this contract in its entirety corresponds to orders for engine components totaling slightly more than SEK 200 M.

The negotiations with the Czech Republic's government regarding the purchase of 24 Gripen combat aircraft are proceeding according to plan and are expected to be concluded before the summer.



Financial Services

Retail volume during the first quarter was SEK 5.8 billion, which is SEK 1.1 billion



higher than in the corresponding period in the preceding year. Renault and Mack Truck financing added approximately SEK 1.3 billion, Construction, Bus and Aero related financing increased SEK 0.2 billion while Volvo Trucks related financing decreased SEK 0.4 billion. Penetration in markets where Financial Services is offering financing on sales of new Volvo trucks amounted to 33%, compared with 25% in the year-earlier period.

Total assets as of March 31, 2002, amounted to SEK 71 billion, of which SEK 62 billion was in the credit portfolio. Adjusted for the effects of foreign exchange movements, the credit portfolio increased by 1% during the first quarter. Volvo truck financing accounted for 62% of the portfolio, bus financing for 16% and construction equipment 14%. The remaining 8% is related to financing of Renault Trucks and Mack Trucks and the other business areas. Geographically, about 20% of Financial Services credit portfolio is related to the US truck market.

Operating income for the first quarter amounted to SEK 115 M (113) compared with fourth quarter earnings in 2001 of SEK 80 M (151). At the end of March, total credit reserves amounted to 2.9% of the credit portfolio compared with 2.2% the

same period last year. Total write-offs during the first quarter amounted to SEK 212 M compared with SEK 163 M for the same period last year.

During the first quarter, the increased volume and strengthening relationship with Mack Trucks and Renault Trucks was a positive development. The benefit is both a development towards a more diversified portfolio and potential synergies that can be achieved through the utilization of a common back-office.



Number of employees

As of March 31, 2002, the Volvo Group had 70,460 employees, compared with 70,921 at the end of 2001.

Göteborg, April 22, 2002
AB Volvo (publ)

Leif Johansson

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

Quarterly figures

Accounting principles

In preparing this report, Volvo has applied the accounting principles presented in Note 1, page 57, of the Volvo 2001 Annual Report.

Volvo Group					
SEK M unless otherwise specified	1/2001	2/2001	3/2001	4/2001	1/2002
Net sales	43,750	47,098	41,134	48,633	40,385
Cost of sales	(36,236)	(38,887)	(34,033)	(40,321)	(33,205)
Gross income	7,514	8,211	7,101	8,312	7,180
Research and development expenses	(1,394)	(1,357)	(1,279)	(1,361)	(1,505)
Selling expenses	(3,378)	(3,599)	(3,444)	(4,242)	(3,797)
Administrative expenses	(1,659)	(1,776)	(1,525)	(1,514)	(1,277)
Other operating income and expenses	(696)	(815)	(1,063)	(497)	(1,094)
Income from Financial Services ¹⁾	113	63	69	80	115
Income from investments in associated companies	(2)	1,396	(43)	9	16
Income from other shares	4	0	(28)	(14)	0
Restructuring costs	(1,319)	–	(1,406)	(1,137)	–
Operating income (loss)	(817)	2,123	(1,618)	(364)	(362)
Interest income and similar credits	411	388	466	388	266
Interest expenses and similar charges	(684)	(650)	(690)	(629)	(514)
Other financial income and expenses	(161)	(49)	(38)	58	(8)
Income (loss) after financial items	(1,251)	1,812	(1,880)	(547)	(618)
Taxes	422	(465)	316	53	(118)
Minority interests	28	9	29	7	(10)
Net income (loss)	(801)	1,356	(1,535)	(487)	(746)
Depreciation and amortization included above					
Volvo Group excl Financial Services	1,818	2,106	1,907	1,216	1,950
Financial Services	698	691	834	691	783
Total	2,516	2,797	2,741	1,907	2,733
Income (loss) per share, SEK	(1.90)	3.20	(3.60)	(1.20)	(1.80)
Average number of shares, million	431.4	419.4	419.4	419.4	419.4

1) 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					
%	1/2001	2/2001	3/2001	4/2001	1/2002
Gross margin	17.2	17.4	17.3	17.1	17.8
Research and development expenses in % of net sales	3.2	2.9	3.1	2.8	3.7
Selling expenses in % of net sales	7.7	7.6	8.4	8.7	9.4
Administrative expenses in % of net sales	3.8	3.8	3.7	3.1	3.2
Operating margin	(1.9)	4.5	(3.9)	(0.7)	(0.9)
Operating margin excl restructuring costs	1.1	4.5	(0.5)	1.6	(0.9)

Net sales					
SEK M	1/2001	2/2001	3/2001	4/2001	1/2002
Trucks	29,121	29,256	25,611	32,580	26,558
Buses	3,715	4,915	4,001	4,044	3,165
Construction Equipment	4,688	6,067	5,388	4,992	4,476
Volvo Penta	1,736	1,976	1,774	1,894	1,962
Volvo Aero	2,607	3,060	2,994	3,123	2,485
Other	1,883	1,824	1,366	2,000	1,739
Net sales	43,750	47,098	41,134	48,633	40,385

Operating income					
SEK M	1/2001	2/2001	3/2001	4/2001	1/2002
Trucks	150	639	(340)	591	(474)
Buses	(83)	(25)	(185)	(231)	(94)
Construction Equipment	81	408	266	136	(131)
Volvo Penta	167	222	141	128	146
Volvo Aero	160	286	118	89	78
Financial Services	113	63	69	80	115
Other	(86)	530	(281)	(20)	(2)
Operating income (loss) ¹⁾	502	2,123	(212)	773	(362)
Restructuring costs	(1,319)	–	(1,406)	(1,137)	–
Operating income (loss)	(817)	2,123	(1,618)	(364)	(362)

1) Excluding restructuring costs

Operating margins					
%	1/2001	2/2001	3/2001	4/2001	1/2002
Trucks	0.5	2.2	(1.3)	1.8	(1.8)
Buses	(2.2)	(0.5)	(4.6)	(5.7)	(3.0)
Construction Equipment	1.7	6.7	4.9	2.7	(2.9)
Volvo Penta	9.6	11.2	7.9	6.8	7.4
Volvo Aero	6.1	9.3	3.9	2.8	3.1
Operating margin ¹⁾	1.1	4.5	(0.5)	1.6	(0.9)
Operating margin	(1.9)	4.5	(3.9)	(0.7)	(0.9)

1) Excluding restructuring costs

Units invoiced Trucks			
	First three months		
	2002	2001	Change in %
Europe	20,821	27,517	(24)
Western Europe	19,341	25,883	(25)
Eastern Europe	1,480	1,634	(9)
North America	7,442	10,150	(27)
South America	1,163	1,283	(9)
Asia	1,718	1,132	52
Other markets	2,178	2,057	6
Total, Trucks	33,322	42,139	(21)

Mack Trucks			
	2002	2001	Change in %
North America	4,555	6,564	(31)
South America	181	189	(4)
Asia	2	–	n.a.
Other markets	256	180	42
Total	4,994	6,933	(28)

Renault Trucks			
	2002	2001	Change in %
Europe	14,029	15,574	(10)
Western Europe	13,274	14,889	(11)
Eastern Europe	755	685	10
Asia	82	138	(41)
Other markets	1,214	1,373	(12)
Total	15,325	17,085	(10)

Volvo Trucks			
	2002	2001	Change in %
Europe	6,792	11,943	(43)
Western Europe	6,067	10,994	(45)
Eastern Europe	725	949	(24)
North America	2,887	3,586	(19)
South America	982	1,094	(10)
Asia	1,634	994	64
Other markets	708	504	40
Total	13,003	18,121	(28)

Units invoiced, buses/bus chassis			
	First three months		
	2002	2001	Change in %
Europe	714	632	13
Western Europe	639	596	7
Eastern Europe	75	36	108
North America	445	943	(53)
South America	84	262	(68)
Asia	437	207	111
Other markets	162	73	122
Total, buses/bus chassis	1,842	2,117	(13)

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

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

Publication dates

Report on six months	July 23, 2002
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Report on 2002 operations	February, 2003
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