

## THE VOLVO GROUP THREE MONTHS ENDED MARCH 31, 2004

Net sales for the first quarter 2004 increased to SEK 45,489 M (40,931), reflecting strong organic growth.

Net income increased to SEK 2,248 M (506) in the quarter.

Income per share for the first three months was SEK 5.40 (1.20). Income per share for the most recent 12-month period amounted to SEK 4.90.

The Scania B shares sold to Deutsche Bank. The Annual General Meeting resolved to distribute the Scania A shares in the form of Ainax shares to the shareholders' of AB Volvo. In total SEK 14.0 billion to be transferred to the shareholders.

The Volvo Group expands in China. Agreement on engine manufacturing in place and truck plant opened.

Cash flow after net investments excluding Financial Services improved to SEK 14.7 billion (negative: 2.2). The divestment of shares in Scania contributed SEK 14.9 billion.

	First three months	
	2004	2003
Net sales, SEK M	45,489	40,931
Operating income, SEK M <sup>1</sup>	2,219	909
Revaluation of shares in Scania AB	697	-
Operating income, SEK M	2,916	909
Income after financial items, SEK M	2,876	757
Net income, SEK M	2,248	506
Income per share, SEK <sup>1</sup>	3.70	1.20
Income per share, SEK	5.40	1.20
Return on shareholders' equity during most recent 12 months period, %	2.7	3.3

<sup>1)</sup> Excluding revaluation of shares in Scania AB.

# VOLVO

## Comments by the Chief Executive Officer

The positive sales trend that we observed during the autumn continued during the first quarter. Demand increased notably in North America. We see an economic recovery that is being driven by customers' need for replacement products and new investments. The economy is also improving in Western Europe. The important German market is showing clear signs of an upturn and perhaps it is only in France that the market continued to appear uncertain.

The rising volumes, combined with strong demand for the Group's new products and the effects of efficiency enhancements, contributed to better earnings in all business areas. Volvo Trucks, Volvo CE and Volvo Penta continued to capture market shares and report a high capacity utilization in production. The increasing profitability for Volvo Aero is mainly the result of the efficiency improvements in recent years and measures to align operations to the lower demand.

Demand continues to rise in Asia, the Middle East, Eastern Europe and South America. We have favorable growth and profitability in these regions, which account for an increasingly significant portion of our sales.

The work with strengthening our presence in growth markets is proceeding and during the first quarter we took several important steps in China. As the first western company, Volvo Trucks started production of heavy trucks and during the quarter we signed a memorandum of understanding for production of engines.

Our early entry into the Chinese market must be viewed as a display of strength. It is the world's largest single market for heavy trucks and through cooperation with domestic partners we can minimize investment costs as well as build a supplier structure for our entire industrial system. All business areas except Volvo Aero are now involved in our expansion in China. In the truck operations, Renault Trucks is also preparing for production in the country.

Based on the strong order bookings for heavy trucks in North America during the past two quarters, we expect a successive recovery on the market and project that it will increase to between 230,000 and 240,000 trucks in 2004. In Western Europe, we estimate an increase of between 5% and 6%, corresponding to a level of about 230,000 heavy trucks. Volvo CE's current forecast for the construction equipment market reflects a growth between 10% and 15% in North America and International. The outlook for the European market remains flat.

The aviation industry has shown signs in recent months of a certain recovery in terms of passengers, while the view is more fragmented for buses.

Volvo Buses' situation remains difficult. Losses were reduced during the first quarter compared with the corresponding quarter in 2003, but earnings are unsatisfactory. The previously initiated program to achieve profitability is under way.

We reached a solution with the Scania holding during the first quarter. In con-



junction with this, we are transferring about SEK 14 billion to the shareholders. This involves the ordinary cash dividend, distribution of Ainax and buyback of own shares in the market.

The Group has predominantly shifted gear or is in the process of shifting focus from a recession to dealing with a market upturn. We are looking forward to meeting the customers' increasing demand for our products and services.

Leif Johansson  
President and CEO

## Significant events during the first quarter of 2004



### Product Introductions

## VOLVO CE INTRODUCES NEW MODELS

During the first quarter Volvo CE introduced a new loader in the Backhoe range, the BL 60, designed for the operations of multi-machine owners, rental business and governmental agencies. Volvo CE also launched the E-series of the Wheel Loader L50 and a prototype of a short swing compact excavator. At the Bauma exhibition in Munich, Volvo CE presented its technology for the upcoming Tier-3 emission regulations for off-highway vehicles. The system is called V-ACT, Volvo Advanced Combustion Technology, and will be introduced in 12-liter engines at the end of this year.

## VOLVO PENTA INTRODUCES NEW PRODUCTS

During the first quarter of 2004, a partly new range of industrial engines was introduced, including the 9-liter D9 and 16-liter D16 engines, which are both manufactured at Volvo's engine production plant in Skövde, Sweden. The company's range of industrial engines was also expanded with the launch of a new 7-liter engine.

### New Orders

## VOLVO AERO SIGNS NEW CONTRACTS

Volvo Aero Services has signed a multi-year agreement with Europe's largest airline, British Airways. The agreement gives Volvo Aero the right to sell off British

Airways' surplus stocks of spare parts. Volvo Aero will also supply British Airways with spare parts from the aftermarket.

Air Pacific, Boeing and Volvo Aero Services have entered into an agreement whereby Volvo Aero will supply and maintain parts for Air Pacific's fleet of Boeing 737 aircraft for a five-year period. This is the first phase of a more extensive program of cooperation between Volvo Aero and Boeing.

Volvo Aero and General Electric have signed an agreement whereby Volvo Aero will increase its participation in the LM2500 stationary gas turbine. The agreement represents a further expansion of the cooperation between Volvo Aero and General Electric. In December 2003, General Electric presented the new LMS100 gas turbine, with Volvo Aero as a risk-sharing partner.

### Alliances

## VOLVO AGREES UPON COOPERATION COVERING ENGINE MANUFACTURE IN CHINA

Volvo signed an Engine Cooperation Frame Agreement with the truck manufacturers China National Heavy Truck Corporation (CNHTC), and First Automotive Works (FAW) covering the establishment of a jointly owned engine plant in China. The plant will manufacture complete engines for Volvo's business areas in China and for CNHTC's and

FAW's trucks. The three companies will form a joint company for production of engines for the Chinese market of which Volvo will own 52% and CNHTC and FAW 24% each. In accordance with the agreement, the company will produce the future heavy diesel engines based on the Volvo Group's new engine platform. The plan is for a definitive agreement to be concluded during 2004. The aim is to start production of component kits from Europe during 2005 and begin own production during 2006. The plant will have an annual production of 50,000 engines in 2010.

## RENAULT TRUCKS CONCLUDES AGREEMENT IN PRINCIPLE TO MANUFACTURE TRUCKS IN CHINA

The AB Volvo subsidiary Renault Trucks has signed an agreement in principle with the Chinese truck manufacturer Dong Feng Motors aimed at establishing a joint-venture company for manufacturing trucks and truck components in China. It is planned that the new company will manufacture Renault's Kerax heavy construction trucks for the Chinese market. The agreement is still subject to final negotiation. The relevant Chinese authorities must also approve the agreement. Initially, the agreement aims to establish local assembly of CKD kits for Renault's Kerax trucks. The long-term aim is to manufacture components, primarily cabs, for Renault's and Dong Feng's Chinese product range.

### Changes in production

## VOLVO TRUCKS INAUGURATES FACTORY IN CHINA

In March 2004, Volvo Trucks inaugurated its new factory in Jinan together with its Chinese partner, China National Heavy Truck Corporation. The new factory will build Volvo trucks for the growing Chinese market. The factory has initially a capacity of about 1,200 trucks a year.



## INDUSTRIAL RELOCATION WITHIN RENAULT TRUCKS

The Volvo Group is carrying out an industrial relocation in Europe as a result of which manufacture of crankshafts for medium-heavy truck engines is being increased at Villaverde, Spain, while the production of Renault trucks is being concentrated to the plant in Bourg-en-Bresse, France. The relocation is a consequence of the transition to a greater degree of shared technical architecture for trucks within the Volvo Group.

### Corporate information

## THE CHAIRMAN OF VOLVO, LARS RAMQVIST, RESIGNED FROM THE BOARD

Lars Ramqvist became Vice Chairman of Volvo's Board in 1998 and Chairman in 1999. On February 2, 2004 Lars Ramqvist resigned from the Board of Directors. The members of the Board thanked Lars Ramqvist for the great commitment and the time he dedicated to the Board.

The following AB Volvo Board members were reelected at the Annual General Meeting on April 16, 2004: Per-Olof Eriksson, Patrick Faure, Haruko Fukuda, Tom Hedelius, Leif Johansson, Finn Johnsson, Neelie Kroes, Louis Schweitzer and Ken Whipple. At a statutory meeting held following the annual General Meeting, the Board elected Finn Johnsson as Chairman.

## AB VOLVO SOLD ITS HOLDING OF SCANIA B SHARES

Volvo's holding of Scania B shares was sold to Deutsche Bank on March 4, 2004 for an amount of about SEK 15 billion. As a consequence of the divestment, the Scania holding was written down in the fourth quarter of 2003. The transaction was carried out as part of Volvo's commitment to the European Commission to divest the Scania shares not later than April 23, 2004. After the sale, Volvo owns 27.3 million A shares in Scania AB, corresponding to 24.8% of the votes and 13.7% of the capital.

## VOLVO ANNUAL GENERAL MEETING APPROVED AINAX

At the Annual General Meeting of AB Volvo on April 16, 2004, the Board's proposal to transfer all A shares in Scania to Ainax and thereafter to distribute 99% of

the shares in Ainax to Volvo's shareholders was approved. The value of the distribution of Ainax was set at SEK 6,309,538,646. In total, SEK 14.0 billion to be transferred to the shareholders of AB Volvo through cash dividend, distribution of Ainax shares and repurchase of shares.

The Meeting further resolved that Volvo may transfer treasury stock to fulfill undertakings for the Company's employee stock options program of 2002. Furthermore, the Meeting decided to establish a new share-based incentive program during the second quarter of 2004 for senior executives in the Volvo Group and it was resolved that Volvo may transfer own shares to the participants in the new share-based incentive program.

## MOODY'S CONFIRMS AB VOLVO'S CREDIT RATING

A number of international credit-rating institutes have recently confirmed AB Volvo's credit rating. Most recently it was Moody's. Moody's confirms AB Volvo's short-term credit rating of P-2 and long-term A3 and concurrently raises the outlook to stable. Moody's expects that Volvo will continue to increase efficiency in its operations, strengthen competitiveness and improve financial strength.

## HENLYS GROUP PLC

During 1998 and 1999, Volvo acquired 9.9% of the capital and voting rights in Henlys Group Plc. In October 1999, Volvo issued a convertible debenture loan to Henlys Group Plc of USD 240 M with maturity in October 2009. Henlys Group is a British company involved in manufacturing and distribution of buses and bus bodies in Great Britain and North America. Volvo and Henlys Group jointly own the shares of the North American bus operations Prévost and Nova Bus. In February and March 2004, Henlys announced that its earnings for 2004 was expected to be significantly lower than previously anticipated. And as a result the market price of Henlys' shares fell significantly. As a consequence of receiving this information, it was determined that Volvo's holding in Henlys Group Plc was permanently impaired at December 31, 2003, and a write-down of SEK 429 M was charged to income in the fourth quarter of 2003. At March 31, 2004, Henlys Group further announced that its 30% shareholding in TransBus would be written down as a consequence of this company being placed into administration. Volvo is continuously monitoring the financial position of the Henlys Group. At the preparation of this financial report, Volvo has assessed that no impairment loss has been incurred on the convertible debenture loan.

## The Volvo Group – the first three months 2004

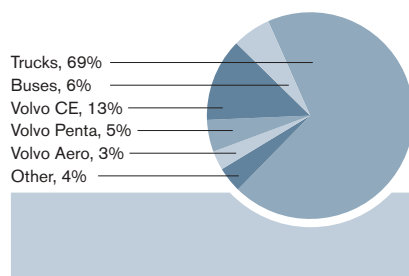
### Sales increased by 16%

Net sales of the Volvo Group amounted to SEK 45,489 M, compared with SEK 40,931 M in 2003. This represents a growth of 16%, adjusted for currency effects.

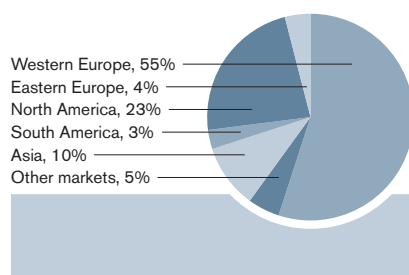
Net sales of Trucks amounted to SEK 31,194 M, up 18% adjusted for currency effects compared with the year-earlier period. Deliveries in Western Europe increased by 4% while deliveries in North America rose by 51% to 9,772 vehicles. In Asia, the number of invoiced trucks increased by more than 70%, mainly as a result of continued high deliveries to Iran.

Net sales of Volvo CE and Volvo Penta for the first quarter of 2004 increased by 37% and 22%, respectively, adjusted for

### Sales by Business Area, %



### Sales by Market, %



Net sales by market area SEK M	First three months		Change in %
	2004	2003	
Western Europe	24,984	23,665	+6
Eastern Europe	2,024	1,701	+19
North America	10,458	9,349	+12
South America	1,391	853	+63
Asia	4,374	2,988	+46
Other markets	2,258	2,375	(5)
<b>Total</b>	<b>45,489</b>	<b>40,931</b>	<b>+11</b>

Operating income SEK M	First three months		12 months moving values	Jan–Dec 2003
	2004	2003		
Trucks	1,476	527	4,900	3,951
Buses	(47)	(83)	(325)	(361)
Construction Equipment	309	140	1,077	908
Volvo Penta	188	159	724	695
Volvo Aero	101	(6)	63	(44)
Financial Services	281	212	995	926
Other	(89)	(40)	410	459
<b>Operating income<sup>1</sup></b>	<b>2,219</b>	<b>909</b>	<b>7,844</b>	<b>6,534</b>
Revaluation of shares	697	–	(3,333)	(4,030)
<b>Operating income</b>	<b>2,916</b>	<b>909</b>	<b>4,511</b>	<b>2,504</b>

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc during the first quarter 2004 and fourth quarter 2003.

Consolidated income statements SEK M	First three months	
	2004	2003
<b>Net sales</b>	<b>45,489</b>	<b>40,931</b>
Cost of sales	(36,042)	(33,314)
<b>Gross income</b>	<b>9,447</b>	<b>7,617</b>
Research and development expenses	(1,779)	(1,769)
Selling expenses	(4,248)	(3,597)
Administrative expenses	(1,318)	(1,304)
Other operating income and expenses	(154)	(258)
Income from Financial Services <sup>1</sup>	281	212
Income from investments in associated companies	(6)	2
Income from other investments	693	6
<b>Operating income</b>	<b>2,916</b>	<b>909</b>
Interest income and similar credits	317	284
Interest expenses and similar charges	(393)	(451)
Other financial income and expenses	36	15
<b>Income after financial items</b>	<b>2,876</b>	<b>757</b>
Income taxes	(612)	(244)
Minority interests in net (income) loss	(16)	(7)
<b>Net income</b>	<b>2,248</b>	<b>506</b>
Income per share, SEK	5.40	1.20

1) Financial Services, which is wholly owned by Volvo, reported in accordance with the equity method.

currency effects, thus reflecting strong organic growth. Net sales for Buses amounted to SEK 2,546 M, down 9% adjusted for currency effects. Volvo Aero's sales were down by 18% adjusted for currency effects.

During the first three months, the Group's net sales grew on all major markets, most notably in Asia, Eastern Europe and South America. Sales in North America also grew, despite the negative development for the USD exchange rates.

The distribution of net sales by market area is further specified in the table on page 6.

#### Operating income more than doubled

Operating income, excluding revaluation of shares, more than doubled for the first quarter of 2004 compared with the year-earlier period, and amounted to SEK 2,219 M (909). The total effect on operating income from changed exchange rates was negative in an amount of about SEK 400 M, compared with the year-earlier period.

Trucks' operating income was SEK 1,476 M (527). The improvement across the three truck brands, Mack, Renault and Volvo, is largely related to higher sales volumes and increased margins and cost rationalization. Earnings improved in North America. In Europe, Volvo Trucks' strong performance continued and both Renault Trucks and Volvo Trucks reported improved earnings. Volvo Trucks' performance in other markets also showed an improvement over the year-earlier period. Trucks' operating income for the first quarter was negatively affected by restructuring costs amounting to about SEK 200 M.

Key operating ratios, Volvo Group	First three months	
	2004	2003
%		
Gross margin	20.8	18.6
Research and development expenses in % of net sales	3.9	4.3
Selling expenses in % of net sales	9.3	8.8
Administrative expenses in % of net sales	2.9	3.2
Operating margin <sup>1</sup>	4.9	2.2
Operating margin	6.4	2.2

1) Excluding revaluation of shares in Scania AB during the first quarter 2004.

Condensed income statement – Financial Services	First three months	
	2004	2003
SEK M		
<b>Net sales</b>	<b>2,310</b>	<b>2,317</b>
<b>Income after financial items</b>	<b>281</b>	<b>212</b>
Income taxes	(89)	(71)
<b>Net income</b>	<b>192</b>	<b>141</b>

Key ratios – Financial Services	March 31	March 31
	2004	2003
12 months figures unless otherwise stated		
Return on shareholders' equity, %	10.2	9.8
Equity ratio at end of period, %	11.9	12.0
Asset growth, %	5.2	(3.6)

Key ratios	March 31	March 31
	2004	2003
12 months figures unless otherwise stated		
Income per share, SEK	4.90	0.70
Return on shareholders' equity, %	2.7	0.4
Income per share, SEK <sup>1</sup>	12.80	10.30
Return on shareholders' equity, % <sup>1</sup>	7.1	5.7
Net financial position at end of period, SEK billion	13.3	(2.4)
Net financial position at end of period as percentage of shareholders' equity and minority interests	17.6	(3.3)
Shareholders' equity and minority interests at end of period as percentage of total assets	31.5	31.4
Shareholders' equity and minority interests as percentage of total assets, excluding Financial Services	40.5	40.5

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc during the first quarter 2004 and fourth quarter 2003.

Earnings for Volvo CE more than doubled and amounted to SEK 309 M (140). The improvement was largely related to higher volumes and improved margins on new products, though strongly offset by negative currency effects. Earnings within Buses continued to be unsatisfactory, and

the operating loss amounted to SEK 47 M for the quarter, compared with a loss of SEK 83 M in the year-earlier period. Volvo Penta reported record-high operating income amounting to SEK 188 M for the first three months (159), corresponding to an operating margin of 8.6%. Volvo Aero

managed to turn last year's loss of SEK 6 M into an operating income of SEK 101 M, despite a decline in sales of 30%. Financial Services operating income rose to SEK 281 M (212) in the first quarter. Operating loss from other operations amounted to SEK 89 M (40).

Volvo's holding of Scania A shares is valued at market value, based at the closing rate on March 31, of SEK 227.50. As a consequence, a positive revaluation effect of SEK 697 M was recorded under "Income from other investments" and included in Group operating income for the first quarter of 2004.

Operating income by business area is further specified in the table on page 6.

#### Net interest expense

Net interest expense for the first quarter 2004 amounted to SEK 76 M, compared with SEK 192 M during the fourth quarter of 2003. The lower net interest expense was mainly explained by the improved net financial position due to the positive cash flow.

#### Income taxes

During the first quarter of 2004, an income tax expense of SEK 612 M was reported (244), relating to both current and deferred income taxes. SEK 70 M following a tax ruling positively affected the tax expense.

#### Net income and income per share

Net income amounted to SEK 2,248 M (506) in the first quarter, corresponding to an income per share of SEK 5.40 (1.20). Income per share for the most recent 12-months was SEK 4.90.

Consolidated balance sheets						
SEK M	Volvo Group excl Financial Services <sup>1)</sup>		Financial Services		Volvo Group total	
	March 31 2004	Dec 31 2003	March 31 2004	Dec 31 2003	March 31 2004	Dec 31 2003
<b>Assets</b>						
Intangible assets	16,723	16,662	92	94	16,815	16,756
Property, plant and equipment	27,191	27,248	3,908	3,392	31,099	30,640
Assets under operating leases	9,184	8,976	13,578	13,234	21,745	21,201
Shares and participations	9,979	9,598	202	188	1,787	1,782
Long-term customer finance receivables	52	53	24,782	23,918	24,266	23,448
Long-term interest-bearing receivables	2,870	2,911	5	5	2,773	2,769
Other long-term receivables	8,249	7,879	65	59	8,133	7,718
Inventories	29,036	25,848	420	611	29,456	26,459
Short-term customer finance receivables	69	65	24,870	22,894	24,547	22,554
Short-term interest bearing receivables	7,600	6,502	0	0	3,682	3,863
Other short-term receivables	27,695	25,200	1,640	1,649	28,191	24,903
Shares in Scania AB	6,215	20,424	-	-	6,215	20,424
Marketable securities	33,930	19,385	141	144	34,071	19,529
Cash and bank	7,889	8,717	634	654	7,572	9,206
<b>Total assets</b>	<b>186,682</b>	<b>179,468</b>	<b>70,337</b>	<b>66,842</b>	<b>240,352</b>	<b>231,252</b>
<b>Shareholders' equity and liabilities</b>						
Shareholders' equity	75,385	72,420	8,394	8,004	75,385	72,420
Minority interests	234	216	0	0	234	216
Provisions for post-employment benefits	15,881	15,264	26	24	15,907	15,288
Other provisions	14,417	12,792	1,529	2,256	15,946	15,048
Loans	23,109	24,677	57,150	52,852	74,818	74,092
Other liabilities	57,656	54,099	3,238	3,706	58,062	54,188
<b>Shareholders' equity and liabilities</b>	<b>186,682</b>	<b>179,468</b>	<b>70,337</b>	<b>66,842</b>	<b>240,352</b>	<b>231,252</b>

1) Financial Services, which is wholly owned by Volvo, is reported in accordance with the equity method.

Changes of Net financial position, SEK bn		First three months
<b>Beginning of period</b>		<b>(2.4)</b>
Cash flow from operating activities		0.9
Investments in fixed assets, net		(1.2)
Customer Finance receivables, net		0.1
Divestments and investments in shares, net		14.9
Acquired and divested operations		0.0
<b>Cash-flow after net investments, excluding Financial Services</b>		<b>14.7</b>
Currency effect		(0.4)
Other		1.4
<b>Total change</b>		<b>15.7</b>
<b>Net financial position at end of period</b>		<b>13.3</b>



### Number of employees

As of March 31, 2004, the Volvo Group had 76,535 employees, compared with 75,743 at the end of 2003. The change relates primarily to increased production levels in Volvo Trucks, Volvo Powertrain and Volvo CE.

### Balance sheet

At the end of the first quarter 2004, the Group's total assets amounted to SEK 240.4 billion, an increase of SEK 9.1 billion since year-end 2003. The Group's total assets increased by SEK 5.1 billion as a consequence of changes in currency rates and by SEK 3 billion attributable to higher amounts of inventories. The increase of liquid funds was related to the divestment of Volvo's holding of Scania B shares to Deutsche Bank.

Long-term interest bearing receivables include a convertible debenture loan to Henlys Group Plc amounting to USD 240 M with maturity in October 2009. In February and March 2004, Henlys Group announced that its earnings for 2004 would be significantly lower than previously anticipated and as a result the price of its shares fell significantly. At March 31, 2004, Henlys Group further announced that its 30% shareholding in TransBus would be written down as a consequence of this company being placed into administration. Volvo is continuously monitoring the financial position of Henlys Group. At the preparation of this financial report, Volvo has assessed that no impairment loss has been incurred on the convertible debenture loan.

Changes of shareholders' equity SEK bn	Jan–March	
	2004	2003
<b>Beginning of period</b>	<b>72.4</b>	<b>78.3</b>
Translation differences	0.8	(0.1)
Transition impact of new accounting standards for pensions and other post-employment benefits	–	(1.8)
Net income	2.2	0.5
Other changes	0.0	0.0
<b>Balance at end of period</b>	<b>75.4</b>	<b>76.9</b>

Number of Volvo shares	March 31	Dec 31
	2004	2003
Number of shares outstanding	419.4	419.4
Average number of shares outstanding during the period	419.4	419.4
Company shares held by AB Volvo	22.1	22.1



Shareholders' equity and minority interests amounted to SEK 75.6 billion, corresponding to an equity ratio of 40.5%, excluding Financial Services. Changes in shareholder's equity during the period are specified on page 9. Volvo's net financial assets at the end of the first quarter amounted to SEK 13.3 billion, which corresponded to 17.6% of Shareholders' equity and minority interests. Changes in net financial position are further specified on page 9.

#### The Volvo Group's cash flow

Cash flow after net investments, excluding Financial Services, during the first quarter of 2004 increased to SEK 14.7 billion, including the sale of shares in Scania amounting to SEK 14.9 M. Operating cash flow in the quarter was negative in an amount of SEK 0.2 billion (negative: 2.4). The main reason for the positive development was improved earnings of the Group. The ongoing capital rationalization project within the Volvo Group is progressing well.

Cash flow after net investments within Financial Services was negative in an amount of SEK 1.0 billion in the quarter (negative: 0.9).

Net borrowing decreased during the first quarter by SEK 1.6 billion. During the same period, total liquid funds increased by SEK 12.9 billion and amounted to SEK 41.6 billion as of March 31, 2004.

Cash flow statement SEK bn	First three months	
	2004	2003
<b>Operating activities</b>		
Operating income <sup>1</sup>	2.6	0.7
Add depreciation and amortization	1.9	1.7
Other non-cash items	(0.8)	0.0
Change in working capital	(2.1)	(2.7)
Financial items and income taxes paid	(0.7)	(0.6)
<b>Cash flow from operating activities</b>	<b>0.9</b>	<b>(0.9)</b>
<b>Investing activities</b>		
Investments in fixed assets	(1.3)	(1.6)
Investment in leasing vehicles	0.0	0.0
Disposals of fixed assets and leasing vehicles	0.1	0.1
Customer Finance receivables, net	0.1	0.0
Divestments and investments in shares, net	14.9	0.0
Acquired and divested operations	0.0	0.2
<b>Cash-flow after net investments excl Financial Services</b>	<b>14.7</b>	<b>(2.2)</b>
<b>Cash-flow after net investments, Financial Services</b>	<b>(1.0)</b>	<b>(0.9)</b>
<b>Cash-flow after net investments, Volvo Group total</b>	<b>13.7</b>	<b>(3.1)</b>
<b>Financing activities</b>		
Change in loans, net	(1.6)	5.8
Loans to external parties, net	0.4	0.3
Other	0.0	0.0
<b>Change in liquid funds excl translation differences</b>	<b>12.5</b>	<b>3.0</b>
Translation difference on liquid funds	0.4	(0.1)
<b>Change in liquid funds</b>	<b>12.9</b>	<b>2.9</b>

1) Excluding Financial Services

Condensed cash-flow statement, Financial Services, SEK M	First three months	
	2004	2003
<b>Cash-flow from operating activities</b>	<b>1.1</b>	<b>0.8</b>
Net investments in credit portfolio etc	(2.1)	(1.7)
<b>Cash-flow after net investments</b>	<b>(1.0)</b>	<b>(0.9)</b>

## Financial review by business area

Net sales SEK M	First three months		Change in %	12 months moving value	Jan–Dec 2003
	2004	2003			
Trucks	31,194	27,393	14	120,770	116,969
Buses	2,546	2,966	(14)	11,558	11,978
Construction Equipment	6,133	4,782	28	24,505	23,154
Volvo Penta	2,178	1,908	14	7,839	7,596
Volvo Aero	1,562	2,244	(30)	7,348	8,030
Other	1,876	1,638	15	7,279	7,041
<b>Net sales</b>	<b>45,489</b>	<b>40,931</b>	<b>+11</b>	<b>179,299</b>	<b>174,768</b>

Operating income SEK M	First three months		12 months moving values	Jan–Dec 2003
	2004	2003		
Trucks	1,476	527	4,900	3,951
Buses	(47)	(83)	(325)	(361)
Construction Equipment	309	140	1,077	908
Volvo Penta	188	159	724	695
Volvo Aero	101	(6)	63	(44)
Financial Services	281	212	995	926
Other	(89)	(40)	410	459
<b>Operating income<sup>1</sup></b>	<b>2,219</b>	<b>909</b>	<b>7,844</b>	<b>6,534</b>
Revaluation of shares	697	–	(3,333)	(4,030)
<b>Operating income</b>	<b>2,916</b>	<b>909</b>	<b>4,511</b>	<b>2,504</b>

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc during the first quarter 2004 and fourth quarter 2003.

Operating income %	First three months		12 months moving values	Jan–Dec 2003
	2004	2003		
Trucks	4.7	1.9	4.1	3.4
Buses	(1.8)	(2.8)	(2.8)	(3.0)
Construction Equipment	5.0	2.9	4.4	3.9
Volvo Penta	8.6	8.3	9.2	9.1
Volvo Aero	6.5	(0.3)	0.9	(0.5)
<b>Operating margin<sup>1</sup></b>	<b>4.9</b>	<b>2.2</b>	<b>4.4</b>	<b>3.7</b>
<b>Operating margin</b>	<b>6.4</b>	<b>2.2</b>	<b>2.5</b>	<b>1.4</b>

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc during the first quarter 2004 and fourth quarter 2003.

## Trucks

### Total truck market

The total market for heavy trucks in Western Europe increased by 8% in the first three months of 2004, compared with the preceding year. The markets in Germany, Italy and Spain strengthened by 16%, 14% and 13% respectively, while the market in France weakened by 3%. Eastern Europe continues to show a positive trend.

The North American truck market continued to improve in the first three months of 2004 – building on the order strength seen in the last quarter of 2003. Order support for the on highway segment continued to lead the overall market higher, but order intake gains were seen as well in the market segments of construction and economic haul.

The market for heavy trucks in Brazil rose by 37% in the first quarter of 2004.

### Increased truck deliveries

Total deliveries from the Group's truck operations amounted to 42,947 vehicles in the first quarter of 2004, an increase of 19% compared with the year-earlier period. In Europe, 24,742 trucks were delivered, compared with 23,709 trucks in 2003. Deliveries in North America were up 51% compared with the year-earlier period and totaled 9,772 trucks. Deliveries in Asia, including the Middle East, continued to develop favorably.

### Mack Trucks

Deliveries from Mack through March totaled 5,285 trucks, up 41% from the first quarter of 2003. The increase reflects the improvement in order intake since the third quarter of last year for Mack's vocational models, as well as more recent order strength for Mack highway product amid improved economic conditions in the US.

### Renault Trucks

Renault Trucks' deliveries amounted to 16,791 vehicles, an improvement of 10% compared with the year-earlier period. Deliveries to Eastern Europe increased by 5% due to favorable development in Poland and Romania. In Western Europe deliveries of Renault trucks rose by 3%, mainly due to high deliveries in Spain, UK, Portugal and Switzerland. In markets outside Europe, deliveries increased sharply with high deliveries to Turkey and Iran.

Deliveries of the new Renault Master, improved by 4% in the first three months, compared with its predecessor. Deliveries of the medium duty truck, Renault Midlum, were up by 25% from last year, due to a steady interest for this range. The other Renault Trucks ranges, Premium, Kerax and Magnum, went through the first three months of 2004 with increasing volumes. Only the Renault Mascott has been sold less than last year in the same period, obviously a sign of expectation for the next renewal planned for 2004.

### Volvo Trucks

During the first three months of 2004, Volvo Trucks increased its deliveries by 23% to a level of 20,871 trucks. The deliv-



### Net sales by market area, Trucks

SEK M	First three months		Change in %
	2004	2003	
Europe	18,957	17,196	+10
North America	7,226	6,078	+19
South America	1,110	625	+78
Asia	2,398	1,564	+53
Other markets	1,503	1,930	(22)
<b>Total</b>	<b>31,194</b>	<b>27,393</b>	<b>+14</b>

eries in North America were up 62% following some months with strong order bookings. Deliveries in Asia were up by 35%, mainly due to considerable increases in Iran. The deliveries in Western Europe remained strong with an improvement of 4% while deliveries in Eastern Europe were up by 18%.

### Higher order bookings

#### Mack Trucks

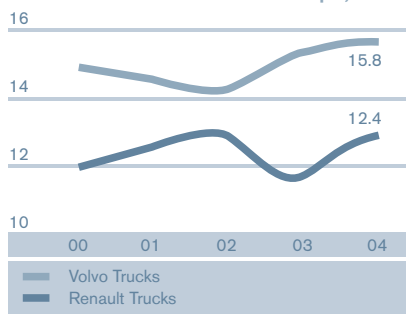
Orders for Mack products in the first quarter were up 24% from the previous quarter, and almost double the order support seen in the first three months of 2003. The year-to-year comparison reflects the effects on market activity of the October 2002 implementation of new EPA emissions regulations.



### Renault Trucks

The order situation improved and was up 16% at the end of March. The light commercial vehicles, the Renault Master and Renault Mascott, noted good order levels, as did the Renault Premium and Renault Kerax trucks, notably in Turkey.

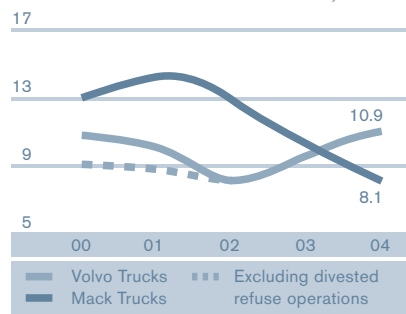
Market shares in Western Europe, %



### Volvo Trucks

Volvo Trucks' total order intake in the first three months of 2004 was up by 52%, compared with 2003. Volvo's order intake in Western Europe was up by 29% in the first quarter, and by 48% in Eastern Europe. In North America, order intake rose by 92% compared with the year-ear-

Market shares in North America, %



lier period. Volvo's order intake in Asia was up 58%, mainly due to a positive development in Iran.

### Market shares

The combined market share for heavy trucks in Western Europe for the Volvo Group was 28.2% in the first quarter of 2004, compared with 28.9% in the year-earlier period. Volvo Trucks' share of the market decreased to 15.8% (16.4) in the heavy class and Renault Trucks' share of the market was 12.4%, down by 0.1 points compared with the year-earlier period.

In North America, the combined market share of heavy trucks (class 8) improved to 19.0% (18.3). Volvo Trucks' market shares through February amounted to 10.9% (9.6). This increase was due to a

high demand for the new Volvo VN. Despite posting higher retail sales than a year ago, Mack's overall market share in North America was lower than the level seen in 2003. Strong sales in the long-haulage segment – which is not a key segment for Mack – pushed the overall market's rate of growth higher than the growth of Mack sales in the quarter. Mack ended the quarter with an overall North American market share of 8.1%, down from 8.7% in the first quarter of 2003. However, Mack added to its leadership position in its core market segments.

In Brazil, Volvo's market share for the first three months of 2004 declined to 23.1% (26.5). The decline was a result of strong demand for smaller trucks in the heavy segment. The new and lighter Volvo VM is a response to this demand.

#### Financial performance during the first quarter

Net sales amounted to SEK 31,194 M, compared with SEK 27,393 M in the year-earlier period. Adjusted for currency effects sales increased by 18% compared with 2003. Operating income was SEK 1,476 M (527). The improvement across the three truck brands, Mack, Renault and Volvo, is largely related to higher sales vol-



umes, increased margins and cost rationalization. The strong customer values in the new Volvo range and increased efficiency also contributed to the improved earnings. These positive effects were partly offset by negative currency effects and higher costs for research and development. Earnings improved in North America. In Europe, Volvo Trucks' strong performance continued and both Renault Trucks and Volvo Trucks reported

improved earnings. The performance in other markets also showed an improvement over the year-earlier period for Volvo Trucks. Trucks' operating income for the first quarter was negatively affected by restructuring costs amounting to about SEK 200 M.



## Buses

### Total bus market

While there continue to be regional differences between market trends, a weak upturn is discernable in the market for coaches.

The total bus market situation in Europe is still rather flat. A positive order intake was noted in the market toward the end of the period. The markets in the US and Canada as well as South America show slightly positive improvements. The coach market in the US and Canada showed higher order intake compared with the year-earlier period. A slightly lower order intake was reported in Asia. In Mexico, a slowdown in orders for luxury coaches was noted, while positive opportunities could be discerned in the regular coach

Net sales by market area, Buses SEK M	First three months		Change in %
	2004	2003	
Europe	1,389	1,690	(18)
North America	595	757	(21)
South America	70	43	+63
Asia	396	341	+16
Other markets	96	135	(29)
<b>Total</b>	<b>2,546</b>	<b>2,966</b>	<b>(14)</b>

segment as a result of the introduction of new products.

### Slight improvement in order bookings

Order intake for the first quarter of 2004 amounted to 2,041 units, a slight increase compared with the year-earlier period (1,877). Increases were noted in South America and in the US and Canada. In Western Europe and the Asia-Pacific region, a slight decline in orders was

noted compared with the year-earlier period. Order bookings in other markets improved somewhat. The order backlog at the close of the period was 3,609 orders, an increase compared with the year-earlier period (3,508).

### Deliveries

During the first quarter, Volvo Buses delivered 1,815 buses, which is on par with the year-earlier period (1,816). Deliveries

declined in Western Europe and North America, while increased deliveries were noted in other markets.

#### Market shares

Volvo's market share in Europe was 14.3%, which was a slight decline compared with the year-earlier period. The position in Central Europe remained weak, while Volvo's presence in Southern Europe improved significantly. The market share for Asia increased during 2003.

#### Financial performance in the first quarter

In the first three months of 2004, Volvo Buses' net sales amounted to SEK 2,546 M (2,966), corresponding to a decline of 9%, adjusted for currency effects. The operating loss was SEK 47 M, compared with a loss of SEK 83 M in 2003. Earnings were negatively affected by lower volumes, continued price pressure and a lower rate for the USD. Improvements in cash flow and use of capital remain in focus.

Volvo Buses is pursuing its rationalization program already initiated to achieve profitability. The new commercial and industrial structure in Europe is in the process of being implemented. To strengthen aftermarket support in Europe, "bus centers" are being developed in cooperation with Volvo Trucks. The first of these centers will be inaugurated in Stockholm at the end of April. Closure of the Aabenraa bodywork operation in Denmark is proceeding according to plan. Volvo Buses will continue to launch new products in Mexico and China. In the Mexican market the launch of the regular coach 9300 in the fourth quarter of 2003



#### Net sales by market area, Construction Equipment

SEK M	First three months		Change in %
	2004	2003	
Europe	2,852	2,601	+10
North America	1,620	1,096	+48
South America	180	110	+64
Asia	1,216	740	+64
Other markets	265	235	+13
<b>Total</b>	<b>6,133</b>	<b>4,782</b>	<b>+28</b>

will be followed by the introduction of new products during the first half of 2004. The development in China is in line with ambitions within the Volvo Group.

## Construction Equipment

#### Improved total market

The world market for heavy and compact equipment, within Volvo CE's product range, increased by 19% during the first

quarter, compared with the corresponding period in the preceding year. In North America the market was up 21%, Western Europe increased by 4%, while other markets were up 29%, strongly driven by China, up 53% and Asia, excluding China and Japan, up 28%.

The increase in the total market was mainly driven by heavy equipment that rose 24% during the first quarter compared with a year earlier. The North



American market for heavy equipment was up 19%, Europe increased by 4% while other markets were up 33% during the quarter.

The world market for compact equipment was up 17% during the quarter. North America grew 22%, Europe was up 4% and other markets increased by 24%.

#### Strong order bookings

The order situation remains strong. The value of the order backlog at March 31 was approximately 15% higher than at the same date in 2003. Compared with year-end 2003, the value of the order book was 45% higher.

#### Financial performance in the first quarter

Volvo CE's net sales increased by 28% and amounted to SEK 6,133 M (4,782). Volvo CE continues to gain market shares, mainly due to recently launched products equipped with new fuel-efficient and environmentally friendly Volvo diesel engines. Over the last two years Volvo CE has launched more than 40 new products to the market. Operating income more than doubled in the first quarter and amounted to SEK 309 M (140) and operating margin was 5.0%. The improvements in sales and operating income were mainly due to higher volumes and price realization, strongly offset by negative currency effects.

During the first quarter Volvo CE introduced a new loader in the Backhoe range, the BL 60, designed for the operations of multi-machine owners, rental business and governmental agencies. Volvo CE also launched the E-series of the Wheel Loader L50 and a prototype of a short



Net sales by market area, Volvo Penta			
SEK M	First three months		Change in %
	2004	2003	
Europe	1,220	1,108	+10
North America	608	521	+17
South America	27	32	(16)
Asia	273	203	+34
Other markets	50	44	+14
<b>Total</b>	<b>2,178</b>	<b>1,908</b>	<b>+14</b>

swing compact excavator. At the Bauma exhibition in Munich, Volvo CE presented its technology for the upcoming Tier-3 emission regulations for off-highway vehicles. The system is called V-ACT, Volvo Advanced Combustion Technology, and will be introduced in 12-liter engines at the end of this year.

## Volvo Penta

### Total market for marine and industrial engines

The market for industrial engines in China shot higher during the first quarter of 2004, reaching completely new levels compared with previously. Chinese authorities have cited difficulties in meeting the country's electrical supply requirements, which has resulted in exceptionally



strong demand for diesel-powered generator sets. The market for marine and industrial engines has also grown in North America, both gasoline and diesel engines, while demand in Europe has remained high.

#### All-time-high order bookings

Volvo Penta's order intake during the first quarter of 2004 reached record levels, supported in particular by the strong increase in China, which is elevating Volvo Penta's overall industrial engine operations to significantly higher volumes. Sharply increased order intake was also noted in Europe and North America. Volvo Penta's production capacity has been increased gradually, and all plants are operating at full capacity.

Volvo Penta has established close relations for the past several years with China's largest manufacturers of complete generator sets, which are now strongly expanding their business operations. Volvo Penta is growing in parallel with

these key customers as total demand increases sharply. In a similar manner, Volvo Penta works in cooperation with the largest boat builders in regions of the world with a leisure craft industry. The market shares of these boat-manufacturing companies increased during the first quarter of 2004, particularly in the US.

#### Financial performance in the first quarter

In the autumn of 2003, Volvo Penta introduced a completely new mid-size range of diesel engines for leisure boats. The new engines have been very well received on the market, which has contributed to record-high volumes for Volvo Penta. During the first quarter of 2004, a partly new range of industrial engines was introduced, including the 9-liter D9 and 16-liter D16 engines, which are both manufactured at Volvo's engine production plant in Skövde, Sweden. Volvo Penta's range of industrial engines was also expanded with the launch of a new electronically controlled 7-liter engine.

The first three months of 2004 reflected the strongest first-quarter results ever reported by Volvo Penta. Sales, which increased by 14% to SEK 2,178 M, were divided among the three business segments as follows (in SEK M): Marine Leisure 1,392 (1,279), Marine Commercial 220 (207) and Industrial 566 (422).

Operating income for the quarter amounted to SEK 188 M, an increase of 18% compared with the year-earlier period. The operating margin was 8.6% (8.3).

## Volvo Aero

### Total air traffic

World airline passenger traffic in January grew by 5% and by 8.8% in February. However, less the extra day in February this year, traffic growth was more like 6%. This was the sixth consecutive month of air traffic growth after six months of decline. Total US traffic grew by 10.6 in February, total European traffic increased 8.4 and Asia-Pacific international traffic rose 3.8%. Overall passenger load factor rose 1.5% to 71.3% in January.

The number of parked aircraft remained above 2,100 in March despite signs of air traffic recovery. One reason for the high levels of stored aircraft is that low-cost air-





lines have opted for new aircraft throughout the downturn.

High fuel prices continue to be of major concern for the airline industry. The US major carriers find themselves caught between record fuel prices and the aggressive competition from low-cost airlines. Increased competition from low-cost airlines has also resulted in structural changes in the European market.

#### Decreasing order bookings

Orders for new aircraft started up on a low level in the beginning of 2004. Airbus and Boeing received orders for 25 new aircraft in the two first months of the year, down from 55 in the corresponding period last year. Aircraft manufacturers delivered 81 aircraft in January and February, the same number as the year before. The backlog

SEK M	First three months		Change in %
	2004	2003	
Europe	752	1,164	(35)
North America	667	873	(24)
South America	40	41	(2)
Asia	86	136	(37)
Other markets	17	30	(43)
<b>Total</b>	<b>1,562</b>	<b>2,244</b>	<b>(30)</b>

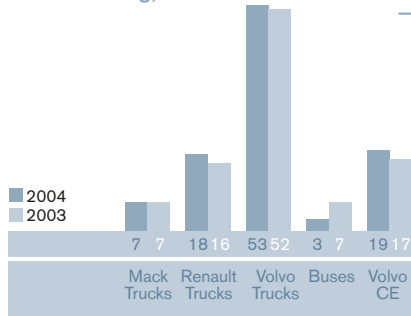
declined for the sixth consecutive month in February as the number of deliveries exceeded the number of aircraft orders.

#### Financial performance in the first quarter

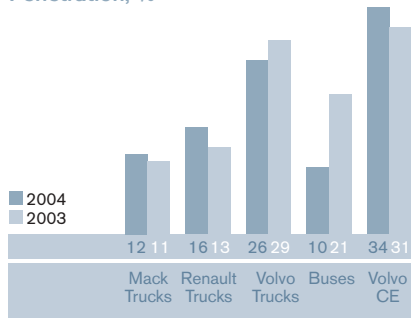
Sales declined by 30% to SEK 1,562 M (2,244) as a result of a decline in volumes and a lower exchange rate for the USD. Despite the decrease in sales, operating income rose to SEK 101 M (loss: 6). The operating margin was 6.5% (negative:

0.3). The improved result was mainly attributable to reduced costs and more efficient use of production resources. The most profitable areas are production of components and spare parts for commercial aircraft engines, and military operations. Profitability remains unsatisfactory in the aircraft after market business; engine overhaul and maintenance, spare-parts sales and also in industrial gas turbines.

### New financing, %

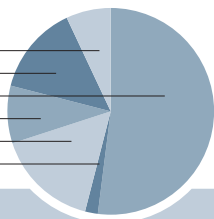


### Penetration, %



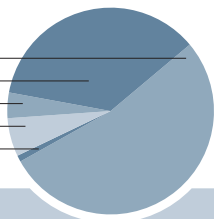
### Credit portfolio by business area, %

Mack Trucks, 7%  
 Renault Trucks, 14%  
 Volvo Trucks, 52%  
 Buses, 9%  
 Volvo CE, 16%  
 Other, 2%



### Credit portfolio by market, %

Europe, 53%  
 North America, 36%  
 Latin America, 4%  
 International, 6%  
 Other, 1%



## Financial Services

### New financing

The total volume of new retail financing during the first quarter of 2004 amounted to SEK 6.0 billion, compared to SEK 5.9 billion during the first quarter 2003. Total number of new units financed during the first three months of 2004 was 7,837 compared with 6,663 during the same period last year.

Expressed as an average, Volvo Financial Services financed 21% of the Group's products sold in the markets where financing is offered.

### Assets and credit portfolio

Total assets as of March 31 amounted to SEK 70 billion (67), of which SEK 63 billion (60) was in the credit portfolio. Adjusted for the effects of foreign exchange movements, the credit portfolio grew 2% during the first quarter of 2004, compared with zero growth during the year-earlier period.

### Financial performance in the first quarter

Operating income for the first quarter amounted to SEK 281 M (212) compared with fourth quarter earnings in 2003 of SEK 251 M. Return on equity calculated as a 12 month moving average was 10.2% (5.5) with an end of period equity ratio of 11.9% (11.2). Write-offs during the first quarter of 2004 amounted to SEK 154 M (367), and the annualized write-off ratio year to date was 0.98% (2.35). At the end of March, total credit reserves amounted to 2.11% of the credit portfolio compared with 2.14% at the end of 2003.

Profitability improved in all regions and business segments during the first quarter of 2004. The treasury operations and real estate businesses continue their consistent results. In customer financing, continued emphasis on appropriate pricing, careful credit analysis, reduced operating costs, and improved collection activities is producing strong and stable results.

Göteborg, April 23, 2004.

AB Volvo (publ)

Leif Johansson  
 President and CEO

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

## Quarterly figures

<b>Volvo Group</b>					
SEK M unless otherwise specified	1/2003	2/2003	3/2003	4/2003	1/2004
<b>Net sales</b>	<b>40,931</b>	<b>44,593</b>	<b>40,511</b>	<b>48,733</b>	<b>45,489</b>
Cost of sales	(33,314)	(35,998)	(32,528)	(39,416)	(36,042)
<b>Gross income</b>	<b>7,617</b>	<b>8,595</b>	<b>7,983</b>	<b>9,317</b>	<b>9,447</b>
Research and development expenses	(1,769)	(1,664)	(1,683)	(1,713)	(1,779)
Selling expenses	(3,597)	(3,789)	(3,960)	(4,545)	(4,248)
Administrative expenses	(1,304)	(1,282)	(1,285)	(1,388)	(1,318)
Other operating income and expenses	(258)	(325)	185	(142)	(154)
Income from Financial Services <sup>1</sup>	212	221	242	251	281
Income from investments in associated companies	2	3	163	(2)	(6)
Income from other investments	6	483	(28)	(4,042)	693
<b>Operating income (loss)</b>	<b>909</b>	<b>2,242</b>	<b>1,617</b>	<b>(2,264)</b>	<b>2,916</b>
Interest income and similar credits	284	382	255	272	317
Interest expenses and similar charges	(451)	(552)	(517)	(464)	(393)
Other financial income and expenses	15	(29)	(57)	15	36
<b>Income after financial items</b>	<b>757</b>	<b>2,043</b>	<b>1,298</b>	<b>(2,441)</b>	<b>2,876</b>
Income taxes	(244)	(321)	(327)	(442)	(612)
Minority interests	(7)	0	(15)	(3)	(16)
<b>Net income (loss)</b>	<b>506</b>	<b>1,722</b>	<b>956</b>	<b>(2,886)</b>	<b>2,248</b>
<b>Depreciation and amortization included above</b>					
Volvo Group excl Financial Services	1,718	1,777	1,909	1,819	1,882
Financial Services	738	728	755	725	738
<b>Total</b>	<b>2,456</b>	<b>2,505</b>	<b>2,664</b>	<b>2,544</b>	<b>2,620</b>
<b>Income per share, SEK</b>	<b>1.20</b>	<b>4.10</b>	<b>2.30</b>	<b>(6.90)</b>	<b>5.40</b>
Average number of shares, million	419.4	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.

<b>Key operating ratios</b>					
%	1/2003	2/2003	3/2003	4/2003	1/2004
Gross margin	18.6	19.3	19.7	19.1	20.8
Research and development expenses in % of net sales	4.3	3.7	4.2	3.5	3.9
Selling expenses in % of net sales	8.8	8.5	9.8	9.3	9.3
Administrative expenses in % of net sales	3.2	2.9	3.2	2.8	2.9
Operating margin <sup>1</sup>	2.2	5.0	4.0	3.6	4.9
Operating margin	2.2	5.0	4.0	(4.6)	6.4

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc during the first quarter 2004 and fourth quarter 2003.

### Accounting principles

The accounting principles, which have been applied in the preparation of this report, are described in note 1 to the consolidated financial statements that are included in the Volvo Group's 2003 annual report.



<b>Net sales</b>					
SEK M	1/2003	2/2003	3/2003	4/2003	1/2004
Trucks	27,393	29,413	26,925	33,238	31,194
Buses	2,966	3,087	2,824	3,101	2,546
Construction Equipment	4,782	6,252	5,621	6,499	6,133
Volvo Penta	1,908	2,031	1,806	1,851	2,178
Volvo Aero	2,244	1,863	1,829	2,094	1,562
Other	1,638	1,947	1,506	1,950	1,876
<b>Net sales</b>	<b>40,931</b>	<b>44,593</b>	<b>40,511</b>	<b>48,733</b>	<b>45,489</b>

<b>Operating income</b>					
SEK M	1/2003	2/2003	3/2003	4/2003	1/2004
Trucks	527	1,023	944	1,457	1,476
Buses	(83)	(89)	(93)	(96)	(47)
Construction Equipment	140	425	210	133	309
Volvo Penta	159	212	153	171	188
Volvo Aero	(6)	11	(2)	(47)	101
Financial Services	212	221	242	251	281
Other	(40)	439	163	(103)	(89)
<b>Operating income<sup>1)</sup></b>	<b>909</b>	<b>2,242</b>	<b>1,617</b>	<b>1,766</b>	<b>2,219</b>
Revaluation of shares	–	–	–	(4,030)	697
<b>Operating income (loss)</b>	<b>909</b>	<b>2,242</b>	<b>1,617</b>	<b>(2,264)</b>	<b>2,916</b>

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc. Write-down of shares in Scania AB during the fourth quarter 2003 amounted to SEK 3.601 M and partial reversal of this write-down during the first quarter 2004 amounted to SEK 697 M. Write-down of shares in Henlys Group Plc during the fourth quarter 2003 amounted to SEK 429 M.

<b>Operating margins</b>					
%	1/2003	2/2003	3/2003	4/2003	1/2004
Trucks	1.9	3.5	3.5	4.4	4.7
Buses	(2.8)	(2.9)	(3.3)	(3.1)	(1.8)
Construction Equipment	2.9	6.8	3.7	2.0	5.0
Volvo Penta	8.3	10.4	8.5	9.2	8.6
Volvo Aero	(0.3)	0.6	(0.1)	(2.2)	6.5
<b>Operating margin<sup>1)</sup></b>	<b>2.2</b>	<b>5.0</b>	<b>4.0</b>	<b>3.6</b>	<b>4.9</b>
<b>Operating margin</b>	<b>2.2</b>	<b>5.0</b>	<b>4.0</b>	<b>(4.6)</b>	<b>6.4</b>

1) Excluding revaluation of shares in Scania AB and Henlys Group Plc during the first quarter 2004 and fourth quarter 2003.

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

<b>Units invoiced Trucks</b>			
	First quarter		Change in %
	2004	2003	
Europe	24,742	23,709	4
Western Europe	22,440	21,645	4
Eastern Europe	2,302	2,064	12
North America	9,772	6,479	51
South America	2,011	1,279	57
Asia	4,811	2,808	71
Other markets	1,611	1,800	(11)
<b>Total, Trucks</b>	<b>42,947</b>	<b>36,075</b>	<b>19</b>
<b>Mack Trucks</b>			
North America	4,861	3,413	42
South America	174	98	78
Asia	15	10	50
Other markets	235	222	6
<b>Total</b>	<b>5,285</b>	<b>3,743</b>	<b>41</b>
<b>Renault Trucks</b>			
Europe	14,501	14,030	3
Western Europe	13,420	13,000	3
Eastern Europe	1,081	1,030	5
North America	55	69	(20)
South America	94	15	527
Asia	1,533	375	309
Other markets	608	825	(26)
<b>Total</b>	<b>16,791</b>	<b>15,314</b>	<b>10</b>
<b>Volvo Trucks</b>			
Europe	10,241	9,679	6
Western Europe	9,020	8,645	4
Eastern Europe	1,221	1,034	18
North America	4,856	2,997	62
South America	1,743	1,166	49
Asia	3,263	2,423	35
Other markets	768	753	2
<b>Total</b>	<b>20,871</b>	<b>17,018</b>	<b>23</b>

12 months moving order intake for Trucks through March: total +23, Europe +11% and North America +46%.

<b>Units invoiced, buses/bus chassis</b>			
	First quarter		Change in %
	2004	2003	
Europe	730	762	(4)
Western Europe	684	734	(7)
Eastern Europe	46	28	64
North America	306	357	(14)
South America	111	35	217
Asia	613	532	15
Other markets	55	130	(58)
<b>Total, buses/bus chassis</b>	<b>1,815</b>	<b>1,816</b>	<b>(0)</b>

## Publication dates

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<b>Six months ended June 30, 2004</b>	July 21, 2004
<b>Nine months ended September 30, 2004</b>	October 22, 2004
<b>Report on 2004 operations</b>	February, 2005
<b>Annual Report 2004</b>	March, 2005

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