VOLVO

Annual Report 2001

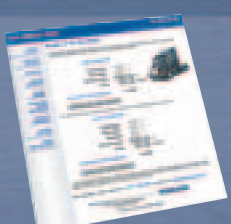
Contents

Our products and services

Buses. In 2001, the intercity and coach platform – TX – was rolled out to all European markets. The competitive products were well received by the customers. Volvo Buses was awarded the "Bus builder of the year 2002" for its complete range of products.

Volvo Penta. The product introductions during 2001 include the new marine leisure diesel engine KAD300 and the new D2-55 diesel engine for sailboats. The range of industrial engines was strengthened with the introduction of a new 12-liter engine and 5- to 7-liter engines for mobile applications. In the marine commercial segment a further developed 16-liter engine was launched.

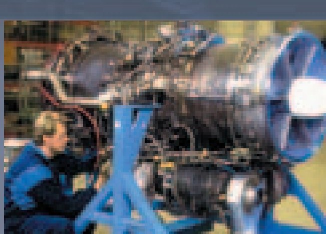
Volvo Aero. During 2001, Volvo Aero entered in Rolls-Royce's program for the development of the Trent 500 for Airbus 340-400/-600 and Trent 900, which will be mounted in Airbus' forthcoming A380 super-jumbo. Volvo Aero was also selected a strategic partner by Pratt & Whitney in the development of the new RL60 rocket engine. A new contract was signed for the manufacture of 23 Vulcain motors for the Ariane 5 rocket.



Financial Services. In 2001, Volvo Financial Services started up as a new business area. It reorganized its operations and introduced new programs aimed at bolstering its customer finance portfolio. It also rolled out a variety of soft offers to Renault and Mack dealers and customers. Treasury, real estate and insurance operations performed in line with expectations. Volvia's insurance operations were divested at a gain.

Global Trucks. A complete renewal of the product program was carried out during 2001. In the spring, Mack launched the new Granite, a versatile truck for construction applications. Renault introduced the new Magnum and Midlum trucks. In the autumn, Volvo launched its totally new Volvo FH and Volvo FM with a new 500-hp engine.

Construction Equipment. During 2001, Volvo CE introduced the new series of articulated haulers, the A25D and A30D, a new wheel loader, L220E, and a new compact crawler excavator, the EC55. In December Volvo CE announced an extension of its product range within compact equipment with the development of its new backhoe loader and the acquisition of a range of skidsteer loaders and a range of telehandlers.



2001 in brief

Key figures

	1999	2000	**2001**
Net sales, SEK M	116,382	120,392	180,615
Operating income, excluding divested operations and restructuring costs, SEK M	7,463	6,668	3,186
Restructuring costs, SEK M	–	–	(3,862)
Gain on divestment of Volvo Cars, SEK M	26,695	–	–
Operating income, SEK M	34,158	6,668	(676)
Income after financial items, SEK M	34,596	6,246	(1,866)
Net income, SEK M	32,222	4,709	(1,467)
Operating margin, %	29.3	5.5	(0.4)
Income (loss) per share, SEK	73.00	11.20	(3.50)
Return on shareholders' equity, %	34.9	5.0	(1.7)
Dividend per share, SEK	7.00	8.00	8.00 [1]
Number of employees at year-end	53,470	54,266	70,921

1 Proposed by the Board of Directors.

The Volvo Group's Mission Statement

By creating value for our customers, we create value for our shareholders.

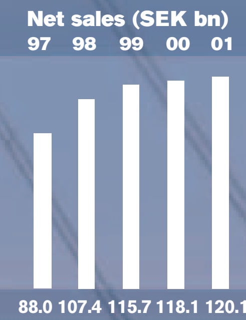
We use our expertise to create transport-related products and services of superior quality, safety and environmental care for demanding customers in selected segments.

We work with energy, passion and respect for the individual.

Global Trucks

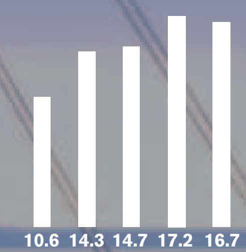
Global Trucks includes the truck operations of the Volvo Group, consisting of the truck brands Mack, Renault and Volvo.

Proforma for 1997–2000



Buses

A year characterized by intense product renewal built on the TX-platform and by difficult market conditions.

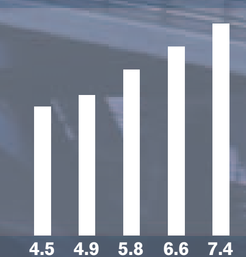


Construction Equipment

Successful introductions of the new generation of products. Sales all time high but, markets slowing down at the end of the year.

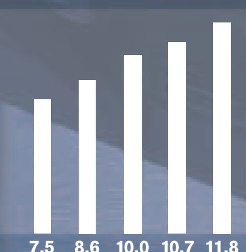
Volvo Penta

Best year ever, based on a solid product portfolio and increasing market shares.



Volvo Aero

Record high sales and earnings in 2001. Focus on managing the sharp downturn in air traffic since September 11, 2001.



Financial Services

Financial services launched for Renault and Mack in 2001. Continued asset growth but lower earnings in 2001 due to the downturn on the US truck market.

Business structure

The Volvo Group

Volvo is one of the world's leading manufacturers of heavy commercial vehicles and diesel engines. Volvo also offers a comprehensive range of customized solutions in financing, leasing, insurance and service, as well as complete transport systems for urban traffic.

As of 2002, the Volvo Group is organized in eight business areas: Volvo Trucks, Renault Trucks, Mack Trucks, Volvo Buses, Volvo Construction Equipment, Volvo Penta, Volvo Aero and Volvo Financial Services.

In addition to the eight business areas, there are a number of business units with responsibility for providing support Groupwide. The four largest business units are: Volvo IT, Volvo Parts, Volvo Powertrain and Volvo 3P.

Volvo Trucks

Volvo's truck manufacturing operations started in 1928. Today, Volvo Trucks is the world's third-largest producer of heavy trucks. Vehicles of more than 16 tons account for 90% of total production. Volvo Trucks' products are marketed in more than 130 countries, with most sales in Western Europe and North and South America. Volvo's market share for heavy trucks in 2001 was 14.5% in Western Europe (>16 tons) and 10% in North America (>15 tons).

Renault Trucks

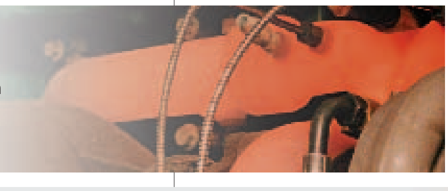
Renault Trucks is one of the largest European manufacturers of commercial vehicles, with its origins in the Renault automobile company that was founded in 1898, and also in Berliet, another manufacturer founded in the same year. Renault Trucks offers all types of commercial vehicles, ranging from light trucks for urban distribution services to special vehicles and heavy trucks for long-haul operations. Renault's market share in Western Europe was 12% for heavy trucks (>16 ton), and nearly 9% in the 6–16 ton category.

Mack Trucks

Mack is one of the largest manufacturers of heavy trucks in North America, with a market share of 14.3%. Mack was founded in 1900, and focused on commercial vehicles from the start. Today, Mack is one of the strongest heavy-truck brands in North America. In the vocational segment of the North American market, Mack is the indisputable leader. The product program includes heavy and medium-heavy trucks, military vehicles and special-purpose commercial vehicles. Mack vehicles are sold and serviced in more than 45 countries worldwide.

3P

Volvo 3P is a worldwide organization with responsibility to coordinate Product planning, Purchasing, Product development and Program management for the three truck companies, Mack, Renault and Volvo Trucks.



Powertrain

Volvo is one of the world's largest manufacturers of heavy duty diesel engines (>8 liter volume).

The new Powertrain organization coordinates Volvo's driveline activities and supplies the entire Volvo Group with driveline components, such as diesel engines and transmissions, which are either developed and manufactured by Powertrain or purchased. Volvo Powertrain has operations in Sweden, France, North America and South America with a total of approximately 8,000 employees.

Parts

Volvo Parts provides services that support the aftermarket for all business areas in the Volvo Group, except for Volvo Aero and Financial Services. The services cover three different areas Logistics, Volvo Action Service and Product Support Development.

Information Technology

Volvo IT provides the Volvo Group, Volvo Cars and selected customers with cost-effective, complete IT solutions resulting in long-term business value.

Volvo Information Technology is present in Europe, North America, South America and Asia.

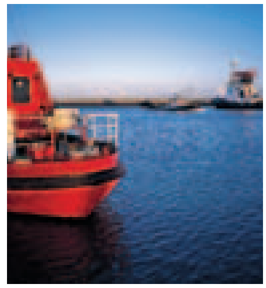
Volvo Buses

Volvo is the world's second largest bus manufacturer, with a complete range of heavy buses to meet demanding customers' requirements for passenger transport solutions. The product range includes complete buses and coaches as well as chassis combined with a comprehensive range of services. Volvo Buses also offers complete system solutions in cooperation with Volvo Mobility Systems. Volvo's bus operation has a global presence, with production in Europe, North and South America and Asia.

Volvo CE

Volvo provides construction equipment – excavators, wheel loaders, motor graders, articulated haulers and compact equipment – to customers all over the world. Production takes place on four continents and service is offered worldwide, including the global supply of spare parts. Volvo CE works in close cooperation with its customers, in order to understand and meet the customers' demands.

Volvo Penta

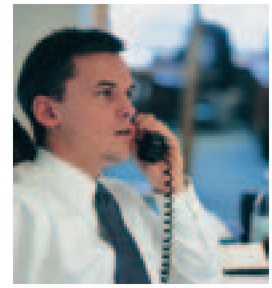


Volvo Penta provides engines and complete power systems to customers who produce leisure boats, workboats, power-generating equipment, forklifts and similar equipment. Volvo Penta operates worldwide and has one of the industry's largest dealer networks. The product line comprises diesel and gasoline engines with power outputs of between 10 and 2,000 hp.

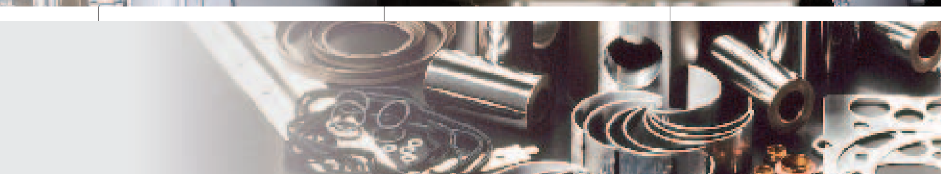
Volvo Aero

Well established and specialized in several selected areas within the high-tech aerospace industry, Volvo Aero works in close cooperation with partners. Volvo Aero develops and manufactures components for commercial and military aircraft engines and space rockets, as well as marine and land-based gas turbines. Services, such as engine maintenance and sales of aircraft parts, engines, engine parts, and leasing, constitute an increasingly greater part of operations.

Financial Services



Financial Services develops and coordinates Volvo's operations within customer financing, insurance, treasury and real estate. The aim is to extend the customer offering by further developing various types of financial services related to Volvo's products.

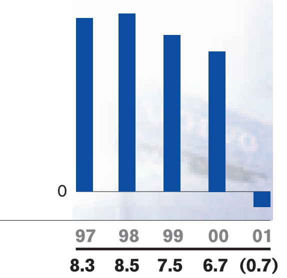


Comments by the Chief Executive Officer

Net sales*, SEK bn

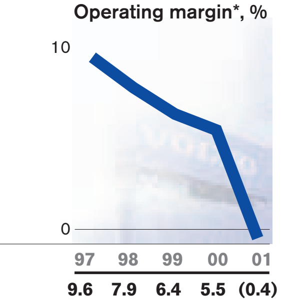
* Excluding divested operations

Operating income/loss*, SEK bn



* Excluding divested operations

Operating margin*, %



* Excluding divested operations

Volvo in 2001

Large structural changes, business cycle management and extensive product renewal dominated the Volvo Group's activities during 2001.

The acquisition of Renault V.I. and Mack Trucks is of course a radical structural change, a milestone in the development of the Group. It has given our business areas the volumes, the structure and the geographical scope required for long-term success.

The first phase of integration of the new companies is accomplished according to plan. A joint organization for the truck companies' purchasing, product planning and product development is formed and will similar to Powertrain have a key role in securing synergies. Following new accounting standards, the integration process from the acquisition had a negative effect on earnings rather than an effect on goodwill.

Mack Trucks, Renault Trucks and Volvo Trucks were established as separate business areas from the beginning of 2002. This has given them a greater presence and ability to act more forcefully in the market.

Sharp decline in North America

The business conditions in North America were – and continue to be – difficult, in particular for trucks, but construction equipment, buses and engines for leisure boats were also affected.

Markets in Western Europe weakened slightly during the year, but from a high level. Growth in Eastern Europe, Asia and South America remained favorable, but volumes were not sufficient to offset the drop in North America.

To adapt operations to demand, we reduced capacity and inventories. In the US, for example, decisions were taken to close the truck plant in Winnsboro and the fabrication plant for construction equipment in Asheville.

Many painful, yet necessary decisions have been taken. Some 5,700 employees and 1,400 temporary employees and consultants left Volvo during 2001.

Extensive product renewal

Despite the present difficult state of the market, Volvo effected an extensive renewal of the product segments during 2001. These new products have improved Volvo's competitive position within all business areas.

The new Volvo FH, Renault Midlum and Mack Granite set a new standard on our truck range. These products promote the company's strong positions within long-haulage, medium-heavy transports and construction trucks.

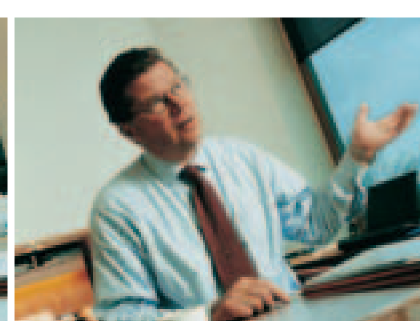
With its largest industrial project ever, the TX-platform, Buses has renewed its entire product range in four years, and thus was awarded "Busbuilder of the year 2002".

Volvo CE introduced the new D-series of articulated haulers and a complete range of compact equipment.

Penta launched the leisure diesel engine, KAD300 and strengthened its range of industrial engines by launching a new 12-liter engine and 5- to 7-liter engines for mobile applications.

Aero entered Rolls Royce's Trent-engine program for the new Airbus generation and signed a number of service contracts on engines.



Financial performance

Consequently to business conditions, the operational result was unsatisfactory. The North American downturn affected all our businesses, particularly the truck operations which operated under difficult conditions.

In Western Europe, Volvos operations continued to be strong, with exception for Buses that had to face a decline on all major markets. Construction Equipment and Financial Services reported lower, but still stable operational results. Volvo Penta continued to generate good profits, in fact the best ever on a full-year basis. Volvo Aero reported reasonable strong earnings despite the downturn in air traffic.

The continued focus on cash flow improving activities resulted in a positive cash flow for the year.

Capitalizing on the strength of the Volvo Group

The severe business climate, in combination with future emission standards drive the industry consolidation. Through the acquisition of Mack and Renault V.I., Volvo has achieved a strong global position that provide the scale and strength for sustainable profitability and the achievement of our wanted position.

The wanted position in 2005 is to be number one in image and customer satisfaction, to have a profitability above industry-average and to be number one or two in size, alternatively grow at a superior rate.

We have already reached some of these positions. Our growth rate is well above the objectives. Volvo is today the world's second largest provider of heavy trucks and buses and the other business areas are all growing fast and are well-positioned in the world market. When it comes to customer satisfaction and image, we are as described above, developing products and services at a rate that few of our competitors have been able to cope with.

It has been a challenging year during which we have taken difficult decisions that affected many employees. Despite this, we have implemented a strong renewal of the product portfolio and extensive restructuring measures that together strengthen Volvo's competitiveness. The Group has a sound structure with well-positioned business areas, which increases our ability to devote even greater energy to our brands, retailers and customers. We will capitalize on these strengths during 2002.

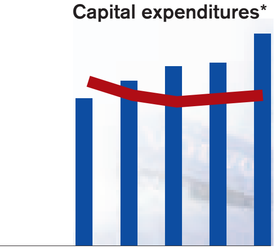
Leif Johansson
March 7, 2002

Strategy and Business environment

Volvo Ocean Race

The world's premier ocean race – The Volvo Ocean Race – started in Southampton, England, in September 2001. During the race, that lasts for ten moths, the participants will sail approximately 33,000 miles, cross four oceans, and visit ten ports. The race ends in Kiel, Germany, in June 2002.

Capital expenditures*



	97	98	99	00	01
SEK bn	4.3	4.9	5.2	5.4	8.3
as % of net sales	5.0	4.6	4.4	4.5	4.6

* Excluding divested operations

Research and development expenses*

	97	98	99	00	01
SEK bn	3.6	4.3	4.5	4.9	5.4
as % of net sales	4.1	4.0	3.9	4.1	3.0

* Excluding divested operations

Business environment

The global economic landscape deteriorated sharply in 2001 and the terrorist attacks in the US on September 11 added further pressure to an already vulnerable global economy. A sharp fall in Gross Domestic Product (GDP) growth was seen in all major economies and global GDP experienced its weakest growth rate since 1982. The slowdown was driven by the US economy, which entered a recession in March 2001 according to the National Bureau of Economic Research (NBER).

The remarkable economic expansion in recent years generated the difficulties that the global economy experienced in 2001. While private consumption remained mildly buoyant throughout the year, industrial activity weakened dramatically, not only in the US and Japan, but also in Europe. The economic slowdown had a significant effect on global labor markets, which showed an unfavorable development throughout the year. Lower capacity utilization in combination with falling oil prices removed much of last year's inflationary pressure and opened up for more aggressive monetary policies. Hence, global interest rates, US interest rates in particular – fell sharply during the year. After September 11, monetary policy in all major economies was highly aggressive in order to secure liquidity and confidence and thereby turn the economic slowdown.

World trade development

During recent years the global interest in free trade has increased. Following two years of standstill, the successful WTO meeting in Doha, Qatar in November 2001, signaled the start of a new round of trade negotiations. The new WTO members, China and Taiwan, will participate in these for the first time.

Industry development

The global trend towards deregulation is the driving force behind a fundamental change in conditions for transport operators and providers of commercial vehicles and services. Transport operators are becoming fewer but increasingly larger, covering large geographical areas. The products sold contain ever-larger elements of services, since the costs for financing, service, maintenance as well as fuel consumption over the lifecycle of the vehicle are becoming increasingly important.

In responding to the increased competitive environment, many companies are searching for economies of scale as the pace of technical development with respect to new materials, fuels, more efficient engines, electronic systems and information technology is increasing. The ongoing consolidation in the commercial vehicle industry illustrates and accentuates these trends. The number of manufacturers of trucks and buses has been reduced to a few global competitors. Consolidation within the construction equipment industry started later than in the truck business but has picked up in recent years.

During 2001, Navistar and Ford started a joint venture for medium-duty trucks,

Cummins and Paccar signed a long-term supply agreement for heavy-duty engines, and CaseNewHolland (71% owned by Fiat) entered a global alliance with Kobelco of Japan. Deere and Hitachi integrated its marketing operations in North, Central and South America and also established a joint venture for wheel loaders in Japan and Asia. Iveco agreed to acquire the shares in Irisbus from Renault and MAN acquired the bus manufacturer Neoplan while Daimler-Chrysler and Raba (Hungary) are to start joint production of heavy trucks.

The trend for road transportation demand is still growing by 2–2.5% globally. The ongoing decline in the North American heavy truck market started in early 2000 and the current level at 170,000 (246,000) vehicles has not been seen since 1993. However, the prolonged inventory reduction indicates decreasing cutbacks in production. In the EU, the market has remained comparatively sturdy. Compared with the 2000 figures, the heavy truck market in the EU decreased by 3% to 232,000 vehicles (240,000).

Strategy

Vision

Volvo's vision is to be valued as the world's leading provider of commercial transport solutions. This vision derives from the Volvo mission and the Volvo values. To ensure the achievement of the vision, it is crucial to identify distinct strategic objectives for the coming 3–5 year period. This is done by analyzing the business environment and its driving forces through scenario-planning.

From such a process, it is possible to deduce what to do through the strategic objectives and how to do it through key activity plans supporting the objectives.

Volvo values

Quality, safety and care for the environment comprise the timeless core values of the Volvo Group. These values are integral elements of the Volvo organization, the Volvo products and the way in which Volvo employees work. The Volvo core values drive the development of new product offerings, but also the way Volvo serves its customers and the community.

Those who use Volvos products and services rely on them for their livelihoods. This means that Volvo must provide its customers with means of conducting their businesses securely and profitably to enable them to compete successfully. The positive reputation which Volvo enjoys among its customers is founded largely on a program of successful, long-term activities, based on the company's three core values.

Mission

In a constantly changing world, the Volvo Group has set its mission:

By creating value for our customers, we create value for our shareholders.

We use our expertise to create transport-related products and services of superior quality, safety and environmental care for demanding customers in selected segments.

We work with energy, passion and respect for the individual.

The relative position of the Volvo Group

Volvo is one of the world's leading manufacturers of commercial vehicles:

- Trucks – number 2 (> 16 tons).
- Buses – number 2 (>12 tons).
- Construction Equipment – number 4.
- Penta, marine leisure inboard – number 1.
- Aero – one of 3 players in components for aircraft engines.
- Heavy diesel engines – number 3 (9–16 liters).

The Volvo Way

"The Volvo Way" is a strategy document describing the values, the corporate culture and the basic principles that should guide Volvo employees. The values summarize what Volvo stands for and the focus its employees have. Much of what make Volvo special compared to our competition lies in the culture of the Company.

Wanted position in 2005

In each of our businesses:
- number one in image and customer satisfaction
- sustainable profitability above average
- number one or two in size, or superior growth rate

Quality
In today's competitive environment, the quality commitment of Volvo extends beyond industrial craftsmanship and engineering skill to embrace care for the customers and their needs throughout the lifespan of the product. Most of Volvo's customers operate in highly competitive industries. To achieve maximum operating efficiency, they require maximum utilization of their transport equipment, with minimum downtime for service and maintenance. As a result, quality is assigned the highest priority at all stages, from product development, manufacturing, distribution and service to new leasing and financing services.

Safety
Safety is historically an integrated part of all Volvo products, processes and services. Today the basis of the safety concept has evolved to encompass safety in a wider extent, on one hand the interaction with others on the roads and on the other the comfort and working conditions for drivers and operators. A series of pioneering safety innovations has made Volvo a world leader in automotive safety over the years. A high standard of safety represents a major contribution to efficient transport.

Environmental care
The Volvo commitment for environmental care is manifested in how products are developed and how the operations are managed. The expectations of environmental performance for the products and operations come from the customers but also from authorities, investors and the general public.

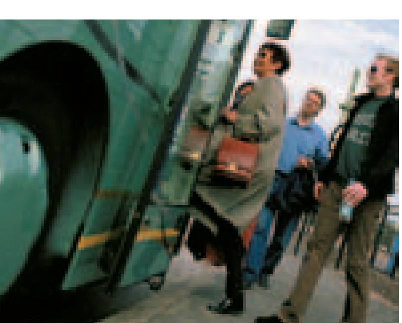
Decreased emissions and continuous reduction of fuel consumption are the major priorities in the development of new products as well as in the industrial system. Volvo is constantly developing new systems and products designed to enable alternative fuels to be used both in concept vehicles and commercial applications. By offering transport equipment with a low environmental impact, Volvo is enabling proactive customers to compete for contracts subject to strict environmental conditions.

Wanted position in 2005

In order to reach the vision to be valued as the world's leading provider of commercial transport solutions, Volvo has set its wanted position in 2005:

No 1 in image and customer satisfaction
Volvo works in close cooperation with its customers within product development, and customers surveys are used on a regular basis to find out how customers perceive Volvo. These surveys provide a basis for systematic improvement of our performance.

Sustainable profitability above average:
The commercial vehicle industry is a cyclical business, mirroring the ups and downs of the world economy. In such an industry, business cycle management is essential in order to provide a sustainable profitability. Business cycle management stresses the importance of solid knowledge of the industry and the ability to respond to changing conditions with appropriate measures such as investments or capacity reductions.




No 1 or 2 in size or superior growth rate
The commercial vehicle industry is in a consolidation phase. Competitors strive to find synergies and economies of scale, smaller companies fall behind or are acquired by larger competitors. Volvo has set the target of being in the top 2 in size within each segment, or to have a growth rate above industry average. This target is met either by strong organic growth or, if suitable, through acquisition. The targeted annual growth rate is 10% of sales.

Reaching the vision

In order to ensure the achievement of the Vision and Wanted position, the Volvo Group strives in the following strategic and financial direction:

Profitable growth – for the coming years, we have set focus on growth within services, i.e., financial services, complete systems, support, business and information services, up-time services and operational upgrades. Volvo is also focusing on global growth and concentrating on developing its businesses geographically.

In order to have a competitive offering of products and services, Product Cycle Management is a focused medium-term planning area, dealing with hard and soft product development plans over the next 3–8 years. The strongest challenges within this area are the powertrain systems and the implementation of a common product architecture.

Operational Excellence – objectives like quality, productivity and cost efficiency, as well as competence development, are vital short-term objectives.

Given the targeted areas listed above, the focus for the next few years will be to strengthen the brand portfolio so that each brand is developed in the best possible way, to continue with a close monitoring of the customers' needs in order to develop the right hard and soft products, and to further develop and maintain the necessary key competencies in each part of the Volvo value chain.

The exchange of experiences between business areas is essential in order to conduct an efficient and lean operation. Exchange of experiences is also necessary in order to utilize the possibilities for synergies.

Brand strategy

In adherence to its vision and mission statement, the Volvo Group is moving to actively market transport-related products and services under a number of different brand names.

The fundamental philosophy of the multi-brand strategy is that each brand has the responsibility and authority to further develop and nurture its established market position based on its own specific attributes and value offerings.

By adding new, recognized brands, such as the Mack and Renault truck brands, the Volvo Group gains both in economies of scale and capability to achieve larger market shares.

Moreover, Volvo gains a generally more powerful and competitive brand portfolio and presence around the world, resulting in a stronger market position for the Volvo Group's operations. This is an important step towards the fulfillment of the Volvo Group's vision and mission.

The new Renault Magnum was launched in 2001.

Core values and branding

The Volvo brand implicitly guarantees that quality, safety and environmental care form part of every business offer. Therefore, all companies within the Volvo Group should develop their operations to meet the high standards established by Volvo's core values.

With the multi-brand strategy, the respective brands are to achieve leadership and preference within their specific categories. This will strengthen business growth, overall profitability and the strong market positions of the Volvo Group.

Services

Services are of increasing importance to Volvo. In recent years the growth rate within services has by far outperformed the sales-growth of "hard products" such as trucks, buses and machinery.

The transport solutions offered by Volvo are combinations of hard and soft products, designed to improve the customers business. Volvo's customers use the products and services as tools in their business, which inspires Volvo to continuously develop solutions to meet the customers demand.

Volvo Buses offers its customers a wide-ranging menu of fleet operation options, including contract maintenance, leasing of the fleet, vehicle replacement planning, accident and vandalism repair, management of the operator's staff and premises: this results in accurate cost control and planning of the duration of the contract for the Volvo Customers.

Volvo CE has launched a global rental initiative, ensuring that customers who need a Volvo CE product have the possibility to rent it.

Volvo Penta offers boatbuilders installation design and support at the customer site for continuous improvement of delivery quality.

Financial solutions are also offered, mostly truck related, but also for buses and construction equipment. The services offered include financial and operating leasing, insurance, installment contracts and dealer financing. Other offers within the Group are maintenance contracts and up-time warranties.

Business partners

Volvo's ambition is to build a close cooperation with its business partners. This is done to support customers' needs and to make the operations run as efficiently and smoothly as possible.

The Volvo Group has a customer focus and always strives to develop into the preferred business partner of its customers. The concept of selling vehicles together with different kinds of services is one step in the direction of fulfilling the customers' need for a "one stop shopping" basis.

Volvo Aero has a long-term tradition of close partnership with other manufacturers of aircraft engines. This "Specialized for Partnership" business concept has proved very successful, since Volvo parts are used in about 80% of all engines for large commercial aircraft.

Volvo Logistic Partner Agreement (LPA) is based on a partnership between Volvo Parts and the dealers. The overall goal is to accomplish a high availability of spare parts to customers, combined with an efficient stock holding.

The Volvo Group is also a large customer to other suppliers. The purchasing strategy is focusing on an integration of suppliers into the product development, manufacturing and marketing process.

Financial targets

In order to achieve the strategy for growth and wanted position in 2005, as well as a competitive return to the shareholders, Volvo has set a number of financial targets to support the targeted strategic direction. These financial targets cover growth, operating margin, return on equity and capital structure. The financial targets are set over a business cycle.

Growth

In order to achieve the strategy for growth as well as the wanted position in 2005, Volvo's ambition is that net sales should increase by more than 10% per year. The objective should be achieved through both organic growth and acquisitions. As of 2001, Mack and Renault Trucks are part of the Volvo Group. During the period 1997 to 2001, the average growth rate was 21.8% per year.

Operating margin

The objective for the operating margin is that it should be between 5 and 7% over an economic cycle. The average operating margin for the Volvo Group during 1997 to 2001 was 5.8% per year.

Return on equity

Over time, the return on shareholders' equity should more than compensate for inflation as well as for industrial and financial risk. The objective is to achieve a return on shareholders' equity of between 12 and 15% over an economic cycle. Return on shareholders' equity during 1997 to 2001 averaged 13.7% per year.

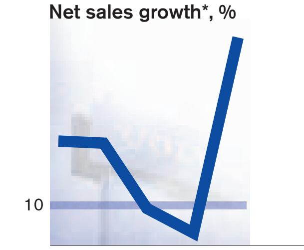
Capital structure

The Group's objective is to have a capital structure that enables financial flexibility and long-term stability. At the same time, the aim is to conduct operations using capital in an efficient manner.

The equity ratio, including minority interests but excluding Financial Services, should not be lower than 40%. The equity ratio in Financial Services should not be lower than 10%. On December 31, 2001, the equity ratio for the Group, excluding Financial Services was 41.8%. Financial Services' equity ratio was 10.3% at the same date.

The Group's objective is also to maintain a net financial position ratio, excluding Financial Services, between a net financial assets position of 15% and a net debt position of 30%.

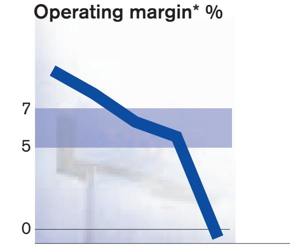
Net sales growth*, %



97	98	99	00	01
24.0	23.5	8.1	3.4	50.0

* Excluding divested operations

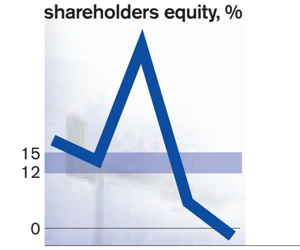
Operating margin* %



97	98	99	00	01
9.6	7.9	6.4	5.5	(0.4)

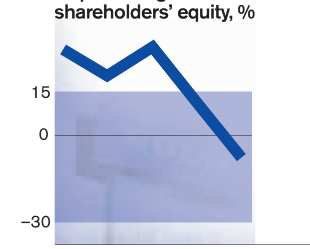
* Excluding divested operations

Return on shareholders equity, %



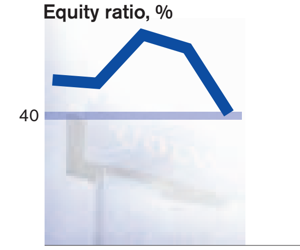
97	98	99	00	01
17.2	13.0	34.9	5.0	(1.7)

Net financial position as percentage of shareholders' equity, %



97	98	99	00	01
27.0	17.4	29.3	10.6	(8.2)

Equity ratio, %



97	98	99	00	01
53	51	67	61	42

The Volvo share

Share capital	Dec 31 2001
Registered number of shares [1]	441,520,885
of which, Series A shares [2]	138,604,945
of which, Series B shares [3]	302,915,940
Par value, SEK	6
Share capital, SEK M	2,649
Number of shareholders	214,000
with shares held in own name	126,000
with shares held by trustees	88,000

1 Following the repurchase of own shares, the number of outstanding shares was 419,444,842.
2 Series A shares carry one vote each.
3 Series B shares carry one tenth vote each.

Exchange listings of Volvo shares	
Stockholm	1935
London	1972
Frankfurt am Main, Düsseldorf, Hamburg	1974
USA (NASDAQ)	1985
Brussels	1985
Tokyo [1]	1986

1 Volvo's Board of Directors has applied for delisting from the Tokyo Stock Exchange. The delisting will be effective as of May 22, 2002.

Shareholders in focus

The continuing dialogue with shareholders is of high importance to Volvo. In addition to the Annual General Meeting in April, a large number of activities took place in 2001 geared towards professional analysts and investors and also addressed directly to Volvo's private shareholders. The Internet is an important tool in the shareholder dialogue. It makes it possible for all shareholders to obtain relevant and timely information about Volvo.

Volvo's dividend policy states that the effective return (the dividend combined with the change in share price over the long term) should exceed the average for the industry. If the future capital level in the Group is determined to be too high and not necessary for the growth of operations, the annual dividend could also be supplemented by measures such as the repurchase of company shares. For the fiscal year 2001, the Board of Directors proposes that the shareholders at the Annual General Meeting approve an unchanged dividend of SEK 8.00 per share, a total of approximately SEK 3,356 M, based on the number of shares outstanding, corresponding to a direct return of 4.5%.

Dow Jones Sustainability Index

Volvo has a history of corporate citizenship based on its three core values; quality, safety and care for the environment. As of 2002, the Volvo share is part of the newly launched Dow Jones STOXX Sustainability Indexes. Launched in 1999, the Dow Jones Sustainability World Index is the first global index tracking the performance of the leading sustainability-driven companies worldwide. It covers the top 10% of the largest 2,500 companies in the Dow Jones Global Index in terms of economic, environmental and social criteria.

Delisting

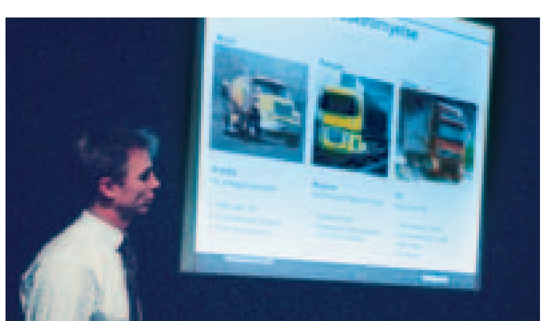
In December 2001, as a result of deregulation of the international capital markets and the increased foreign ownership of shares on the Stockholmsbörsen, the Board of Directors decided to apply for a delisting of the Volvo share from the Tokyo stock exchange.

Repurchase of shares

During 2001, the Board of Directors of AB Volvo decided to acquire a maximum of 10% of the Company's shares on the Stockholmsbörsen, corresponding to 44,152,088 shares. The repurchase was carried out on the Stockholmsbörsen during the spring of 2001. Of the repurchased shares, 5% were transferred to Renault SA as final payment for the shares in Mack and Renault V.I. The remaining 5% is held by AB Volvo.

The stock market in 2001

The year 2001 was initially characterized by declining share prices on stock markets worldwide, however there was a notable recovery during the later part of the year. The leading US Index, the Dow Jones Industrial Average, decreased by 7% and NASDAQ (Volvo listed since 1985), where high-technology shares dominate, closed at 21% down. In Sweden, Stockholmsbörsen All Share Index decreased by 17%. Continued uncertainties about the macroeconomic development in the US affected the General Index.



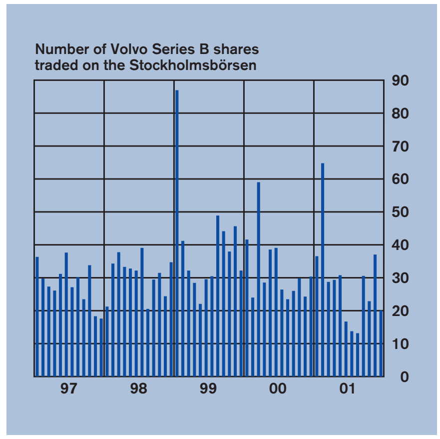
The Volvo share in 2001

Volvo's market value amounted to SEK 73.0 billion and the Volvo Series B shares increased by 12.5% in 2001.

Stockholmsbörsen accounts for the largest percentage of turnover, with an average of 1.7 million Volvo shares traded each day. During 2001, Volvo was the 14th most actively traded share in terms of volume, with a 1.6% share of the total market volume. Related to the market value, Volvo was number nine, with a 2.7% share of the total market value. Apart from Stockholmsbörsen, most trading occurs in London and on the NASDAQ. Trading in Volvo shares in the US is in the form of ADRs, American Depositary Receipts, representing Series B shares. The number of ADR's traded on the NASDAQ declined by 8% during the year, and the number of outstanding ADRs at December 31, 2001, fell by 12% to 8.3 million.

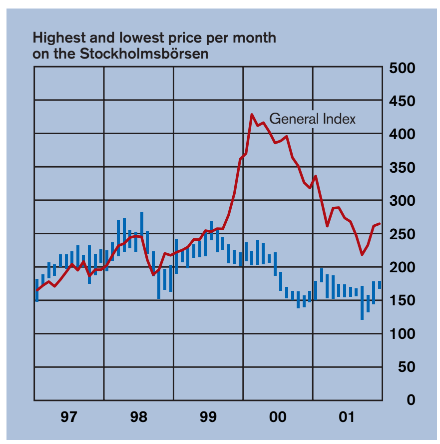
During 2001, the percentage of non-Swedish shareholders increased from 40% to 47% of the share capital (from 32% to 37% of the voting rights). Shares held by Swedish owners were distributed among institutions (59%), equities funds (16%) and private persons (25%). Of Volvo's 214,000 shareholders, the 50 largest accounted for approximately 70% of the voting rights and 60% of the share capital, excluding shares held by Volvo.

Turnover, Volvo Series B shares Millions



Source: Stockholmsbörsen

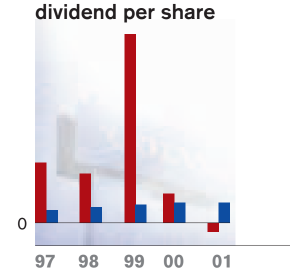
Price trend, Volvo Series B shares SEK



Source: Stockholmsbörsen

For more information related to the Volvo share, see page 103.

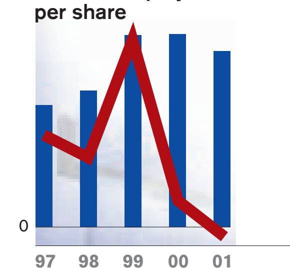
Net income and dividend per share



97	98	99	00	01
23.2	19.1	73.0	11.2	(3.5)
5.0	6.0	7.0	8.0	8.0

- Net income, SEK per share
- Dividend, SEK per share

ROE and Equity per share



97	98	99	00	01
17.2	13.0	34.9	5.0	(1.7)
140	157	221	222	203

- Return on equity, %
- Shareholders' equity per share, SEK

Effective return, %

97	98	99	00	01
46	(10)	22	(23)	18

Direct return, %

97	98	99	00	01
2.3	3.2	3.2	5.1	4.5

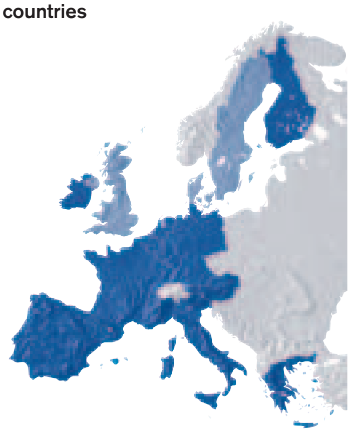
The year 2001

The Volvo Group in euro

	2000	2001
Net sales, EUR M	14,249	19,540
Operating income, EUR M	789	(73)
Income after financial items, EUR M	739	(202)
Net income, EUR M	557	(159)
Income per share, EUR	1.33	(0.38)
Dividend per share, EUR	0.95	0.87

In 2001, EUR 1.00 = 9.2434 SEK, annual average
In 2000, EUR 1.00 = 8.4494 SEK, annual average

EU countries



Member of EMU
Non-EMU members

Volvo and the euro

Volvo's gradual conversion to the euro, for operations within the EMU was completed in 2001. The cost of Volvo's changeover to the euro within the EMU is estimated to be less than 0.1% of sales. The dominant portion of these costs is related to information technology.

After having established the euro as the internal currency within the EMU, administrative cost savings has been realized within distribution, inventory control and marketing. Substantial savings have also been made within treasury operations at the same time as risks have been reduced due to a lower foreign currency exposure. Currency hedges for EMU currencies have been denominated in euro since the start of the EMU, in 1999.

Significant events

Volvo acquires Mack and Renault V.I.

On January 2, 2001, AB Volvo's acquisition of Renault's truck operations, Mack and Renault V.I., became effective. Under the terms of the acquisition AB Volvo acquired all the shares of Renault V.I. in exchange for 15% of the shares in AB Volvo. In connection with the acquisition of Mack and Renault V.I., Renault V.I. Finance was acquired for approximately FRF 154 M.

Volvo's repurchase of Company shares

During 2001, Volvo effected a repurchase of Company shares amounting to 10% of the total number of Volvo shares, whereof 5% were purchased to finance the final payment to Renault for the shares in Renault V.I. and Mack Trucks, and 5% were purchased in order to optimize the capital structure of the Group. As a result a total of SEK 8.3 billion was transferred to Volvo's shareholders.

Divestment of the insurance operations in Volvia

On February 8, 2001, Volvia reached an agreement covering the divestment of its insurance operations to the If insurance company. The divestment resulted in a capital gain of SEK 562 M.

AB Volvo and Renault SA

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

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

Volvo Aero enters Rolls-Royce's Trent engine program

In May 2001, an agreement was signed through which Volvo Aero becomes a risk-and-revenue sharing partner in two Rolls-Royce engine programs, the Trent 500 for the Airbus A340-500/-600 and the Trent 900 for the new Airbus A380.

Divestment of shares in Volvofinans

On June 28, 2001, Volvo reached an agreement to divest its entire 50% holding in AB Volvofinans to Ford Credit International, Inc., for a total purchase price of SEK 871 M. The divestment had a marginally positive effect on Volvo's earnings.

Divestment of shares in Mitsubishi Motors Corporation ("MMC")

On June 29, 2001, Volvo sold its 3.3% holding in, and all rights and obligations relating to, MMC to DaimlerChrysler. The divestment resulted in a net capital gain of SEK 574 M.

Volvo divests its Low Cab-Over-Engine (LCOE) business

On July 27, 2001, Volvo Trucks North America agreed to sell its Xpeditor® LCOE truck product line to Grand Vehicle Works Holdings, LLC. By divesting its LCOE operations, Volvo met the condition imposed by the US Department of Justice for approval of its acquisition of Mack and Renault V.I.

Volvo Trucks launches the new Volvo FH and FM trucks

In November, Volvo Trucks introduced the new Volvo FH and FM models. The three new models – the Volvo FH12, Volvo FM12 and Volvo FM9 – have features such as new engines with improved fuel economy, and the fully-automatic Volvo I-Shift gear-changing system.


Globetrotter
VOLVO
FTS SB 663

Financial performance

Net sales by business area

SEK M	1999	2000	2001	% [2]
Global Trucks[1]	63,010	62,196	120,140	+93
Buses	14,713	17,187	16,675	(3)
Construction Equipment	18,882	19,993	21,135	+6
Volvo Penta	5,761	6,599	7,380	+12
Volvo Aero	9,953	10,713	11,784	+10
Other	11,934	12,669	13,630	+8
Eliminations	(7,871)	(8,965)	(10,129)	–
Volvo Group[3]	**116,382**	**120,392**	**180,615**	**+50**

1 1999 and 2000 figures refer to Volvo Trucks.
2 Percentage change pertains to 2001/2000.
3 Excluding acquired companies and changes in foreign currencies' exchange rates, net sales decreased by 5%.

Net sales by market area

SEK M	1999	2000	2001	% [1]
Western Europe	59,858	61,942	93,147	+50
Eastern Europe	2,714	3,676	6,383	+74
North America	41,382	38,029	54,630	+44
South America	3,487	4,730	6,018	+27
Asia	6,027	8,765	10,862	+24
Other markets	2,914	3,250	9,575	+195
Volvo Group	**116,382**	**120,392**	**180,615**	**+50**

1 Percentage change pertains to 2001/2000.

Operating income (loss) by business area

SEK M	1999	2000	2001
Global Trucks[1]	3,247	1,414	1,040
Buses	224	440	(524)
Construction Equipment	1,709	1,594	891
Volvo Penta	314	484	658
Volvo Aero	584	621	653
Financial Services	1,066	1,499	325
Other	319	616	143
Operating income[2]	**7,463**	**6,668**	**3,186**
Income from divestment of Volvo Cars	26,695	–	–
Restructuring costs	–	–	(3,862)
Operating income (loss)	**34,158**	**6,668**	**(676)**

1 1999 and 2000, Volvo Trucks.
2 Excluding income from sale of Volvo Cars and restructuring costs.

Operating margin[1]

%	1999	2000	2001
Global Trucks[2]	5.2	2.3	0.9
Buses	1.5	2.6	(3.1)
Construction Equipment	9.1	8.0	4.2
Volvo Penta	5.5	7.3	8.9
Volvo Aero	5.9	5.8	5.5
Volvo Group	**6.4**	**5.5**	**1.8**

1 Excluding income from sale of Volvo Cars and restructuring costs
2 1999 and 2000 refer to Volvo Trucks

Net sales

Net sales in 2001 totaled SEK 180,615 M (120,392), an increase of 50% compared with 2000. Adjusted for acquired companies and changes in foreign currency exchange rates, net sales decreased by 5%.

Including Mack and Renault Trucks, net sales of Volvo's truck operations nearly doubled and amounted to SEK 120,140 M. Despite the significant decline in deliveries, Volvo Global Trucks was able to increase its share of the market in North America. In Europe, the combined heavy-truck market share for Volvo and Renault was maintained at the same level as in 2000, while market shares increased in the medium-heavy segment.

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

During 2001, the Group's net sales increased in all market areas compared with the year-earlier period. Net sales in Western Europe rose by 50%, most of which was attributable to the acquisition of Renault Trucks. Excluding acquired companies, Group net sales in Western Europe increased by 2%. The decline in demand in North America had an adverse effect on net sales. Excluding acquired companies Group net sales in North America declined by 8%. Net sales in Volvo's growth markets – Asia, Eastern Europe and South America – increased by 35% compared with a year earlier and accounted for 13% of the Group's total sales. Excluding Mack and Renault Trucks, net sales on these markets rose by 19% compared with the preceding year.

During 2001, Western Europe and North America accounted for 82% of the Group's total sales, compared with 83% in the preceding year. The distribution of net sales by market is further specified in the adjoining table.

Income from investments in shares

Income from investments in shares for the year amounted to SEK 1,322 M (411), attributable mainly to a dividend received from Scania and a capital gain from the divestment of shares in Mitsubishi Motors. Income from investments in shares during 2000 included income from the investment in Scania reported in accordance with the equity method during the first quarter. In March 2000, the European Commission rejected Volvo's application for approval of the proposed acquisition of Scania. As a result, effective in the second quarter of 2000, Volvo's holding in Scania is no longer reported in accordance with the equity method.

Operating income

Operating loss for the Volvo Group in 2001 amounted to SEK 676 M, compared with operating income of SEK 6,668 M in the preceding year. The decrease in income was mainly attributable to restructuring costs of SEK 3,862 M and losses in the North American operations partially offset by capitalization of development costs of SEK 2,038 M in accordance with new Swedish accounting standards.

Global Trucks' operating income in 2001, excluding restructuring costs, amounted to SEK 1,040 M (2000: Volvo Trucks operating income of SEK 1,414 M). The earnings of Global Trucks was negatively affected by lower volumes and low capacity utilization in North America. Total deliveries in North America decreased by 40% compared with a year earlier. In Western Europe, the total market showed gradual weakening during the year and the number of trucks delivered was down by 9%. The integration of Renault Trucks and Mack Trucks succeeded in line with the plan and contributed positively to the result. The income of Global Trucks in

Consolidated income statements			
SEK M	1999	2000	**2001**
Net sales	116,382	120,392	180,615
Cost of sales	(92,772)	(97,131)	(149,477)
Gross income	**23,610**	**23,261**	**31,138**
Research and development expenses	(4,525)	(4,876)	(5,391)
Selling expenses	(8,117)	(9,285)	(14,663)
Administrative expenses	(4,632)	(4,651)	(6,474)
Other operating income and expenses	(587)	309	(3,071)
Income from Financial Services	1,066	1,499	325
Income from investments in shares	648	411	1,322
Income from divestment of Volvo Cars	26,695	–	–
Restructuring costs	–	–	(3,862)
Operating income (loss)	**34,158**	**6,668**	**(676)**
Interest income and similar credits	1,812	1,588	1,653
Interest expenses and similar charges	(1,505)	(1,845)	(2,653)
Other financial income and expenses	131	(165)	(190)
Income (loss) after financial items	**34,596**	**6,246**	**(1,866)**
Taxes	(2,270)	(1,510)	326
Minority interests	(104)	(27)	73
Net income (loss)	**32,222**	**4,709**	**(1,467)**
Income (loss) per share, SEK	73.00	11.20	(3.50)

Change of operating income SEK billion	
Operating income 2000	**6.7**
Restructuring costs	(3.9)
Decreased volumes, changes in product and market mix etc.	(2.8)
Higher selling and administrative expenses	(1.1)
Acquired and divested operations	+0.6
Changes in currency exchange rates	+0.5
Capitalization of development costs	+2.0
Credit losses in US truck financing portfolio	(0.7)
Gain on divestment of shares in Mitsubishi Motors	+0.6
Deficit in Swedish pension foundation	(0.3)
Alecta surplus funds 2000	(0.7)
Gains on sale of securities portfolio in Volvia 2000	(0.6)
Other	(1.0)
Operating income 2001	**(0.7)**

2001 was also positively affected by capitalization of development costs amounting to SEK 1,586 M and gain on divestment of shares in Mitsubishi Motors Corporation amounting to SEK 574 M.

Lower volumes and low capacity utilization, particularly in the North American plants, were mainly responsible for the operating loss in Buses of SEK 524 M excluding restructuring costs, (2000: income of SEK 440 M). Construction Equipment reported operating income, excluding restructuring costs, of SEK 891 M compared with SEK 1,594 in the year earlier. The lower earnings was primarily explained by significantly lower demand in North America and changes in the product mix.

Operating income in 2001 for Volvo Penta was the best ever and amounted to SEK 658 M (484). In Volvo Aero, operating income amounted to SEK 653 M which was higher than the preceding year (SEK 621 M) despite the downturn in air traffic during the end of the year.

Operating income within Financial Services amounted to SEK 325 M (1,499). The income in 2001 was charged with significant losses in the US truck financing portfolio, of which SEK 670 M in the second quarter. Toward the end of the year, the losses and repossessions in the US portfolio were decreasing, although still at a high level. The operating income of Financial Services in 2001 included a gain on the divestment of Volvia's insurance operations amounting to SEK 562 M, while income in 2000 included gains of SEK 610 M relating to Volvia's securities portfolio.

Group operating income in 2001 was negatively affected by provisions of SEK 292 M relating to a deficit within the Volvo Group's Swedish pension foundation for securing commitments in accordance with the ITP plan. The deficit was a result of the downturn on the stock markets. Operating income in 2000 included a positive impact of SEK 683 M relating to surplus funds from the Alecta (previously SPP) insurance company. Operating income in 2000 also included an adjustment of the gain on divestment of

Impact of exchange rates on operating income
Compared with preceding year, SEK bn

Net sales	7.7
Cost of sales	(5.0)
Research and development expenses	0.0
Selling and administrative expenses	(0.9)
Other operating income and expenses	(1.3)
Income from investments in shares	0.0
Total effect of changes in exchange rates on operating income	**0.5**

Group sales are reported at average spot prices and the effects of currency hedges are reported among "Other operating income and expenses."

Operating net flow per currency, excluding divested operations

SEK M	1999	2000	2001
USD	6,400	7,000	8,100
EUR	7,900	7,500	8,000
GBP	4,200	4,000	4,200
Other currencies	3,800	800	3,800
Total	**22,300**	**19,300**	**24,100**

Volvo Cars, amounting to SEK 520 M.

Operating margin during 2001 was a negative 0.4%, compared with 5.5% in 2000.

Restructuring costs

In 2001, restructuring costs of SEK 3,862 M were charged to operating income, of which SEK 3,106 M for Global Trucks, SEK 392 M for Buses and SEK 364 M for Construction Equipment.

Restructuring costs within Global Trucks included costs for the integration of Mack and Renault Trucks in order to secure coordination gains made possible through the acquisition. The integration measures included reduction of the North American production capacity through closure of Mack's Winnsboro plant and transfer of production to Volvo's New River Valley plant. Integration measures further included restructuring of the global distribution system and production structure. In addition to the integration, restructuring measures included significant personel reductions due to the prevailing business conditions, especially in North America.

Restucturing costs in Buses were attributable to the shut down of the Nova Bus plant for city buses in Roswell, US. In Construction Equipment, restructuring measures pertained to the Asheville operations (US) and an overall redundancy program.

Impact of exchange rates on operating income

The effect of changes in currency exchange rates on operating income in 2001 compared with 2000 was favorable by approximately SEK 520 M.

The Swedish krona weakened during 2001 against the major part of Volvo's inflow currencies, with positive effects on operating income. The US dollar, euro and British pound had the greatest impact. Changes in spot-market rates for other currencies had minor effects. The total effect of changed spot-market rates was positive, approximately SEK 1,970 M.

The effect on income of forward and option contracts amounted to a loss of SEK 2,044 M (2000: loss of SEK 700 M), which resulted in a negative impact of SEK 1,344 M for 2001, compared with 2000.

Changes in spot rates in connection with the translation of income in foreign subsidiaries and the revaluation of balance sheet items in foreign currencies had a negative impact of SEK 110 M.

Net interest expense/income

Net interest expense for the year amounted to SEK 1,000 M (257). The higher net interest expense was mainly due to the weaker financial position, see page 19, partly offset by increased yield on net financial assets and lower funding costs in Brazil.

Taxes

During 2001, a tax income of SEK 326 M was reported compared with a tax expense of SEK 1,510 M for the corresponding period in the preceding year. The tax income relates mainly to an increase in deferred tax assets due to current year losses.

Minority

Minority interests in the Volvo Group consisted mainly of the Henlys Group's holding (49%) in Prévost Holding BV up to the third quarter 2001. As of October 1, 2001, Henlys ownership interest was increased to 50% and Prévost Holding BV is from this date consolidated by the proportionate method. Other minority interests were attributable to Volvo Aero Services LP (14%, previously the AGES Group) and Volvo Aero Norge AS (22%).

Net income/loss

Net loss amounted to SEK 1,467 M (net income of 4,709) and the return on shareholders' equity was negative of 1.7% (positive 5.0%).

Financial position

Volvo Group consolidated balance sheets, December 31	Volvo Group, excl Financial Services [1]			Financial Services			Total Volvo Group		
SEK M	1999	2000	**2001**	1999	2000	**2001**	1999	2000	**2001**
Assets									
Intangible assets	6,518	6,781	17,366	100	144	159	6,618	6,925	17,525
Property, plant and equipment	17,318	19,652	30,370	2,470	2,579	2,864	19,788	22,231	33,234
Assets under operating leases	1,611	4,245	15,020	10,726	11,883	14,060	12,337	14,216	27,101
Shares and participations	35,296	37,366	35,145	744	778	203	29,213	30,481	27,798
Long-term customer finance receivables	0	10	19	17,817	23,026	26,256	17,817	22,909	26,075
Long-term interest-bearing receivables	17,605	5,091	5,627	0	23	0	17,605	5,032	5,554
Other long-term receivables	2,337	2,186	9,017	147	90	73	2,484	2,232	8,902
Inventories	21,053	22,998	30,557	385	553	518	21,438	23,551	31,075
Short-term customer finance receivables	9	5	95	16,487	19,168	23,732	16,496	18,882	22,709
Short-term interest bearing receivables	1,012	14,195	6,799	0	1	82	1,012	14,196	2,525
Other short-term receivables	18,738	22,696	29,798	2,797	2,627	2,647	21,535	24,120	31,044
Marketable securities	17,990	5,682	12,997	2,966	3,886	517	20,956	9,568	13,514
Cash and bank	6,475	5,276	11,877	1,838	1,764	2,417	8,313	6,400	13,869
Total assets	**145,962**	**146,183**	**204,687**	**56,477**	**66,522**	**73,528**	**195,612**	**200,743**	**260,925**
Shareholders' equity and liabilities									
Shareholders' equity	97,692	88,338	85,185	6,827	7,663	7,550	97,692	88,338	85,185
Minority interests	544	593	391	0	0	0	544	593	391
Provision for post-employment benefits	2,118	2,619	14,632	12	13	15	2,130	2,632	14,647
Other provisions	9,861	8,277	14,085	4,971	6,620	4,342	14,832	14,941	18,427
Loans	12,206	18,233	29,710	41,139	49,048	57,956	53,345	66,233	81,568
Other liabilities	23,541	28,123	60,684	3,528	3,178	3,665	27,069	28,006	60,707
Shareholders' equity and liablities	**145,962**	**146,183**	**204,687**	**56,477**	**66,522**	**73,528**	**195,612**	**200,743**	**260,925**
Shareholders' equity and minority interests as percentage of total assets	67.3%	60.8%	**41.8%**	12.1%	11.5%	**10.3%**	50.2%	44.3%	**32.8%**

1 Financial Services reported in accordance with the equity method.

Total assets

The Volvo Group's total assets at the end of December, 2001, amounted to SEK 260.9 billion, corresponding to an increase of SEK 60.2 billion compared with year-end 2000. Acquired and divested companies, primarily the acquisition of Mack and Renault V.I., represented an increase of SEK 53.7 billion. In addition, the weakening of the Swedish krona resulted in an increase in total assets of SEK 13.8 billion. The continued expansion within Financial Services contributed to the increase in assets offset in part by divestment of shares and reductions in inventories and receivables.

The purchase price for the shares of Mack and Renault V.I. was set at SEK 10.7 billion, based on the Volvo share price on the acquisition date (January 2, 2001). The fair value of acquired assets and liabilities was established in the fourth quarter and goodwill related to the acquisition was set at SEK 8.4 billion. See also information regarding arbitration between AB Volvo and Renault SA on page 14.

Shareholders' equity

Shareholders' equity amounted to SEK 85.2 billion as of December 31, 2001. The changes in shareholders' equity since year-end are specified on page 70.

Net financial position

The Volvo Group's net financial debt at December 31, 2001 amounted to SEK 7.0 billion (net financial assets of 9.4 billion). The decrease of SEK 16.4 billion is shown in detail in the adjoining table.

Change in net financial position
SEK billion

December 31, 2000		**9.4**
Cash flow from operating activities	9.7	
Net investments in fixed assets and leasing assets	(7.1)	
Customer finance receivables, net	0.8	
Operating cash flow, excluding Financial Services		**3.4**
Investments in shares, net		3.2
Acquired and divested operations [1]		(6.7)
Dividend to AB Volvo's shareholders		(3.4)
Repurchase of own shares		(8.3)
Change in provision for post-employment benefits		(2.5)
Other, including foreign currency translation		(2.1)
December 31, 2001		**(7.0)**

1 Including purchase amount and financial net debt in acquired companies. See further Note 2.

Cash flow statement

Operating cash flow, excluding Financial Services

SEK bn	1999	2000	**2001**
Operating income[1]	6.4	5.2	(1.0)
Depreciation and amortization	3.1	3.8	7.0
Other	(3.9)	(5.4)	3.7
Cash flow from operating activities	**5.6**	**3.6**	**9.7**
Net investments in fixed assets and leasing assets	(4.4)	(5.0)	(7.1)
Customer finance receivables, net	0.1	0.0	0.8
Operating cash flow, Volvo Group, excluding Financial Services	**1.3**	**(1.4)**	**3.4**

1 1999: excluding gain on sale of Volvo Cars, SEK 26.7 bn.

Future capital expenditures, approved

SEK bn	
Global Trucks	4.3
Buses	0.3
Construction Equipment	0.1
Volvo Penta	0.0
Volvo Aero	0.7
Other	0.7
Total	6.1

Cash flow

Cash flow after net investments, excluding Financial Services, amounted to SEK 21.3 billion, of which the operating cash flow (excluding the effects of acquisitions and divestments) was SEK 3.4 billion. The positive development during 2001 was mostly related to a reduction in tied-up working capital, in particular inventories and receivables, while net interest and tax payments had an adverse effect. All business areas except Volvo Aero reported positive cash flow in 2001. The transfer of interest-bearing receivables from the truck operations in North America to Financial Services had a positive effect on cash flow of SEK 0.7 billion.

Cash flow after net investments within Financial Services was negative in an amount of SEK 5.3 billion. The divestment of the holding in Volvofinans had a positive effect on cash flow of SEK 0.9 billion during the year while the sale of Volvia's insurance operations had an adverse effect of SEK 1.7 billion.

Capital expenditures

Capital expenditures for property, plant and equipment in 2001 excluding Financial Sevices amounted to SEK 5.7 billion (5.1). Capital expenditures in Global Trucks, which amounted to SEK 4.1 billion (3.2), were made to increase efficiency in the production of axles and cabs in Renault, and to the development of the new nine-liter diesel engine, D9 for Volvo Trucks. Investments were also made relating to the new vocational truck, Mack Granite. Capital expenditures in Buses decreased to SEK 0.2 billion (0.4). The level of capital expenditures in Construction Equipment and Volvo Penta remained at the same level as last year, SEK 0.4 billion and SEK 0.1 billion respectively. The capital expenditures in Volvo Aero amounted to SEK 0.7 billion (0.6) and were made mainly in new engine alliance programs.

Investments in development of new products, production and information systems amounted to SEK 2.0 billion. The investments are distributed among Global Trucks SEK 1.6 billion, Buses SEK 0.2 billion, Construction Equipment SEK 0.2 billion and Volvo Penta SEK 0.1 billion.

Investments in leasing assets amounted to SEK 5.9 billion, including SEK 5.1 billion in Financial Services. The investments pertained mainly to the operations in North America and Western Europe.

Acquisitions and divestments

Cash flow from investments in shares of SEK 3.2 billion was mainly related to the sale of Volvo's holding in Mitsubishi Motors Corporation. Investments in shares in 2000 was mainly attributable to additional investments in Scania and in 1999 to acquisitions of shares in Scania AB and Mitsubishi Motors Corporation.

Cash flow from acquired and divested companies of SEK 14.7 billion mainly pertained to the final payment of SEK 12.1 billion from the sale of Volvo Cars, and acquired liquid funds within Mack and Renault V.I. The purchase price paid for Mack and Renault V.I. did not affect cash flow, since the payment was made with Volvo shares held by AB Volvo. In 1999, acquisitions and divestments of subsidiaries and other business units resulted in a positive cash flow of SEK 31 billion, mostly attributable to the divestment of Volvo Cars.

Consolidated cash flow statements, SEK billion	Total Volvo Group		
SEK billion	1999	2000	**2001**
Operating income [1]	6.4	5.2	(1.0)
Add depreciation and amortization	3.1	3.8	7.0
Other non-cash items	(0.5)	(1.6)	0.0
Change in working capital	(1.7)	(3.0)	6.0
Financial items and income taxes paid	(1.7)	(0.8)	(2.3)
Cash flow from operating activities	**5.6**	**3.6**	**9.7**
Investing activities			
Investments in fixed assets	(4.7)	(5.1)	(7.7)
Investment in leasing vehicles	(0.5)	(0.6)	(0.5)
Disposals of fixed assets and leasing vehicles	0.8	0.7	1.1
Customer Finance receivables, net	0.1	0.0	0.8
Investments in shares, net	(25.9)	(1.6)	3.2
Acquired and divested operations	31.0	0.0	14.7
Cash flow after net investments excl Financial Services	**6.4**	**(3.0)**	**21.3**
Cash flow after net investments, Financial Services	**(7.6)**	**(4.1)**	**(5.3)**
Cash flow after net investments, Volvo Group total	**(1.2)**	**(7.1)**	**16.0**
Financing activities			
Change in other loans, net	16.3	8.1	6.2
Loans to external parties, net	(3.2)	0.3	0.2
Repurchase of own shares	–	(11.8)	(8.3)
Dividend to AB Volvo shareholders	(2.6)	(3.1)	(3.4)
Other	(0.1)	0.0	0.1
Change in liquid funds excl translation differences	**9.2**	**(13.6)**	**10.8**
Translation difference on liquid funds	(0.2)	0.3	0.6
Change in liquid funds	**9.0**	**(13.3)**	**11.4**

1 1999: Excluding gain on the sale of Volvo Cars, SEK 26.7 billion.

Self-financing ratio, excluding Financial Services, (%)

Financing and dividend

Increases in loans during 2001 contributed liquid funds, net, of SEK 6.2 billion, of which new borrowing during the year, mainly through the issue of bonds and a commercial paper program, contributed SEK 31.4 billion. The increase in loans was mainly attributable to the continued expansion of the customer finance operation.

During the first quarter of 2001, Volvo repurchased 10% of the total number of shares outstanding, of which 5% were transferred to Renault SA. In total, the repurchase of shares reduced liquid funds by SEK 8.3 billion.

A dividend amounting to SEK 3.4 billion was paid to AB Volvo shareholders during the year.

Change in liquid funds

The Group's liquid funds increased by SEK 11.4 billion during the year, to SEK 27.4 billion, mainly due to cash flow from operating activities and effects of acquisitions and divestments.

Volvo in society

Global Compact

The nine principles of the Global Compact

Global Compact was initiated by the UN in December 2001. The business community is encouraged to strive for sustainable development by being good citizens in society.

Human rights:

- to support and respect the protection of international human rights within our sphere of influence
- to make sure our own corporations are not complicit in human rights abuses

Labor:

- to uphold freedom of association and the effective recognition of the right to collective bargaining
- to uphold the elimination of all forms of forced and compulsory labor
- to uphold the effective abolition of child labor
- to uphold the elimination of discrimination in respect of employment and occupation

Environment:

- to support a precautionary approach to environmental challenges
- to undertake initiatives to promote greater environmental responsibility
- to encourage the development and diffusion of environmentally friendly technologies

Volvo in society

Every company is a part of the society and has therefore an obvious responsibility for its products and activities. A responsible conduct contributes to a good perception of the company, it provides a base for commercial success and for positive long-term relations with customers and suppliers. It makes the company an attractive employer. And it will pave the way for fruitful cooperation with politicians and governments.

Volvo's credibility is to a large extent based on a long tradition of responsible business conduct and long-term and consistent efforts to improve quality, safety and the environment. To take this a step further, Volvo signed the UN initiative Global Compact in November 2001. In practice, Volvo has applied the principles of the Global Compact for a long time, in human rights, labor issues and environmental care. By signing the Global Compact, Volvo further clarify its ambition to be a responsible and credible member of the society.

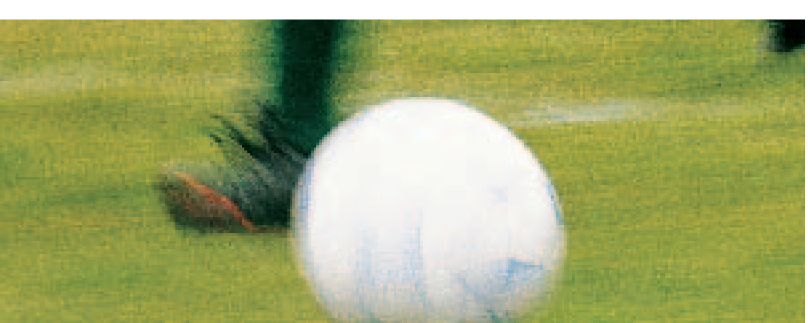
Strong stakeholder relations

Creating value for stakeholders is imperative for the success of Volvo's long-term business. In the Volvo Group this means being very active in building relationships and trust, through vivid dialogues and open information. Participating in projects with other stakeholders is an important way of sharing knowledge, examples are found in research conducted with universities, in government investigations, and local public awareness activities. The Volvo Group has numerous stakeholders. All are important for the development of the company, but some are more highlighted daily. Our customers' business is our business. Our employees embody the competence of the Volvo Group. Our shareholders provide financial opportunities for our operations. Our "broadest" stakeholder, the society, sets the legal framework and overall trends, and one of the major challenges is the environmental impact of transport, the climate change and traffic safety issues.

Activities in society

Sponsorship has been an integral part of Volvo's business for nearly 40 years. Each year Volvo invests in sponsorship of selected projects and organizations, in sports, culture and society. Sponsorship and other activities in the society are conducted in several ways within the Volvo Group. Major undertakings, like the Volvo Ocean Race, engage the entire Group globally. The individual companies are also involved in diverse sponsoring events and activities together with the local society. When logistically possible, equipment such as trucks and construction machinery could be made available for use in emergency rescue and recovery operations at catastrophes, like the earthquake in Turkey 1999, and in New York, after the events of September 11, 2001.

More long-term activities include educational programs such as a Swedish training program for young people in entrepreneurship, a transport development partnership with the Göteborg region, and prizes as the Traffic Safety Award in Brazil, and the Volvo Environment Prize.



16:42

Faro, Portugal – Pedro and his friends are going to be professional football players

Transport planning

Dynafleet 2.0 is the only complete transport information system on the market and provides clear, up-to-the-minute information throughout an assignment, making it possible for everyone in the transport chain to make the best decisions quickly. Decisions that will improve efficiency and profitability.

In the competitive environment of today, every transport must be "In Time" to avoid expensive disruptions. In order to achieve profitability in conditions like this, you need more than just a totally reliable vehicle fleet. The people who carry out the work must be able to make the best decisions regarding all steps in the operation. Transport information systems such as Dynafleet 2.0 makes this job easier and at the same time minimizes the risk of mistakes.

Customers

The customers' everyday operations

The Volvo Group's customers operate in many different areas, but the common denominator is that they all use Volvo products in their businesses. Our customers must be able to rely on our products and services – their revenues and profitability depend on them – and Volvo strives to understand its customers' operations since this enables us to assume the correct approach. Our aim is to create added value for our customers, and this means that our ambition is to be the best possible business partner. Our efforts are consistently based on customer preferences, and we focus on the customer in the development of our products and services on a continuous basis. Volvo always aim to offer customers the best solution for their transport needs.

Our truck customers operate in the transport industry, with operations ranging from urban distribution to construction and long-distance transports. In the bus field, our customers work either in the public sector providing public transport in cities or regional areas or on the private market providing services for regional and intercity traffic as well as for the leisure industry. Volvo construction equipment is used by companies involved in such operations as the extraction of minerals, loading, construction, forestry, transport and road works. The customers who purchase our diesel engines manufacture products such as leisure craft, commercial vessels, power-generating equipment and forklift trucks. In the aerospace industry, we have customers in both the commercial and military sectors.

Our products

Since products produced by the Volvo Group are used in our customers' operations, they must be regarded as an aid to creating and improving profitability. The products should be capable of being operated as efficiently and economically as possible for long periods, with only a limited number of brief, scheduled interruptions. Efficient planning of service and maintenance enable customers to improve their utilization rate, and hence their profitability.

The Volvo Group's core values are quality, safety, environmental care, and this permeates all our products.

Customer surveys

Volvo's work, and our ultimate objectives, are based on ensuring that customers are satisfied with us and our products. We conduct regular surveys to find out how our customers perceive us, what we do well, and where there is scope for improvement. These surveys indicate how Volvo can continue to meet customers' needs, and they provide a basis for the systematic improvement of our performance.

Product renewal

The year 2001 was characterized by extensive product renewal in most of the business areas. In the beginning of the year, Mack launched the Granite, a versatile truck for construction applications. Renault presented, early in the autumn, the new version of its long-haul truck, the Magnum, as well as the Midlum 18t and 4x4. Later in the autumn, Volvo launched its totally new FH/FM-series, with a new 500-hp engine for the FH.




Volvo Penta increased its sales and captured new market shares in marine leisure with the new 3-liter KAD300 diesel engine. During the year Volvo Penta also launched the new D2-55 diesel engine for sailboats. Efforts to strengthen Volvo Penta's industrial product range included the introduction of a new 12-liter diesel engine and 5- to 7-liter engines for mobile applications. In the marine commercial segment, Volvo Penta launched a further developed version of the 16-liter diesel engine.

Buses launched its new product based on the TX platform, including complete tourist coaches and intercity buses and a rear-engine chassie.

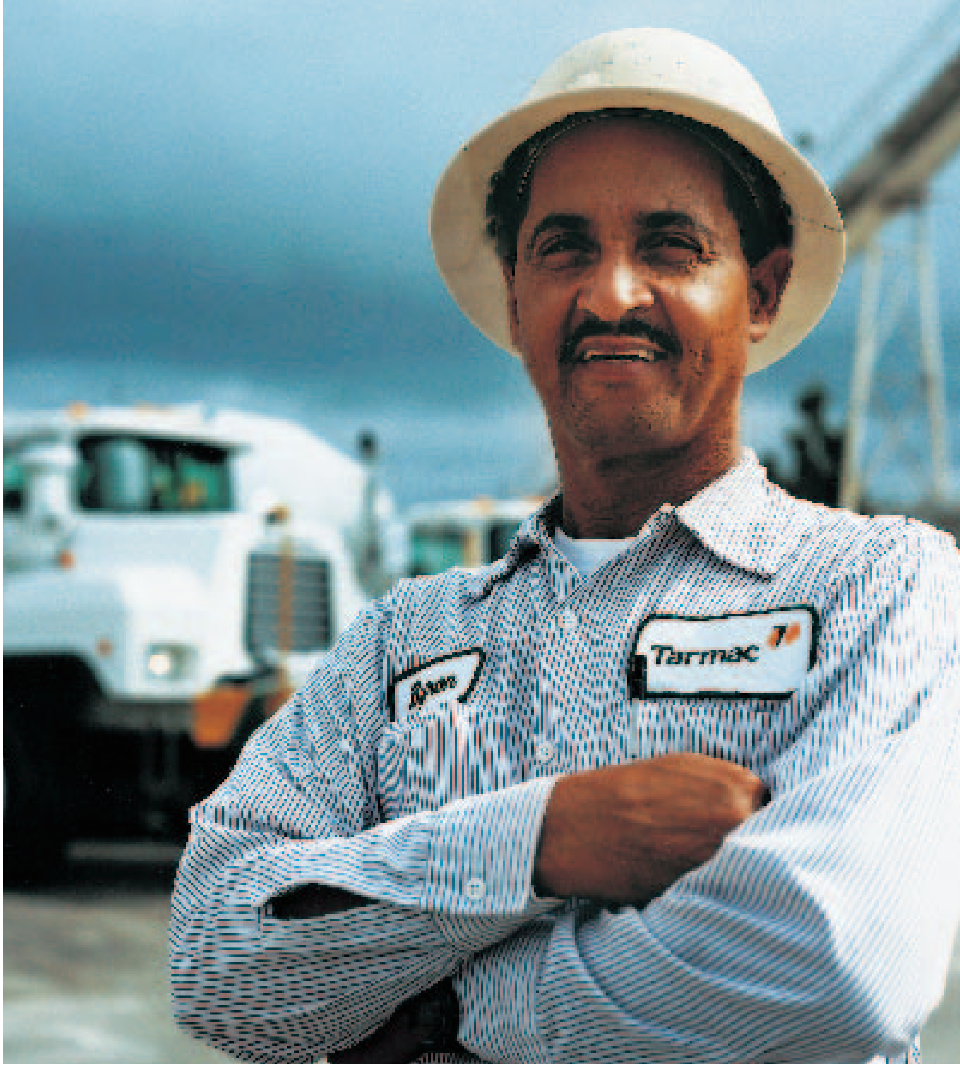
In December, Volvo CE announced the development of its own and completely new range of backhoe loaders, as well as the acquisitions of the telehandler business and the skidsteer loader business.

In May, Volvo Aero entered the two Rolls-Royce engine programs Trent 500 and Trent 900.

Driver productivity

Our products are operated by drivers. This makes drivers an important customer group for us, and much of our research is devoted to improving the cab environment. This is important for our customers since this enables them to attract new drivers by offering an ergonomic and safe workplace. Development of the driver's environment also makes our customers' operations more efficient. If drivers can do more of their work from the cab, thus reducing the number of occasions when they have to climb in and out of their vehicles, this saves time that can, instead, be used to transport more goods.

Driver training – maintenance can be reduced if the vehicle is driven in the proper manner. The driver's workplace also has a significant environmental impact. Vehicles that are driven efficiently create less pollution.



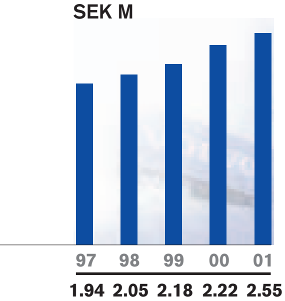
Skilled employees

Customers receive assistance in selecting the optimal vehicles for their operations. Our investment in skills training benefits our customers.

In addition to the high quality of its products and services, Volvo's strengths include expert service facilities and skilled service personnel. We have a worldwide customer support organization that enables us to take care of our customers and assist them in their operations. We also have an extensive network of workshops offering expert service, spare parts and 24-hour assistance.

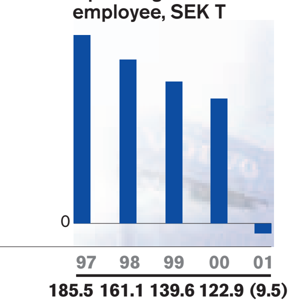
In the case of customers in the sectors, where a standstill can have very serious financial consequences, we can go directly to the site to service the vehicle.

Net sales*/employee, SEK M



* Excluded divested operations

Operating income*/ employee, SEK T



* Excluded divested operations

Employees

The Volvo way

The Volvo Way describes Volvo's values, its corporate culture and the way Volvo works. It is designed to make clear how employees and managers shall cooperate in the best possible way, and to define how Group objectives shall be met.

The Volvo Way shows how the core values – safety, quality and environmental care – are to be reflected in policies and operational activities, all with the aim of fulfilling the Volvo Group's strategic objectives. To support a continuous dialogue on The Volvo Way, a series of workshops are held during the year. The employees are given the opportunity to have a dialogue with their colleagues and their managers on key issues in The Volvo Way. It is the employees who make The Volvo Way a reality.

Competence

In today's business environment a key success factor is to develop and take full advantage of the competence in the company. The competence of our employees is the competence of Volvo. The Operational Development Program (OD) is a method for change and improvement work within Volvo. OD has provided first-class improvements in areas such as customer satisfaction, product quality, cost savings and process control. It is also a forum for continuous team and leadership development, leading to a more stimulating working environment and a competitive operation.

The responsibility for skills development rests within each business area. Volvo Learning Partner provides a Groupwide platform for skills development within Volvo.

Performance and appraisal review

Each manager is to hold an appraisal dialogue with his/her employees at least once a year. Employee dialogues are individual conversations where the manager and the employee compare notes, provide feedback and discuss the future and goals. The manager is responsible for ensuring that the dialogue takes place. The dialogue is to form the basis of the individual development plan that is to be established for each employee. The purpose of the development plan is to clarify planning and provide an instrument for following up development and goals.

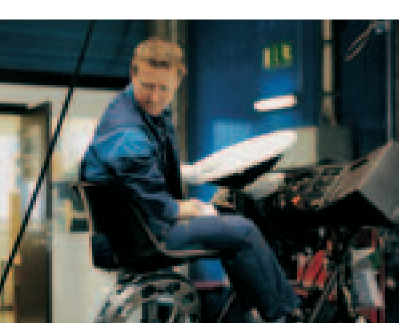
Job rotation and diversity

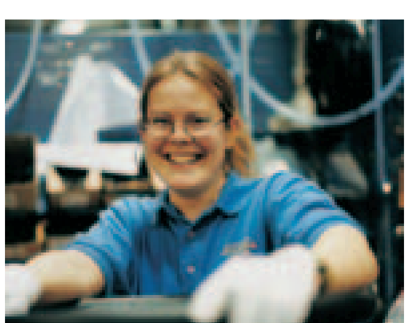
Today there are 600 persons assigned to Volvo organizations outside their home countries in 55 countries around the world, with the aim of sharing and adding expertise. This category of employees increases annually and rose dramatically following the acquisition of Mack and Renault V.I.

Diversity promotes creativity and also increases the opportunities for effective international cooperation and greater understanding. For Volvo it is important to utilize all expertise regardless of a person's gender, nationality, age and education. Volvo has programs that support the recruiting process designed to increase the diversity within Volvo.

Volvo Attitude Survey

Each year, a "Volvo Attitude Survey" is conducted among all employees in order to determine how the organization is functioning and how employees perceive their work. The Volvo Attitude Survey is a tool facilitating the internal improvement process. It does not serve primarily as a measuring





instrument but rather as the basis for development and improvement efforts by individuals and groups. The response frequency is usually in the order of 75 to 80%.

Health

The sound health of employees is of major importance, both for the individual and the company. Volvo works actively with health and the work environment. A health action plan will be developed by each company within the Volvo Group. Each manager has responsibility for their employees' work-related health.

When it comes to the working environment at the different workplaces, Volvo always applies its own standards. The working conditions must be acceptable, regardless of the situation at other plants in the country.

Employee representation

Since 1971, union representatives have been members of the Volvo Group's Board of Directors. The Group Council was set up at the same time. This council is a forum in which representatives from the company and the trade unions discuss and provide information regarding the most important current issues.

It is essential for Volvo to have a good relationship with the trade unions. This collaboration makes it easier to prepare for major changes to be made at an early stage. In those countries without union traditions, it is nevertheless important that the employees have their representatives.

In 1996, the European Group Council, known as Volvo Euro Dialogue, was set up to extend international collaboration. Every country in Europe with more than 150 Volvo employees has seats on this council.

Profit sharing

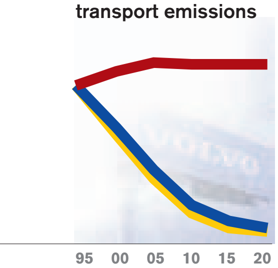
In 2000, a global profit-sharing program was implemented for Volvo employees. Profit-sharing is provided in the form of Volvo shares and the aim is to:

- promote understanding of Volvo's long-term goals.
- encourage long-term employee commitment.
- encourage employees' interest in shareholding.

The focus is on Volvo's success factors: growth, product cycle management and operating excellence. The condition for payment is a return on shareholders' equity that exceeds 10%. All employees in one country with an equal amount of working hours will receive the same amount.

There are also bonus systems for each business area, where the bonus is provided in cash in relation to the business area's results, a maximum of 6% of the annual salary.

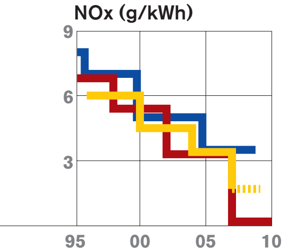
Estimated road transport emissions



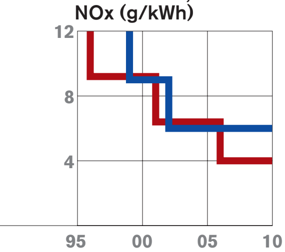
100	76	52	32	23	19
100	72	47	27	19	17
100	108	113	112	112	112

NO_x
PM-diesel
CO^2

Emission Legislation Trucks & Buses NOx (g/kWh)



Emission Legislation Offroad Applications 225–450 kW, NOx (g/kWh)



Clean and safe products

Having transport solutions as our mission means that we put ourselves constantly in the focus of discussions about environmental and safety issues. We know that about 25% of the worldwide carbon dioxide (CO_2) emissions and approximately 20% of the nitrogen oxides (NO_x) emissions are related to transports. Reports on health problems show vehicle emissions as a major source. Traffic congestion, noise and accidents add to the list of problems related to transport, but this is also a list of challenges and business opportunities.

Diesel engines and the environment

All business areas except Volvo Aero are wholly dependent on the diesel engine. It is the most fuel-efficient engine that is commercially available. The total CO_2 emissions, calculated from well to wheel, are competitive for diesel engines, also when compared with bio-based fuels at present technology and infrastructure.

Decreasing the other emissions from diesel engines is addressed by legislation and important for improving the ambient air quality. The emission levels of nitrogen oxides and Particles have decreased by 80% during the last 20 years, but there are still important steps to take with respect to engines that meet the coming EURO4 and 5 regulations. Engines for off-road and marine use now face much stricter and similar demands as on-highway engines, which the new Powertrain organization is well-equipped to meet, employing synergies between the requirements of all business areas of the Group.

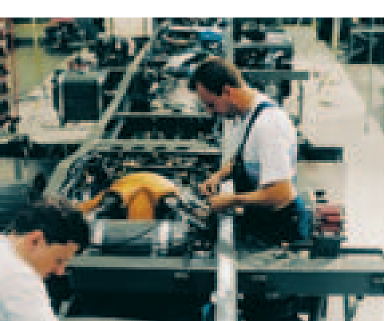
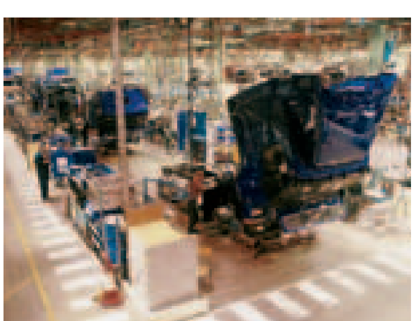
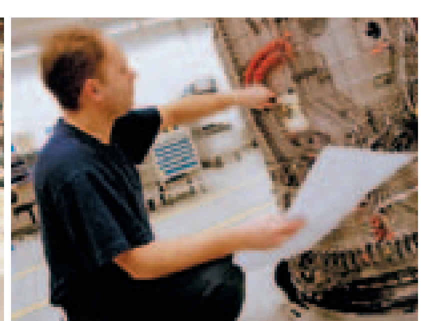
Fuel efficiency improvements are also made in many other areas than engine development, Volvo Construction Equipment has for instance reached improvements of 15% through a load-sensitive hydraulic system.

Product introductions 2001

The year 2001 was a year of major product introductions from all business areas. Common themes for the new products are increased safety, decreased emissions and the increased fuel efficiency that directly relates to our customers' business. The new FH and FM series from Volvo Trucks, the Renault Magnum truck, the new buses and coaches on the TX platform and the new construction equipment introductions are favorable examples of how the normal product renewal naturally incorporates environmental and safety improvements.

Many new features for improved safety are connected to the area of brake systems, which is of high importance for heavy trucks and buses. Electronically controlled disc brakes in conjunction with retarder and engine brake systems are used in the new trucks and buses, and adapted to the specific needs of each product. Electronic stability systems are introduced to avoid rollover and jack-knifing situations.

Another important area considered at Volvo is the protection of other road users. The front underrun protection system, known as FUPS, has now been integrated in the trucks chassis front as standard and reduces the effects of an accident with a passenger car. Road traffic is not the only area where safety issues are important, for example, the safety of construction equipment is also addressed through the design of the cab. Comfort, visibility and good working conditions have been further enhanced with the


new product introductions and contribute to the safe handling of the machines.

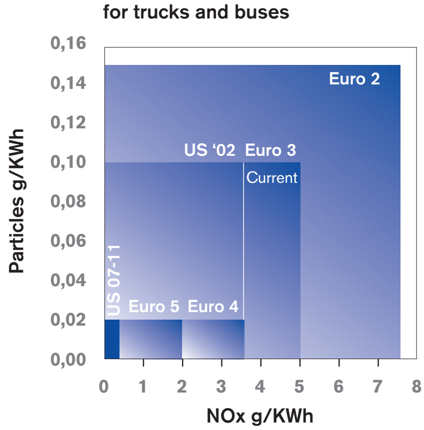
Noise from traffic and construction machines is an issue that is of growing public interest and regulations in densely populated areas. Our new products undergo certification for external noise, with a clear Volvo ambition to be ahead of legislation.

Efficient transport systems – low environmental impact

Decreasing emissions from transports is also an issue of optimizing transport flows, by minimizing empty runs and avoiding traffic jams. Volvo contributions in this field are the Dynafleet information system and an increasing program for driver training in many different market areas. Volvo Trucks as well as Volvo Buses are involved in cooperation projects with different cities, since large improvements in transport efficiency and thereby CO_2 and other emissions can only be achieved if all stakeholders in society work together on infrastructure, fuel distribution, and vehicle fleet composition.

We see a growing interest from cities for city buses that meet stricter emission standards than is set out in current legislation. The VEC (Volvo Emission Control) system provided by Volvo Buses meets the EURO4 level (law from 2005), and has gained a strong market interest.

Emission Standards
for trucks and buses



Projects for the future

A shift to non-fossil fuels is a necessity for the future. It is important to take account of the complete fuel cycle and all possible uses for the fuels when deciding the best application. For example, biogas from sewage treatment plants can be used as fuel for local bus fleets, with Volvo as a major supplier, or for heat and electricity generation, a new area for gas turbines from Volvo Aero.

The most promising biofuel for diesel engines is dimethylether (DME). Volvo Powertrain is currently developing the second generation heavy-duty DME prototype vehicles for both trucks and buses. The development of alternative powertrains continues, with laboratory evaluations of fuel cell systems as well as building prototype buses.

Unique product information

The high focus on transport and environment in the society creates a need for open and reliable information on the performance of our products. In September 2001, Volvo Trucks introduced a web-based Environmental Product Declaration, where customers and transport buyers can find information on the complete life-cycle impact of the heavy-duty trucks. A calculation of the actual environmental impact of a truck transport can be made interactively. The other business areas will also release product declarations with similar information.

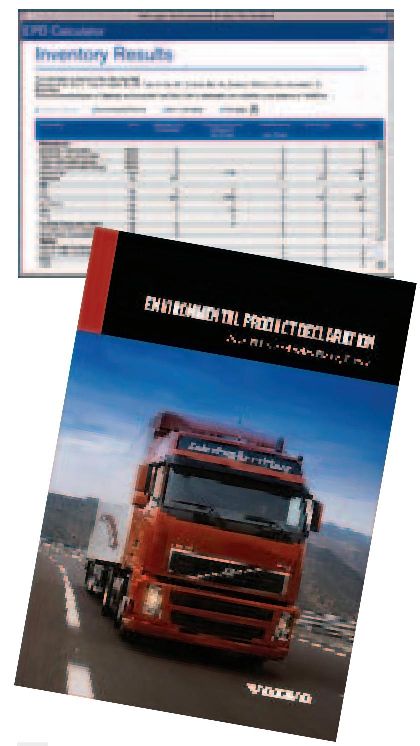
Environmental management

Environmental policy

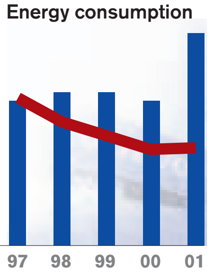
One of the most important elements for the management of environmental issues in the Volvo Group is the decision to have a single environmental policy, common to all parts of the Group. This policy is the basis for our environmental management systems, strategies and objectives, audits and activities. The

More information on the Internet

As of 2001, Volvo does not publish a separate environmental report. More detailed information, including environmental product and production data, can be found on the Internet at www.volvo.com.



Energy consumption



1.7 1.8 1.8 1.7 2.5
19.5 16.5 15.6 13.8 14.0

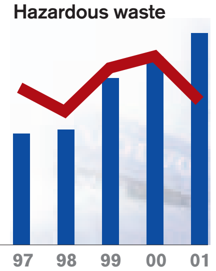
■ Energy, TWh
■ Energy/net sales, MWh/SEK M

Water consumption

7.3 5.3 6.7 6.1 9.2
84.0 49.1 57.8 51.0 50.8

■ Water, 1.000 m^3
■ Water/net sales, m^3/SEK M

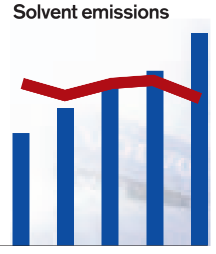
Hazardous waste



10.4 10.8 15.6 17.2 19.8
119 101 134 143 109

■ k ton
■ kg/SEK M

Solvent emissions



0.9 1.1 1.3 1.4 1.7
10.7 10.0 11.4 11.8 9.7

■ Emissions, ton
■ Emissions/net sales, kg/SEK M

approach is shared with all core values – quality, safety and environment.

A cornerstone in the Volvo environmental policy is to provide open and factual information internally and to our stakeholders. The information in the annual report is supplemented on the Internet, where detailed performance data, the Volvo positions and progress descriptions are provided.

Commitment in the value chain

The environmental aspects of Volvo's operations are primarily the emissions from our products and the production. To manage the continuous improvement that we promise in our policy, we use environmental management systems in all parts of the value chain, including both the market organizations and our suppliers. The progress of obtaining ISO 14001 certificates for our units is steady, and since Renault Trucks and Mack Trucks are now included in the Group, new certificates will be added.

Production and environment

Global presence, same values, different conditions

The Volvo Group has production sites on all continents. The size and conditions of these sites vary from small-scale production in Asia to the most modern plants with high automation in Europe and in North America. Regardless of size and location, all production units must comply with our minimum requirements of environmental performance and have an on-going improvement program. The requirements include that energy consumption, waste amounts, emissions to air and water have to be monitored, as well as specifying maximum emission levels to air and water. Most plants are well above the minimum requirements and show a steady improvement.

Environmental audits

The acquisition of Mack and Renault V.I. means that 9 new plants are being integrated in the Volvo Group environmental auditing and reporting schemes. A thorough due diligence investigation was performed during the acquisition process, and action points were identified. The cooperation with our new colleagues is proceeding very well, with mutual learning.

Since 1989, environmental audits have identified clean-up requirements that have resulted in corrective measures amounting to about SEK 52 M. Environmental risk evaluations of operations are also made in connection with the environmental audits, and Volvo has insurance coverage for possible accidental damage to nearby areas.

Production performance 2001

At the beginning of 2002, Volvo had a total of 52 plants for the production of trucks, buses, construction equipment, marine and industrial power systems, and aircraft engines, of which 16 in Sweden. All the plants have the requisite permits, which in Sweden covers waste, noise and emissions to air, water and soil. Two Swedish permits are to be renewed during 2002.

Since 1996 Volvo reports emission and consumption data in the annual report, and in a separate detailed report that is available on Internet. The 2001 data include the new Renault and Mack plants and can be found on page 108. Due to a larger Group, all parameters show increased absolute values compared to 2000. However, all parameters but sulfur dioxide and hazardous waste follow a decreasing trend in relation to net sales. The hazardous waste parameter is very dependent on changes in national rules, and sulfur dioxide emissions have increased due to limited availability of low-sulfur fuels in the newly acquired production plants.

Financial risk management

Risk policies

Volvo is exposed to various types of financial risks. Groupwide policies form the basis for each Volvo company's action program. Monitoring and control is conducted continuously in each company as well as centrally. Most of the Volvo Group's financial transactions are carried out through Volvo's in-house bank, Volvo Treasury, which conducts its operations within established risk mandates and limits. Risk related to residual values are managed by the different business areas.

Currency risk

Volvo's future flows of payments, loans and investments, and the translation of assets and liabilities in foreign subsidiaries are subject to currency risks related to changes in foreign exchange rates. Volvo's objective is to minimize the short-term impact of adverse exchange rate fluctuations on the operating income, by hedging future transactions.

The objective is also to reduce the Group's balance sheet exposure to a minimum. Volvo Group companies individually should not assume any currency risk.

Credit risk

The credit risk in customer financing is distributed among a large number of individual customers and dealers. Collateral is provided in the form of the products being financed. When issuing credit, an effort is made to balance risk exposure and expected yield. Operations are governed by common policies for credits and by rules for classifying customers. The credit portfolio is distributed properly among different categories of customers and different industries. Credit risks are managed through active monitoring and follow-up routines and, in appropriate cases, procedures for repossessing products. Allocations are also made to credit-risk reserves.

Residual-value risk

Residual-value risk is attributable primarily to contracts involving operational leasing. It comprises the risk that the leasing object, at the end of the operational leasing contract, has another residual value than foreseen when the contract was entered. This may force the lessor to dispose of products at a loss. Residual-value risks are managed within Volvo's business areas through solid knowledge of the market, knowledge of product and price trends, and programs supporting the value of second-hand products. It is Volvo's policy to provide for this exposure on a continuing basis, so that the book value of these vehicles are in line with current and anticipated future price levels on used commercial vehicles.

During 2001, Volvo has increased its provisions for residual value risks as a consequence of declining used truck prices, primarily in the US.

Interest-rate and liquidity risk in customer financing

Changes in interest rates during the period covered by a contract can affect income. Therefore the policy is to match the fixed-interest rate periods for borrowing and lending.

In a corresponding manner, the maturity of the borrowing shall correlate with the maturity of the outstanding contract. The policy is to have a minimum liquidity matching ratio of 80% for the customer finance portfolio.

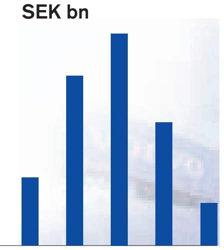
Business areas

Net sales*, SEK bn

97	98	99	00	01
88.0	107.4	115.7	118.1	120.1

* Proforma 1997–2000, see note 2

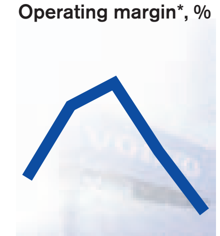
Operating income*, SEK bn



97	98	99	00	01
1.6	4.0	5.0	2.9	1.0

* Proforma 1997–2000, see note 2

Operating margin*, %



97	98	99	00	01
1.8	3.7	4.3	2.5	0.9

* Proforma 1997–2000, see note 2

Net sales as percentage of Volvo Group sales

Global Trucks

The Volvo Group's purchase of Mack Trucks and Renault V.I. in January 2001 created Europe's largest – and the world's second-largest – producer of heavy trucks. The three truck companies constitute an efficient unit, with a substantial potential for profitable growth. Combined, they can offer customers a much broader product program and access to a more comprehensive network than previously. Above all, the foundation is established for aggressive development of new trucks and services – including systems for telematics and e-commerce solutions and new forms of financing. Each of the three brands will continue to develop its unique characteristics.

Global presence

Mack, Renault and Volvo Trucks supplement each other geographically as well as productwise. Volvo Trucks has strong positions in Northern and Central Europe. Renault's most important markets are in Southern Europe. More than 90% of Volvo Trucks' production consists of heavy trucks, while Renault's lightweight and medium-heavy trucks account for more than 40% of the company's sales.

In North America, the world's largest truck market, Mack and Volvo combined have more than 20% of the market for heavy (Class 8) trucks, Mack is a strong producer of vehicles used in construction and regional transports, while Volvo concentrates largely on long-haul trucks.

Mack Trucks

Mack Trucks is one of the largest manufacturers of heavy-duty trucks and major product components in North America, with a market share of 14.3% in the Class 8 segment in the US in 2001. Since its founding in 1900, Mack has built on its reputation for strength and durability to become one of the leading heavy-duty truck brands in the North American market.

In the US, Mack is the undisputed leader in the vocational segment. In 2001, Mack launched its Granite series of heavy trucks intended for construction and vocational applications and the medium-weight distribution truck, Mack Freedom. In the highway-vehicle segment, the Mack Vision tractor is designed for use in demanding long-haul assignments, while the Mack CH model fills the need for a product that can handle heavy regional-distribution loads. A clear majority of all Mack vehicles employ drivelines manufactured in-house – a unique feature in the North American truck industry.

Mack trucks are sold and serviced in more than 45 countries. Mack also offers a wide range of other services.

Renault Trucks

Renault Trucks is one of Europe's largest truck manufacturers. It traces its origin to the Renault company that was founded in 1898 and which successfully integrated a number of French truck manufacturers, including BERLIET and SAVIEM. With a product program that ranges from light trucks for city distribution to heavy long-haul trucks and military vehicles, Renault can meet the specific requirements of all types of road transports.

In 2001, Renault had 11.9% of the European market for heavy (>16 tons) trucks, and 17.1% of the market for medium-heavy trucks between 10 and 16 tons.

07:40

Early morning light over Gamla Stan in Stockholm

There is an increasing demand for efficient, silent and environmentally friendly city transports.

The new Midlum by Renault Trucks was introduced during the autumn.

Number of vehicles invoiced	2000[1]	2001
		Trucks
Western Europe	101,098	90,460
Eastern Europe	7,045	7,581
North America	57,933	34,645
South America	5,104	5,789
Asia	6,732	6,603
Other markets	8,657	10,233
Total	**186,569**	**155,311**

1 Pro forma

Largest markets	2000		2001	Trucks
	Registered heavy trucks	Market share %	Registered heavy trucks	Market share %
Volvo Trucks				
USA	22,565	10.7	13,964	10.0
Canada	2,835	10.2	2,004	11.7
Brazil	4,032	13.8	4,209	14.1
France	6,323	13.5	5,558	12.2
Great Britain	5,784	17.7	6,052	18.3
Germany	4,689	8.2	3,941	7.7
Spain	3,326	13.0	3,553	13.6
Renault Trucks				
France	16,108	34.4	15,733	34.5
Great Britain	2,135	6.5	2,341	7.1
Germany	1,087	1.9	884	1.7
Spain	4,625	18.1	4,594	17.6
Mack Trucks				
USA	28,210	13.3	20,351	14.6
Canada	2,848	10.2	1,945	11.4

Renault Midlum, which was launched in 2001, is a highly flexible truck for medium-heavy transports that was designed specifically for city traffic. The Renault Mascott, a light truck, was introduced a year earlier.

The heavy-duty segment (>16 tons) includes the new Renault Magnum that was introduced in 2001. It is designed for long-haul transports. The Renault Premium is a versatile truck for use in both regional transports and long-haul service. The Renault Kerax, the third heavy-duty truck model, is a rugged truck designed for short construction and service transports.

Renault Trucks has a strong international presence, with 2,000 dealers and service centers throughout the world, of which 1,350 are located in Europe. These facilities offer a broad program of competitive products and services.

Volvo Trucks

Volvo began manufacturing trucks in 1928. Vehicles with total weights of more than 16 tons, all based on the company's global product platform, account for approximately 90% of the production.

More than 200,000 Volvo FH trucks have been sold since the introduction. The third generation of the Volvo FH, together with the second-generation Volvo FM, which was developed for regional transports and construction, were presented during 2001. The models have been substantially renewed, with new engines, new gear systems and a completely new driver environment, among other features.

The medium-heavy Volvo FL for local transports and the Volvo NH, which was developed for long-haul traffic and construction applications in the South American market, are other examples of products in Volvo Trucks' program. The Volvo VN, for long-haul transports, is manufactured and marketed in North America.

Volvo Trucks' products are marketed in more than 130 countries. The greater part of the company's sales take place in Western Europe and in North and South America. Volvo Trucks had 14.5% of the market for heavy trucks (>16 tons) in Europe, and 10.0% of the market for heavy trucks (more than 15 tons) in the US, in 2001.

Volvo Trucks has 250 dealers and 800 service centers in Europe. In North America, the company has 210 dealers and 440 service centers. To further improve its customers' ability to conduct competitive operations, Volvo Trucks offers a broad range of services. Dynafleet, Volvo's information-technology-based transport information system, constitutes a growing percentage of Volvo Trucks' business.

Total market

The North American heavy truck market weakened considerably during the year. Total retail sales amounted to 170,000 trucks, a decrease of 34% compared with 2000. Inventory levels were reduced from a level of 50,000 trucks at the end of 2000, to 25,000 by the end of 2001.

The total market for heavy trucks in Western Europe amounted to 237,000 trucks, 4% lower than in 2001.

The Brazilian market, which accounts for more than two thirds of the South American truck deliveries, remained strong during the year, with deliveries of heavy trucks amounting to 30,000, compared with 29,000 in 2000.

Business environment

The acquisitions of Mack Trucks and Renault V.I. were part of the restructuring that has been under way in the automotive industry for a long time. In 1965 there were 40 independent truck manufacturers in the world; today, there are fewer than ten. Deregulation and increased globalization have created very tough competition that is driving the trend toward fewer and larger transport companies with increasingly streamlined operations. As a result, demands on truck manufacturers are also growing. Large development resources and rational production are required in order to meet customers' needs in a cost-effective way.

During 2001 several mergers and cooperations were established. Navistar and Ford started a joint venture for medium-duty trucks, Cummins and Paccar signed a long-term supply agreement for heavy-duty engines, and DaimlerChrysler and Raba are to start joint production of heavy trucks.

Market development

Volvo Global Trucks' total deliveries during 2001 amounted to 155,311 vehicles, a decline of 17% compared with 2000.

In Europe, deliveries from Volvo Global Trucks amounted to 98,041, down 9%. In the medium-heavy segment, Renault's share of the market in Western Europe increased to 17.1%.

In North America, Volvo Global Trucks delivered a total of 34,645 vehicles, a decline of 40% compared with a year earlier. In South America, however, Volvo Global Trucks' deliveries rose 13% to 5,789. Volvo Global Trucks gained market share in North America in 2001. At the end of 2000, Volvo's share of the heavy truck market was 10.6% and Mack's was 12.7%. By the end of 2001, Mack's market share had risen to 14.3%, while Volvo's fell slightly to 10%.

Financial performance

Net sales amounted to SEK 120,140 M (118,114 pro forma).

The total number of orders for Volvo Global Trucks for the year 2001 was 12% below the figure for the preceding year. Orders in Europe were down by only 4%, and in North America by 35%.

Operating income, excluding restructuring costs, decreased to SEK 1,040 M (2,886 pro forma). The decrease is mainly attributable to the significant market reduction and price pressure in North America partly offset by a positive effect from the integration of the truck companies.

Cash flow for the year was positive, particularly during the fourth quarter.

Restructuring

The restructuring program announced in the first quarter of 2001 is developing according to plan and during 2001 the following actions were taken: personnel reductions as a direct result of the market decline in North America, integration of purchasing and engine development, decision to close down Mack's assembly plant in Winsboro, closure of Volvo's assembly plant in Peru, early retirement plans in Renault and dealer restructuring in the US.

As a result of these actions restructuring charges of SEK 3,106 M were reported in 2001.

Production and investments

Production of trucks in 2001 amounted to 65,450 Volvo trucks (82,010), 57,086 Renault trucks (61,158) and 21,831 Mack trucks (33,376). Production of the new Mack truck commenced during the spring, and the new Renault vehicles went into production during the autumn of 2001. The new range of Volvo trucks will be phased into production during the first quarter of 2002.

The production capacity in North America was reduced significantly in 2001, both as a result of the decision to close down Mack's Winnsboro plant but also as a result of a large number of down-days at Mack's and Volvo's plants in North America.

Investments were kept on a low level.

Ambitions for 2002

The ambition in year 2002 is to successfully and rapidly integrate the truck operations within Volvo, Renault and Mack, and to further build on the unique brand identities and product programs of the three already strong brand names. Another focused area will be to continue the implementation of the optimization programs initiated in 2001.

In spring, Mack Trucks launched the new Granite, a versatile truck for construction applications.

Net sales per market — Trucks

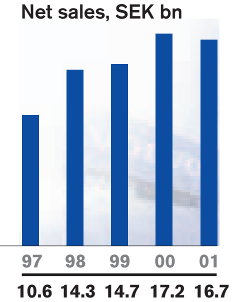
SEK M	1999	2000	2001
Western Europe	32,750	33,383	64,262
Eastern Europe	2,265	3,158	5,532
North America	22,303	17,201	33,747
South America	2,190	3,111	3,994
Asia	2,010	3,432	4,683
Other markets	1,492	1,911	7,922
Total	**63,010**	**62,196**	**120,140**

Number of trucks produced — Trucks

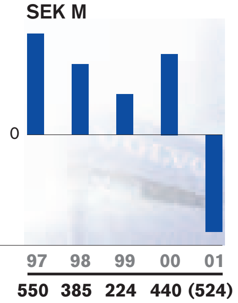
	1999	2000	2001
Volvo			
Volvo FH	25,880	32,720	28,920
Volvo VN and VHD[1]	35,440	23,400	12,860
Volvo FL7, 10, 12 and FM7, 10, 12	13,090	15,310	14,580
Volvo FL	7,040	7,890	6,690
Volvo NL and NH	3,210	2,690	2,400
Total	**84,660**	**82,010**	**65,450**
Mack			
Mack CH		13,652	7,298
Mack CL		1,089	984
Mack Vision		5,417	2,122
Mack Granite		25	1,099
Mack DM		1,162	703
Mack DMM		195	111
Mack LE		1,185	1,393
Mack MR		2,340	3,015
Mack RB		527	488
Mack RD		7,761	4,532
Mack RD8		23	86
Total		**33,376**	**21,831**
Renault			
Renault Mascott		11,982	11,373
Renault Kerax		6,834	8,003
Renault Midlum		14,792	12,809
Renault Premium		19,341	17,871
Renault Magnum		8,209	7,030
Total		**61,158**	**57,086**

1 Includes other truck models produced in the United States.

Net sales, SEK bn



Operating income, SEK M



Operating margin, %

Net sales as percentage of Volvo Group sales

Buses

Volvo Buses' product line comprises complete buses, bus chassis and bodies for various applications – city and intercity buses and coaches – and also in more specifically adapted forms such as mobile homes.

Volvo Buses has renewed its entire product range in less than four years. Most of the new models are based on TX, the company's product platform for intercity buses and tourist coaches. The introduction of platform TX is the largest industrial project ever in the history of Volvo Buses. The TX platform has made it possible to considerably reduce the number of parts used in production.

Volvo Buses has also significantly extended its range of facilities within servicing and financing, so as to be able to offer all-encompassing customer-tailored transport solutions with the best total economy. This makes it possible for the operator to predict future costs in the greatest detail. In combination with this, there is a wide range of financing alternatives such as full-service leasing.

To satisfy the requirements of customers who want a complete traffic system combined with the purchase of a fleet of vehicles, Volvo Buses provides customized comprehensive solutions in cooperation with Volvo Mobility Systems. Customers are offered planning, system design and mobile information systems for traffic control and traffic information. Volvo Buses has extensive experience of system solutions for high-capacity public transport. In 2001, a new, efficient transport system involving separate traffic lanes and platforms for boarding and disembarking from the bus was introduced in Bogota, Colombia.

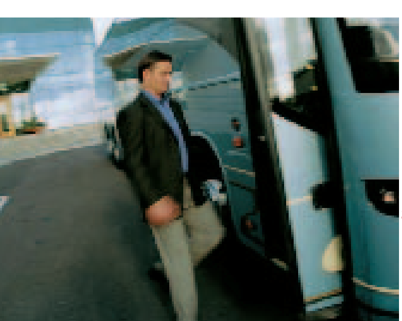
Total market

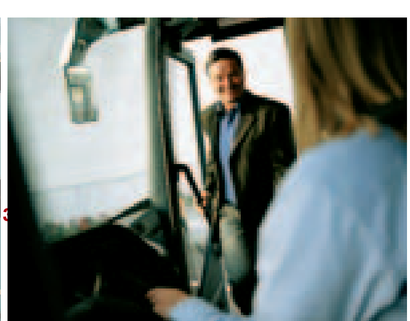
The overall market for heavy buses decreased during 2001. The traditionally strong Volvo markets, for example the US and UK, were affected adversely by the general downturn in the economy, which was accelerated by unexpected events. The terror attacks in September, the foot and mouth epidemic in the UK and the difficulties in the Middle East affected travel patterns and tourism with a resulting negative effect on coach markets in Europe and North America. South America also experienced a slowdown, emphasized by financial developments in Argentina.

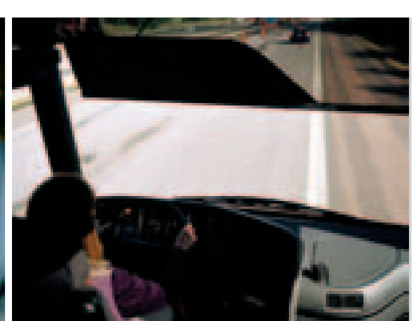
Business environment

Within OECD, deregulation and privatization have altered the operating conditions for many operators. New actors are penetrating and conquering previously closed areas, and competition between companies is increasing. There is a move towards fewer and larger operators, who impose high demands on good economic overview and better potential for focusing on their core operations. They demand from suppliers of transport solutions first-class total solutions that encompass vehicles, as well as service and financing arrangements. Moreover, Volvo Buses must satisfy operators' fundamental requirements for products offering a higher degree of reliability, increased uptime and lower operating costs.

In terms of competitors, Iveco agreed to acquire the shares owned by Renault in Irisbus during 2001. MAN acquired







13:26

Visiting Göteborg, Sweden for the first time

Highly efficient systems for public transport are an integral part of modern infrastructure.

Number of vehicles invoiced			Buses
	1999	2000	2001
Western Europe	3,430	3,870	2,899
Eastern Europe	200	124	216
North America	3,640	3,869	3,128
South America	710	980	1,009
Asia	1,000	1,659	2,209
Other markets	520	513	492
Total	**9,500**	**11,015**	**9,953**

Largest markets				Buses
	Registered buses		Market share, %	
	2000	2001	2000	2001
Mexico	1,620	1,660	16.0	16.1
USA[1]	1,520	1,110	n/a	n/a
China with Hong Kong[1]	450	930	n/a	n/a
Great Britain	1,230	890	48.6	38.7
Iran	560	600	n/a	n/a

1 Deliveries from factory.

Net sales per market			Buses
SEK M	1999	2000	2001
Western Europe	5,735	6,767	6,263
Eastern Europe	226	182	373
North America	6,871	7,723	6,847
South America	469	732	757
Asia	943	1,269	1,839
Other markets	469	514	596
Total	**14,713**	**17,187**	**16,675**

Neoplan and formed Neoman. In North America, Thomas Built, Orion and Setra were reorganized into the DaimlerChrysler Commercial Group.

Market development

The deliveries of buses from Volvo amounted to 9,953 (11,015) units during 2001, 10% less than in 2000. The decline was attributable mainly to lower volumes in the Nordic area, UK, the US and Canada. This was compensated in part by a strong development in China and Mexico.

The tough market conditions in Europe, the US and Canada resulted in increased price competition, which affected Volvo's market share negatively. Volvo's intention to stay out of unprofitable deals resulted in a negative effect on the market share development in continental Europe, the US and Brazil. Asia, and in particular China, showed strong development.

At the end of December, order bookings were at the same level as a year earlier. A major positive development was posted in the Nordic region during the fourth quarter of 2001 with sizeable orders to some major customers, which means that the utilization in the European industrial system will be significantly improved.

Financial performance

Net sales in 2001 declined to SEK 16,675 M (17,187). Volvo changed ownership in the joint venture in North America from 51% to 50%. As a consequence, Prévost and Nova are consolidated using the proportionate method as of October 1, 2001, which has affected the sales value and the operating income. The effect was limited.

The operating loss, excluding restructuring costs was SEK 524 M compared with an operating income of SEK 440 M in 2000. The main reasons for the loss are the lower deliveries in Europe and North America and, as a consequence of the reduced volume, a low capacity utilization in the production facilities in the same markets. Important investments in the product development and launch of the TX-platform also represented a significant cost during 2001. A notably positive development in cash flow was attained through tight capital control of inventories and receivables.

Production and investments

During the year Volvo produced 10,167 (11,244) buses and bus chassis, of which 43% were complete buses. The degree of utilization in the production system in Europe and North America was affected by the downturn in the market. Volvo has gradually throughout 2001 taken measures to adapt the cost structure to the prevailing order situation. Major reductions in the workforce were made successively both in Europe and in North America. The Nova Bus operations in Roswell, US, was announced to be either divested or closed down during 2002 and, as a consequence, a restructuring charge of SEK 392 M, was recorded.

The introduction of the TX-platform provides Volvo with one of the most modern product ranges in the bus industry including complete buses and chassis for city and intercity traffic as well as coaches, which meets customers and environmental demands as well as internal requirements for production efficiency.

Volvo has also started up production of luxury coaches in the Volvo factory in India during 2001.

Ambitions for 2002

To meet the developments in the industry and the market the process of exploiting existing strengths and building for the future continues. A quick turnaround focusing on the key areas in this process as capitalize on the excellent product range, reduced product costs based on more efficient production processes, strengthened structure and improved assets management.

Construction Equipment

Volvo Construction Equipment (Volvo CE) is one of the world's leading manufacturers of construction equipment, with production on four continents and sales in more than 100 countries. The company has held strong positions in North America and Europe for many years and is now extending its presence in Asia, South America and Eastern Europe. Volvo CE's products are used in a number of applications, such as construction, forest industry, demolition, waste handling and mining.

The product range comprises wheel loaders, excavators, motor graders and articulated haulers. In addition, Volvo CE manufactures compact wheel loaders and compact excavators. Volvo CE also offers solutions for financing and leasing, renting and sales of used machines.

Total market

The total combined world market for heavy construction equipment and compact equipment declined by 7% during 2001, compared with the preceding year. In North America the downturn was 7% and in both Europe and international markets the decrease was 7%.

The market for heavy construction equipment declined by about 8% in 2001, of which North America showed a decline of 10%, Europe approximately 6% and other markets about 8%.

For compact equipment, the market fell about 6% during the year, of which Europe represented a decline of 6% and other markets 7% in part offset by an increase of 1% in North America.

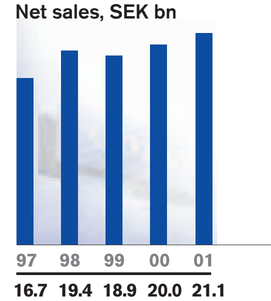
Business environment

As a result of a flattening-out in demand and decreasing volumes there has been increasing price pressure throughout the industry. Another factor affecting the industry is the shift in product mix, since the compact market is growing more than the heavy equipment market. Consolidation within the construction equipment industry started later than in the truck business but has picked up in recent years and this is expected to continue. Volvo has been part of this consolidation and will continue to play an active role when opportunities arise. In 2001, Volvo CE acquired the telehandler business from UpRight Inc. and the skidsteer loader business from Textron's subsidiary OmniQuip. Discussions regarding future cooperation between Volvo and Komatsu in the production and development of construction equipment components was also initiated in 2001.

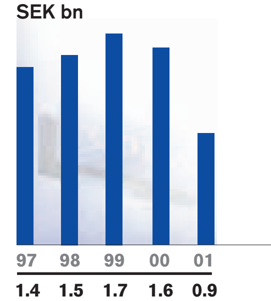
Also during 2001, CaseNewHolland (71% owned by Fiat) entered a global alliance with Kobelco of Japan. Deere and Hitachi integrated its marketing operations in North, Central and South America and also established a joint venture for wheel loaders in Japan and Asia.

In December, Volvo CE announced the development of its own and completely new range of backhoe loaders.

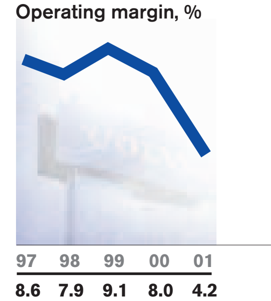
Net sales, SEK bn



Operating income, SEK bn



Operating margin, %



Net sales as percentage of Volvo Group sales

Net sales per market
Construction Equipment

SEK M	1999	2000	2001
Western Europe	9,901	10,029	10,326
Eastern Europe	193	255	341
North America	5,725	5,823	6,145
South America	498	776	847
Asia	1,903	2,484	2,773
Other markets	662	626	703
Total	**18,882**	**19,993**	**21,135**

Market development

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

The value of the order bookings as of December 31, 2001 was 12% lower than on the same date in 2000. The order situation is mainly due to lower market demand.

The market in Western Europe continued to be the largest single market with 49% of sales, North America accounted for 29% of sales, Asia represented 13% and the rest of the world 9%.

Financial performance

Volvo CE's net sales increased to an all-time-high of SEK 21,135 M (19,993), an increase of 6%. The increase in sales is mainly related to currency effects, successfully launched products and increased market shares. Operating income in 2001, excluding restructuring costs, was SEK 891 M (1,594) and operating margin 4.2% (8.0). Restructuring costs of SEK 364 M were reported in 2001, relating to a redundancy program and to the restructuring of the operations in Asheville in the US. As a consequence, 900 employees left the company during 2001.

Production and investments

A number of new products were successfully launched in 2001, including the new articulated haulers, A25D and A30D, the new L220E wheel loader and a completely new range of backhoe loaders was announced. The new backhoe will be produced in Poland and it was shown to customers for the first time at the ConExpo fair in March 2002. The new products were received very favorably by dealers, customers and the trade press.

In 2001, Volvo CE acquired the design and manufacturing rights to the telehandler business from UpRight and the skidsteer loader business from Textron. Both product ranges will be redesigned, branded Volvo and marketed globally. The range of skidsteer loaders will hit the market during the autumn of 2002. Sales start for the new telehandler is expected in 2003.

In order to reduce the breakeven level and to increase the efficiency of Volvo CE's Swedish wheel loader operation, a proposal was made in October 2001 to move the assembly from Eskilstuna and concentrate the production of wheel loaders in Sweden to the plant in Arvika. It was also decided to close down and outsource the fabrication part of the operations in Asheville in the US.

Ambitions for 2002

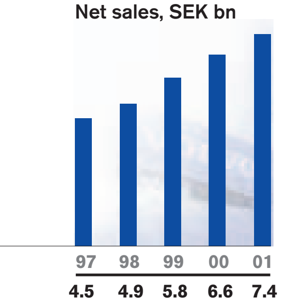
It is anticipated that the decline in the world market will continue in 2002. Volvo CE's ambition is to build on its strong products and services and increase its share of the market. A continued focus will be to balance the softening market demand, with cost reductions in all areas. At the marketing level, the company has taken steps to reinforce the relationship with dealers under a program called "Partners for Profit."

11:40

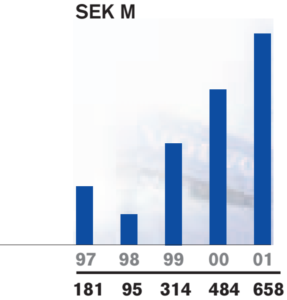
Lunch-break at Continental Cement, Fort Lauderdale

Reliable products with high productivity are essential tools in the construction industry.

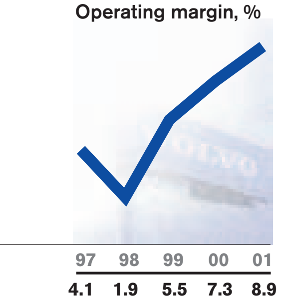
Net sales, SEK bn



Operating income, SEK M



Operating margin, %



Net sales as percentage of Volvo Group sales

Volvo Penta

Volvo Penta is a world-leading and global manufacturer of engines and complete power systems for both marine and industrial applications. The company serves customers in all parts of the world, primarily within three areas of activity: Marine Leisure, Marine Commercial and Industrial.

Based on a platform of the Volvo Group's large production volume of engines, Volvo Penta develops high-performance power products for a variety of application areas, including leisure boats, workboats, power-generating equipment and forklifts.

By supplying technologically superior products focused on performance and operational reliability, and sensitivity to customer demands on effective service solutions, Volvo Penta has developed a global leadership position as a supplier of engines and power systems, and one of the industry's strongest brands. With more than 5,000 dealers in some 130 countries, Volvo Penta has a unique strong global presence.

Volvo Penta has extended its product range in all business segments through a number of successful introductions during the past years. The activity levels for new product introductions will remain high, with launches over the next few years resulting in a renewal of the existing range. In 2001 Volvo Penta increased its sales and captured new market shares in marine leisure with the new 3-liter KAD300 diesel engine, which has generated very strong demand among boat builders in all parts of the world. During the year Volvo Penta also successfully launched the new D2-55 diesel engine for sailboats.

Efforts to strengthen Volvo Penta's industrial product range included the introduction of a new 12-liter diesel engine and 5- to 7-liter engines for mobile applications. In the marine commercial segment, Volvo Penta has extended its customer offering up to 2000 horsepower output, which has generated new business opportunities for both propulsion and auxiliary engines.

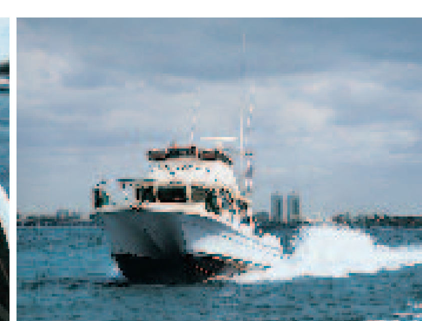
Total market

The world market for marine and industrial engines weakened toward year-end, primarily due to the slowdown in the global economy. Total demand in Europe remained strong, however, while the total market in North America decreased significantly. Total volumes for industrial engines in Asia and the Middle East remained strong. In Brazil, the market for diesel engines for generator sets increased following a temporary energy crisis in the country.

Business environment

The consolidation in the boat building industry continued during the year. Independent boat builders have strengthened their positions in the market and Volvo Penta has managed to increase its market shares in this business environment.

The trend is similar in the industrial engine business with independent genset manufacturers gaining market shares from engine manufacturers that delivers complete gensets.



14:30

Ron and Marion leaving Miami for an afternoon cruise

Marine power systems with high reliability are a matter of safety at sea.

Net sales per market			Volvo Penta
SEK M	1999	2000	**2001**
Western Europe	2,986	3,204	3,789
Eastern Europe	26	30	38
North America	1,770	2,257	2,175
South America	134	160	213
Asia	692	794	988
Other markets	153	154	177
Total	**5,761**	**6,599**	**7,380**

In the marine leisure industry, Yanmar is expanding its diesel range to larger engines and moving further into Volvo Penta's traditionally strong segments. Caterpillar has introduced a new 700-hp diesel engine series which also will increase the competition in the marine leisure industry.

Market development

During the year Volvo Penta reported increased market shares in all business segments. Volvo Penta strengthened its already very strong positions among boat builders in Europe and in North America. Sales of Volvo Penta's industrial engines rose, resulting in a substantial increase in shares of the growing industrial engine markets in China and Saudi Arabia.

Volvo Penta's strategy to remain an independant engine supplier and to focus on key customers contributed significantly, as well as the expanded product range, to maintaining continued strong sales despite the weaker total markets.

Financial performance

Net sales in 2001 totaled SEK 7,380 M (6,599), and operating income amounted to SEK 658 M (484), an all-time-high in the history of Volvo Penta. Operating margin for 2001 was 8.9% (7.3). The continued strong increase in sales, combined with cost control and favorable currency exchange rates, contributed to the earnings improvement in 2001.

Production and investments

There was high utilization of capacity in Volvo Penta's plant in Vara, Sweden for production of 3- and 4-liter diesel engines. The gasoline engines are being produced in Lexington, Tennessee, US. Volvo Penta also has a diesel engine assembly factory in Wuxi, China, inaugurated in 2000. This factory, owned jointly with Wuxi Diesel Engine Works, will be an industrial hub for the Asian region. Volvo Penta has been approved to extend its Chinese engine import license to include marine commercial engines, which will create new business opportunities and add volume to the already existing industrial engine business in China.

Ambitions for 2002

In 2001, Volvo Penta continued the product renewal which will be completed in the next few years. The Asian business will continue to expand and customer service in the region will be further developed through an extended dealer network. In the Parts segment, the newly launched e-commerce interface, the Volvo Penta Partner Network, will be implemented on a global basis and new functions will be introduced. In North America, Volvo Penta will continue to expand its diesel engine business and, based on the established distribution network, develop engine sales to the mobile off-road market.

Volvo Aero

Volvo Aero develops and manufactures high-technology components for commercial aircraft and rocket engines. Aero also develops, manufactures and maintains military engines for the Swedish Air Force. Volvo Aero offers a wide range of services, including sale of parts for aircraft engines and aircraft, sale and leasing of aircraft engines and aircraft, overhaul and repair of aircraft engines, and asset management. In addition, Volvo Aero develops, produces and provides aftermarket services for gas-turbine engines and systems.

The company's businesses are based on close cooperation with partners and on selective specialization in order to be truly competitive. This is mirrored in the business concept "Specialized for Partnership" and the vision of being the "Best Partner." Volvo Aero operates in Sweden, Norway and the US.

Total market

The terror attack on September 11 had dramatic consequences for air traffic in the world, particularly within as well as to and from North America. A gradual recovery was noted in air travel toward the end of the year, but levels were clearly lower than earlier. The fourth quarter was characterized by continued major economic problems for most airlines, which were forced to ground aircraft and reduce personnel to adapt to the lower demand. Among the exceptions were a few discount carriers that, in contrast, could report passenger increases.

As a direct effect of the airlines' economic crisis, new aircraft orders were cancelled during the last quarter and the large aircraft manufacturers Boeing and Airbus were forced successively to lower their forecasts for aircraft deliveries. During 2001, the two companies delivered a total of 852 aircraft, but the current projections are for a decline to about 675 aircraft in 2002.

The decline in air travel also affects the spare parts market to a great degree as well as the need for engine overhauls, two other areas in which Volvo Aero is active.

Business environment

Many airlines were already facing a difficult financial situation prior to the terrorist attacks of September 11, although the situation then grew urgent. The sharp decline in air travel following the terrorist attacks led to substantial losses in earnings thus seriously worsening the financial problems of the airlines.

These developments impacted heavily on all companies linked to the airline industry, including manufacturers of aircraft and engines as well as service and maintenance companies, whose market diminished drastically as air travel declined and many aircraft were grounded. In total, it is estimated that more than 200,000 employees within the airline industry were given notice of dismissal during 2001. Volvo Aero in Trollhättan and Volvo Aero Services in the US have been forced to serve notice to 380 persons.

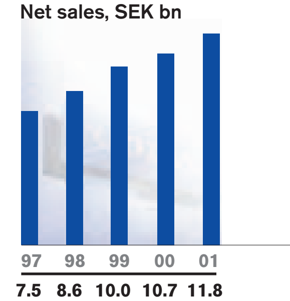
Market development

The decline in aircraft production affects Volvo Aero, whose largest business area manufactures components and spares parts for commercial aircraft engines. Orders received were lower during the last quarter of the year, but the value of Volvo Aero's order backlog was 23% higher at the end of 2001 than in the preceding year as a result of favorable order bookings at the beginning of 2001.

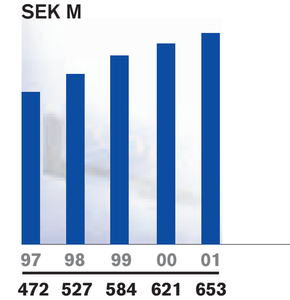
Financial performance

Net sales for the full year amounted to SEK 11,784 M (10,713) and operating income

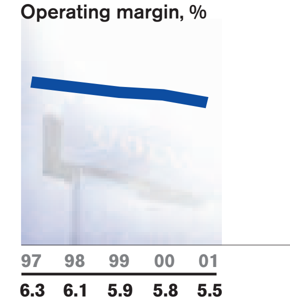
Net sales, SEK bn



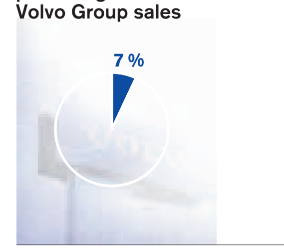
Operating income, SEK M



Operating margin, %



Net sales as percentage of Volvo Group sales



In May 2001, Volvo Aero signed an agreement to become a partner in two of Rolls-Royce's engine programs, the Trent 500 and the Trent 900.

Net sales per market			Aero
SEK M	1999	2000	2001
Western Europe	4,560	4,651	4,788
Eastern Europe	16	42	87
North America	4,557	5,040	5,841
South America	193	134	187
Asia	491	701	708
Other markets	136	145	173
Total	**9,953**	**10,713**	**11,784**

was SEK 653 M (621), which means that for the fifth consecutive year Volvo Aero could report a record, in terms of sales as well as operating income.

The decline in air traffic after September 11, 2001, had an effect on income during the last quarter of the year as the aviation industry aftermarket declined. Volvo Aero Services (which mainly purchases and sells spare parts for aircraft and aircraft engines) and Engine Services (which overhauls engines) were affected by the decline.

Aerospace Components (which produces components and spare parts for new aircraft engines) continues to report full production in its plants and, accordingly, can report continued favorable profitability. However, during the second half of 2002 a sharp decline in workload is anticipated, as a result of which the company announced a preliminary lay-off notice to 310 employees in Trollhättan. Volvo Aero Services, headquartered in Florida, released about 70 of its 350 employees during the autumn, closed its warehouse in New York and discontinued its operations in Ireland.

Production and investments

During 2001, Volvo Aero signed a strategically important agreement to become a risk-and-revenue sharing partner in two of Rolls-Royce's engine programs, the Trent 500 and the Trent 900. For Volvo Aero, this was the largest investment ever made in an engine series.

Through an agreement with the world's largest airline, American Airlines, Volvo Aero Services obtained the right to sell the surplus of American Airlines' spare parts. Volvo Aero Services already held the exclusive right to sell the spare parts surplus for all of Boeing's commercial aircraft models.

Volvo Aero and the Swedish Space Corporation established a joint company, (ECAPS) for the development of an environmentally friendly fuel for satellites and rockets. During the year, Volvo Aero was also selected by Pratt & Whitney to become its strategic partner in the development of its new RL60 rocket engine. At the same time, the decision entails a breakthrough for Volvo Aero's "sandwich nozzle," an entirely new and patented manufacturing technology.

Ambitions for 2002

The entire airline industry is currently repositioning itself for a period of lower demand. During this decline, Volvo Aero will endeavor to increase its market shares and to strengthen the position of the company in both the components and service segments.

With regard to the latter, efforts are currently under way across business areas within aftermarket services with the goal of becoming a Multi-Service Provider for the airlines.

In engine overhaul, a strategic focus is being made, comprising the large JT8 and JTD9 engines, among others. A major order from Pratt & Whitney, secured in the autumn of 2001, shows that the company is on the correct path.

Following the decision by the Hungarian government to lease 14 Gripen aircraft from Sweden, the Czech government has decided to initiate negotiations for the acquisition of 24 new Gripen aircraft. Volvo Aero supports Saab/BAE's efforts to secure this and other export orders for Gripen. During 2002 and 2003, Poland, Austria, Brazil and other countries are expected to reach decisions regarding military aircraft investments.

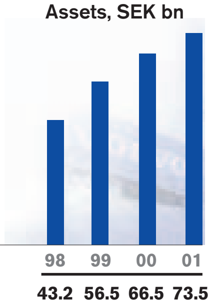



14:00

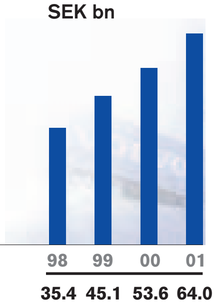
Preparing for take-off, heading for Stockholm

More than 80 percent of all commercial aircraft engines contain components from Volvo Aero.

Assets, SEK bn



Credit portfolio, SEK bn



Return on shareholders' equity, %

Market penetration, %

Financial Services

Financial services are a significant part of Volvo's strategy for becoming the world's leading provider of commercial transport solutions. To that end, in early 2001 Volvo formed Volvo Financial Services (VFS) as a separate business area by uniting the Group's customer finance, treasury, insurance, real estate and related services companies. In elevating VFS to the status of a new business area within Volvo, Volvo addressed the market's growing need for customer-focused, integrated financial solutions. As a diversified financial services company, VFS is dedicated to enhancing the competitiveness of Volvo and its dealers, thereby increasing shareholder value.

During 2001, VFS sharpened its financial strategies, streamlined its organization and strengthened its management capabilities. From a strategic perspective, a series of building blocks were implemented to enhance VFS's global performance. Chief among these were a streamlined organizational structure, a new pricing model, and an emphasis on global risk management and operational efficiency. It is anticipated that these various moves will provide VFS with a platform for controlled growth and improved profitability in the years ahead.

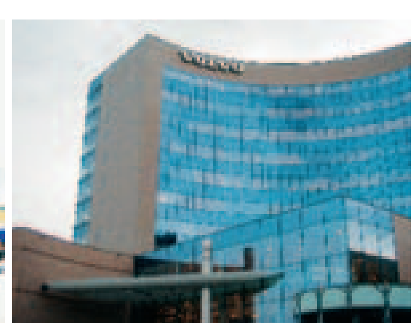
The customer in focus

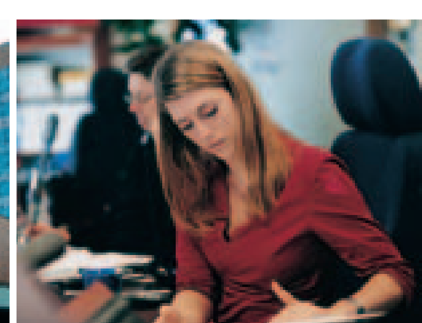
Volvo's customer-financing operations cover Europe, North America, Australia and parts of South America and Asia. During 2001, the financial offering has been expanded to include Renault and Mack trucks. Customer financing is primarily truck-related, although buses, construction equipment, Aero and Penta financing are included to an increasing extent. The range of financing services includes installment contracts, financial leasing, operational leasing and dealer financing. In most markets, insurance, service and maintenance contracts are also offered separately or in combination with financing services.

Operations continued to expand during 2001. Since year-end 2000, the credit portfolio has grown by SEK 10 billion, amounting to SEK 64 billion at year-end 2001. Excluding currencies, the portfolio growth was 9% (14). Some 66% of the portfolio was related to Volvo truck financing, 15% to bus financing and 14% to construction equipment financing. The remaining 5% is related to financing of Renault, Mack and the other business areas. Geographically, about 21% of the customer finance portfolio is related to the US truck market. Future growth within VFS is expected mainly from financing Mack and Renault products along with increased financing opportunities within Volvo's other business areas. The credit portfolio consisted of approximately 124,000 contracts of which approximately 97,000 related to Trucks.

The total volume of new financing in 2001 amounted to SEK 22.6 billion (20.6), of which SEK 14.8 billion (15.5) or 66% (75) pertained to financing of Volvo trucks. 30% (29) of all new Volvo trucks sold in 2001, in markets where VFS offers financing, were VFS financed.

Volvo's insurance operations continued to show strong development during the year throughout both North and South America. The North American insurance operations offer transport-related insurance solutions to





its customers. Together with Volvo Action Services, an integrated claim process is offered in the US, which minimizes customers' downtime in case of accidents.

Danafjord, VFS's real estate company, saw a further expansion in 2001. The operation mainly covers the leasing and development of commercial real estate in Göteborg, Sweden and corresponds to about 20% of the total real estate holdings of Volvo. There is also an agreement with Ford to administer the real estate of Volvo Car Corporation in Göteborg. The occupancy rate at the end of the year was 98% (95), and 61% (56) of the total leasing was for tenants outside of the Volvo Group. 41% (40) of the lease agreements run for five years or more.

Volvo Treasury's value added is generated through management of the Volvo Group's assets and liabilities, and foreign exchange operations. During the year, Volvo Treasury placed high focus on creating competitive funding solutions for the customer financing companies. The integration of Renault and Mack into the Group's financial infrastructure was also a major activity.

Financial performance

Operating income amounted to SEK 325 M (1,499) and was stable in the European customer-financing companies. However, operating income was negatively affected by increased credit losses from truck financing in North America. At the same time, income from operations in South America and Eastern Europe was higher than in prior years.

Provision is made for both credit risks and residual-value risks to the degree that residual-value risks are attributable to the customer-financing companies. For customers unable to fulfill their contractual obligations, specific provisions for credit risks are made based on an individual assessment of each contract. In addition, in accordance with established policies, provisions are made for estimated credit-losses for each customer-financing company.

At the end of December, total credit reserves amounted to 2.9% of the credit portfolio compared with 2.3% at the end of December 2000. The total write-offs for 2001 amounted to SEK 823 M (411).

Ambitions for 2002

In 2002, VFS will place emphasis on measuring and improving the performance of its customer finance portfolio, growing organically from the Mack and Renault brands, building closer ties with key customers, developing new IT and e-commerce systems and improving productivity. The effects of the economic climate will continue to be monitored so that financial risks and opportunities can be professionally managed.

Condensed income statement

SEK M	1999	2000	2001
Net sales	8,637	9,678	9,495
Income after financial items	**1,066**	**1,499**	**325**
Taxes	(316)	(471)	10
Net income	**750**	**1,028**	**335**

Distribution of credit portfolio, net

%	1999	2000	2001
Commercial products			
Operational leasing	25	23	23
Financial leasing	29	28	27
Installment contracts	29	34	36
Dealer financing	16	14	14
Other customer credits	1	1	0

Group Management

1 Leif Johansson
Born 1951. Master of Engineering. President of AB Volvo and Chief Executive Officer of the Volvo Group since 1997. With Volvo since 1997. Board member: Bristol-Myers Squibb Company, Confederation of Swedish Enterprise and Swedish Metal Trades Employers' Association. Member of the Royal Swedish Academy of Engineering Sciences. Member of Volvo Board since 1997.

Holdings: 36,700 Volvo shares, including 30,000 Series B shares. 63,866 options.

2 Lennart Jeansson
Born 1941. Master of Business Administration. Executive Vice President of AB Volvo since 1990 and Deputy CEO since 1995. Member of Group Executive Committee since 1986.

President of Volvo Car Corporation, 1990–1993. With Volvo since 1966.

Board Chairman: Stena AB.

Board member: Atlas Copco AB, Bilia AB and Stena Metall AB.

Holdings: 29,487 Volvo shares, including 28,625 Series B shares. 33,386 options.

3 Jorma Halonen
Born 1948. Bachelor of Science in Economics. President of Volvo Truck Corporation since June 2001. Prior to that various positions at Scania 1990–2001. Member of Group Executive Committee since January 2002. With Volvo since 2001.

Holdings: none.

4 Philippe Mellier
Born 1955. Bachelor of Engineering and Master of Business Administration. President of Renault V.I. since 2000. Senior Vice President, Market Area Europe, Renault S.A. 1999–2000. Prior to that a long career at Ford Motor Company. Member of Group Executive Committee since January 2002. With Volvo since 2001.

Holdings: none.

5 Michel Gigou
Born 1946. Bachelor of Engineering and Master of Business Administration. President of Volvo Trucks North America since 2000 and Chairman of Mack Trucks, Inc. President of Mack Trucks, Inc. from 1996 to 2000. Previously at Renault S.A, with various positions in Europe. Member of Group Executive Committee since January 2002. With Volvo since 2000.

Holdings: none.

6 Jan Engström

Born 1950. Master of Business Administration. President of Volvo Bus Corporation since January 1999. Member of Group Executive Committee since 1993. Senior Vice President of AB Volvo, responsible for economy and finance, 1993–1998. With Volvo since 1973.

Holdings: 1,196 Volvo shares, including 914 Series B shares. 32,257 options.

7 Tony Helsham

Born 1954. Bachelor of Engineering. President of Volvo Construction Equipment since 2000. Member of the Group Executive Committee since 2000. President and CEO of Euclid Hitachi Heavy Equipment 1995–1998. President of Volvo Construction Equipment Korea, 1998–2000. With Volvo since 1985.

Holdings: 8,268 options.

8 Staffan Jufors

Born 1951. Master of Business Administration. President of AB Volvo Penta since 1998. Member of Group Executive Committee since 1998. With Volvo since 1975. Board member: EBP AB.

Holdings: 1,225 Volvo shares, including 194 Series B shares. 27,661 options.

9 Fred Bodin

Born 1947. Bachelor of Laws. President of Volvo Aero AB since 1997. Member of Group Executive Committee since 1993. General Counsel for Volvo Group, 1988–1997. With Volvo since 1981.

Holdings: 702 Volvo Series A shares. 29,137 options.

10 Salvatore L Mauro

Born 1960. Bachelor of Science in Accounting. President of Volvo Financial Services since 2001. Member of Group Executive Committee since 2001. President of Volvo Car Finance Europe 1999–2001. With Volvo since 1985.

Holdings: 1003 American Depositary Receipts (ADRs) of AB Volvo.

11 Lars-Göran Moberg

Born 1943, Master of Engineering. President of Volvo Powertrain since June 2000. Member of Group Executive Committee since May 2001. With Volvo since 1995.

Holdings: 5,760 Volvo shares, including 5,652 Series B. 1,381 options.

12 Stefan Johnsson

Born 1959. Master of Business Administration. Senior Vice President of AB Volvo. Member of Group Executive Committee since 1998, responsible for economy, finance, strategic matters and business development. President of Volvo Group Finance Sweden, 1994–1998. With Volvo since 1987.

Holdings: 35,506 options.

13 Eva Persson

Born 1953. Master of Laws. Senior Vice President of AB Volvo. Member of Group Executive Committee since 1997, responsible for legal, tax and security matters. With Volvo since 1988. Secretary to AB Volvo's Board since 1997.

Holdings: 329 Volvo shares, including 200 Series B shares. 27,323 options.

14 Per Löjdquist

Born 1949. Senior Vice President of AB Volvo. Member of Group Executive Committee since 1997, responsible for corporate communications and investor relations. With Volvo since 1973. Board member: Västsvenska Handelskammaren, Aktiefrämjandet, BIORA AB and Nilörngruppen AB.

Holdings: 3,224 Volvo shares, including 50 Series B shares; 33,484 options.

15 Tryggve Sthen

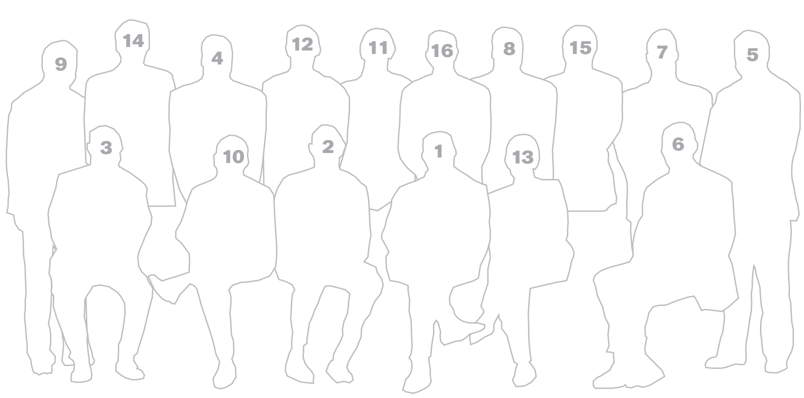
Born 1952. Master of Engineering. Senior Vice President of AB Volvo. President of Volvo Global Trucks between January 2001–January 2002. President of Volvo Truck Corporation between June and December 2000. President of Volvo Construction Equipment Corporation 1998–2000. Member of Group Executive Committee since 1998. With Volvo since 1997.

Holdings: 30,721 options.

16 Karl-Erling Trogen

Born 1946. Master of Engineering. Senior Vice President of AB Volvo. Member of Group Executive Committee since 1994. President of Volvo Truck Corporation 1994–2000. President of Volvo Trucks North America, 1991–1994. With Volvo since 1971. Board member: Kalmar Industries AB, Wilson Logistics Holding AB.

Holdings: 12,434 Volvo Series B shares. 42,316 options.



Board of Directors and Auditors

Board members elected by Annual General Meeting

1 Lars Ramqvist
Chairman. Born 1938, Doctor of Philosophy, Hon. Dr. of Technology.
Board Chairman: Telefonaktiebolaget L M Ericsson and Skandia. Board member: AstraZeneca and Svenska Cellulosa Aktiebolaget SCA. Member of the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences.
Member of Volvo Board since 1998.
Holdings: 1,000 Volvo Series A shares.

2 Per-Olof Eriksson
Born 1938, Master of Engineering, Hon. Dr. of Technology.
Board Chairman: SAPA AB, Svenska Kraftnät, Thermia AB and Odlander, Fredriksson & Co. Board member: Sandvik AB, AB Custos, Svenska Handelsbanken, SSAB Svenskt Stål AB, Preem Petroleum AB, Skanska AB and Assa Abloy. Member of the Royal Swedish Academy of Engineering Sciences.
Member of Volvo Board since 1994.
Holdings: 6,000 Volvo shares, including 1,000 Series B shares.

3 Patrick Faure
Born 1946. Bachelor of Law.
Executive Vice President of Renault S.A. and Chairman and CEO of Renault F1 1991. Chairman and CEO of Renault V.I. 1998–2001. With Renault since 1979.
Board chairman: Renault F1.
Board member: VINCI.
Member of Volvo Board since 2001.
Holdings: 2,000 Volvo Series B shares.

4 Tom Hedelius
Born 1939, Master of Business Administration, Hon. Dr. of Economics.
Board Chairman: Bergman & Beving AB. Vice Chairman: Telefonaktiebolaget LM Ericsson, AB Industrivärden, Addtech AB and Lagercrantz Group AB. Honorary chairman: Svenska Handelsbanken. Board member: Svenska Cellulosa Aktiebolaget SCA.
Member of Volvo Board since 1994.
Holdings: 2,000 Volvo Series A shares.

5 Leif Johansson
Born 1951, Master of Engineering.
President of AB Volvo and Group Chief Executive Officer.
Member of Volvo Board since 1997.

6 Finn Johnsson
Born 1946, Master of Business Administration.
Board Chairman: MVI Ltd, Region Väst Handelsbanken, Wilson AB, Thomas Concrete Group and Bilisten. Board member: Skanska AB, Kalmar Industries AB and Industrivärden. President of Mölnlycke Health Care AB.
Member of Volvo Board since 1998.
Holdings: 2,000 Volvo Series B shares.

7 Louis Schweitzer
Born 1942. Bachelor of Law.
Board Chairman and CEO of Renault S.A. since 1992. CFO and Executive Vice President 1988–1990. President and Chief Operating Officer 1990–1992. With Renault since 1986.
Board member: Compagnie Financière Renault, R.C.I. Banque, I.F.R.I. (Institut Français de Relations Internationales), Fondation Nationale de Sciences Politiques, Philips and Electricité de France.
Member of Volvo Board since 2001.
Holdings: 2,000 Volvo B shares.

8 Ken Whipple
Born 1934. Bachelor of Business and Engineering.
CEO of Glenlore Enterprises.
Board member: CMS Energy Corporation and 14 JP Morgan Fleming Mutual Funds.
Member of Volvo Board since 2001.
Holdings: none.

Board members designated by employee organizations

9 Lars-Göran Larsson
Born 1947. Employee representative.
With Volvo since 1974.
Member of Volvo Board since 1994.
Holdings: 94 Volvo shares, including 50 Series B shares.

10 Olle Ludvigsson
Born 1948. Employee representative.
With Volvo since 1968.
Deputy member of Volvo Board, 1983–1988; regular member since 1988.
Holdings: 105 Volvo shares, including 55 Series B shares.

11 Johnny Rönnkvist
Born 1947. Employee representative.
With Volvo since 1965.
Member of Volvo Board since 1999.
Holdings: 160 Volvo shares, including 50 Series B shares.

Deputy members of the Board

12 Stellan Rosengren
Born 1960. Employee representative.
With Volvo since 1985.
Deputy member of Volvo Board since 1999.
Holdings: 150 Volvo Series B shares.

13 Berth Thulin
Born 1951. Employee representative.
With Volvo since 1975.
Deputy member of Volvo Board since 1999. Deputy member of Volvo Wheel Loaders and Board member of Volvo Construction Equipment Customer Support AB.
Holdings: 100 Volvo Series B shares.

Secretary of the Board

Eva Persson
Born 1953. Master of Laws.
Senior Vice President and General Counsel, AB Volvo.
Secretary to Volvo Board since 1997.

Auditors

Olof Herolf
Authorized Public Accountant,
PricewaterhouseCoopers.

Olov Karlsson
Authorized Public Accountant,
PricewaterhouseCoopers.

Deputy Auditors

Olof Enerbäck
Authorized Public Accountant,
PricewaterhouseCoopers.

Klas Brand
Authorized Public Accountant,
PricewaterhouseCoopers.

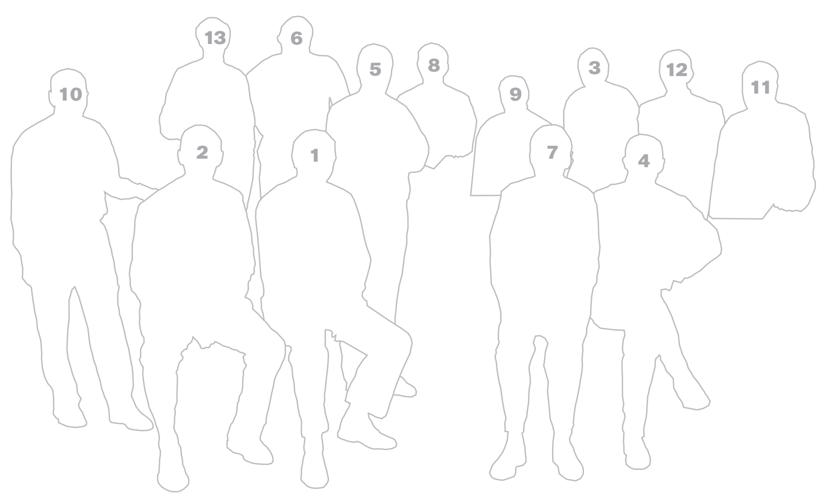
Report on Board activities during 2001

In 2001, Volvo's Board of Directors consisted of seven members up to the Annual General Meeting, and eight members thereafter, all elected by the shareholders. In addition, the Board had three members and two deputy members appointed by employee organizations. The President of AB Volvo is a member of the Board. During 2001, the Board held six regular meetings and two special meetings.

The Board has adopted work procedures for its internal activities that contain i.a. rules pertaining to the number of Board meetings, matters to be handled at regular meetings of the Board and duties incumbent on the Chairman.

The Board has also issued written instructions specifying when and how information that is required to enable the Board to evaluate the Company's and Group's financial position, should be reported to the Board, as well as the distribution of work between the Board and the President, and in which circumstances the Executive Vice President is to substitute the President.

During the year, the Board reviewed the economic and financial position of the Company and Group on a regular basis. The Board also dealt regularly with matters involving divestments, acquisitions, the establishment of new operations, and matters related to investments in product renewal and product development in the Group's different business areas.



Consolidated income statements

SEK M		1999	2000	2001
Net sales	Note 3	125,019	130,070	**189,280**
Cost of sales		(99,501)	(104,548)	**(155,592)**
Gross income		25,518	25,522	**33,688**
Research and development expenses		(4,525)	(4,876)	**(5,391)**
Selling expenses		(8,865)	(10,140)	**(15,766)**
Administrative expenses		(4,791)	(4,974)	**(6,709)**
Other operating income and expenses	Note 4	(611)	622	**(4,096)**
Income from investments in associated companies	Note 7	567	444	**50**
Income from other investments	Note 8	170	70	**1,410**
Income from divestment of Volvo Cars		26,695	–	**–**
Restructuring costs	Note 5	–	–	**(3,862)**
Operating income (loss)	Note 6	34,158	6,668	**(676)**
Interest income and similar credits		1,812	1,588	**1,275**
Interest expenses and similar charges		(1,505)	(1,845)	**(2,274)**
Other financial income and expenses	Note 9	131	(165)	**(191)**
Income (loss) after financial items		34,596	6,246	**(1,866)**
Taxes	Note 10	(2,270)	(1,510)	**326**
Minority interests in net income	Note 11	(104)	(27)	**73**
Net income (loss)		32,222	4,709	**(1,467)**
Net income (loss) per share, SEK		73.00	11.20	**(3.50)**

Consolidated balance sheets

SEK M		December 31, 1999		December 31, 2000		**December 31, 2001**	
Assets							
Non-current assets							
Intangible assets	Note 12		6,618		6,925		**17,525**
Tangible assets	Note 12						
Property, plant and equipment		19,788		22,231		**33,234**	
Assets under operating leases		12,337	32,125	14,216	36,447	**27,101**	**60,335**
Financial fixed assets							
Shares and participations	Note 13	29,213		30,481		**27,798**	
Long-term customer-financing receivables	Note 14	17,817		22,909		**26,075**	
Other long-term receivables	Note 15	20,089	67,119	7,264	60,654	**14,456**	**68,329**
Total non-current assets			105,862		104,026		**146,189**
Current assets							
Inventories	Note 16		21,438		23,551		**31,075**
Short-term receivables							
Customer-financing receivables	Note 17	16,496		18,882		**22,709**	
Other receivables	Note 18	22,547	39,043	38,316	57,198	**33,569**	**56,278**
Marketable securities	Note 19		20,956		9,568		**13,514**
Cash and bank accounts	Note 20		8,313		6,400		**13,869**
Total current assets			89,750		96,717		**114,736**
Total assets			195,612		200,743		**260,925**
Shareholders' equity and liabilities							
Shareholders' equity	Note 21						
Restricted equity							
Share capital		2,649		2,649		**2,649**	
Restricted reserves		12,553	15,202	13,804	16,453	**12,297**	**14,946**
Unrestricted equity							
Unrestricted reserves		50,268		67,176		**71,706**	
Net income (loss)		32,222	82,490	4,709	71,885	**(1,467)**	**70,239**
Total shareholders' equity			97,692		88,338		**85,185**
Minority interests	Note 11		544		593		**391**
Provisions							
Provisions for post-employment benefits	Note 22	2,130		2,632		**14,647**	
Provisions for deferred taxes		2,218		2,264		**1,044**	
Other provisions	Note 23	12,614	16,962	12,676	17,572	**17,383**	**33,074**
Non-current liabilities	Note 24						
Bond loans		24,238		30,872		**30,715**	
Other loans		7,984		9,533		**14,036**	
Other long-term liabilities		292	32,514	265	40,670	**9,379**	**54,130**
Current liabilities	Note 25						
Loans		21,123		25,828		**36,817**	
Trade payables		11,456		11,377		**23,115**	
Other current liabilities		15,321	47,900	16,365	53,570	**28,213**	**88,145**
Total shareholders' equity and liabilities			195,612		200,743		**260,925**
Assets pledged	Note 26		3,930		2,990		**3,737**
Contingent liabilities	Note 27		6,666		6,789		**10,441**

Consolidated cash flow statements

SEK M		1999	1999	2000	2000	2001	2001
Operating activities							
Operating income			+ 34,158		+ 6,668		**(676)**
Depreciation and amortization	Note 6		+ 5,171		+ 6,251		**+ 9,961**
Other items not affecting cash	Note 28		(26,520)		(426)		**+ 539**
Changes in working capital:							
Increase (–)/decrease (+) in receivables			(2,864)		(1,450)		**+2,645**
Increase (–)/decrease (+) in inventories			(370)		(1,458)		**+ 2,813**
Increase (+)/decrease(–) in liabilities and provisions			+ 2,207		(356)		**+ 992**
Interest and similar items received			+ 1,520		+ 1,262		**+ 1,494**
Interest and similar items paid			(1,405)		(1,325)		**(1,862)**
Other financial items			+125		(57)		**(191)**
Income taxes paid			(2,349)		(1,084)		**(1,572)**
Cash flow from operating activities			+ 9,673		+ 8,025		**+ 14,143**
Investing activities							
Investments in fixed assets		(4,924)		(5,419)		**(8,090)**	
Investments in leasing assets		(5,578)		(5,684)		**(5,852)**	
Disposals of fixed assets and leasing assets		+ 1,569		+ 2,107		**+ 2,578**	
Customer-financing receivables, net	Note 28	(7,087)		(4,509)		**(3,719)**	
Shares and participations, net	Note 28	(25,887)		(1,654)		**+3,936**	
Acquired and divested subsidiaries and other business units, net	Note 2, 28	+ 31,048	(10,859)	(1)	(15,160)	**+ 13,002**	**+ 1,855**
Cash flow after net investments			(1,186)		(7,135)		**+ 15,998**
Financing activities							
Increase in bond loans and other loans	Note 28	+ 16,332		+ 8,162		**+ 6,164**	
Loans to external parties, net	Note 28	(3,230)		+ 305		**+ 213**	
Dividend to AB Volvo shareholders		(2,649)		(3,091)		**(3,356)**	
Repurchase of own shares		–		(11,808)		**(8,336)**	
Dividends to minority shareholders		(70)		(9)		**–**	
Other		(20)	+ 10,363	–	(6,441)	**+ 132**	**(5,183)**
Change in liquid funds, excluding translation differences			+ 9,177		(13,576)		**+ 10,815**
Translation difference on liquid funds			(132)		+ 275		**+ 600**
Change in liquid funds			+ 9,045		(13,301)		**+ 11,415**
Liquid funds, January 1			+ 20,224		+ 29,269		**+ 15,968**
Liquid funds, December 31			+ 29,269		+ 15,968		**+ 27,383**

The effects of major acquisitions and divestments of subsidiaries in each year have been excluded from other changes in the balance sheet in the cash flow statement. The effects of currency movements in translation of foreign Group companies have also been excluded since these effects do not affect cash flow. Liquid funds include cash and bank balances and marketable securities.

Notes to consolidated financial statements

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the two preceding years; the first figure is for 2000 and the second for 1999.

Note 1 Accounting principles

Volvo's operations
Since the divestment of Volvo Cars at the beginning of 1999, the Volvo Group's operations are focused on transport solutions for commercial use. The operations include development, manufacturing and sales of vehicles, machinery and power systems and also transport-related services such as service adapted to customer requirements, financing, insurance and transport information systems. Volvo is, after the acquisition of Renault V.I. and Mack Trucks at the beginning of 2001, the world's second largest manufacturer of heavy trucks and also one of the world's largest producers of heavy diesel engines. Volvo is also one of the world's largest manufacturers of buses and construction equipment, a successful supplier of marine and industrial power systems, and a key partner to the foremost companies in the aircraft and aerospace industries.

Operating structure
The Volvo Group's operations during 2001 were organized in six business areas: Global Trucks, Buses, Construction Equipment, Volvo Penta, Volvo Aero and Financial Services. In addition to the six business areas, there are certain operations, consisting mainly of business units, that are designed to support the business areas' operations.

Each business area except Financial Services has total responsibility for its operating income and operating capital. The Financial Services business area has responsibility for its net income and total balance sheet within certain restrictions and principles that are established centrally.

The supervision and coordination of treasury and tax matters is organized centrally to obtain the benefits of a Groupwide approach.

The legal structure of the Volvo Group is based on optimal handling of treasury, tax and administrative matters and, accordingly, differs from the operating structure.

The consolidated financial statements for AB Volvo (the Parent Company) and its subsidiaries are prepared in accordance with Swedish GAAP. These accounting principles differ in significant respects from U.S. GAAP, see Note 33.

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

In applying the transition rules as a consequence of the aforementioned accounting standards, there are no retroactive effects on Volvo's earlier financial statements. In applying the new standards during fiscal year 2001, RR1:00 Consolidated Financial Statements and Business Combinations, RR14 Joint Ventures, RR15 Intangible Assets, RR16 Provisions, Contingent Liabilities and Contingent Assets result in a change in Volvo's accounting principles.

RR1:00 Consolidated Financial Statements and Business Combinations
In accordance with RR1:00 Consolidated Financial Statements and Business combinations, when a subsidiary is acquired through the issue of own shares, the purchase consideration is determined to the market price of the issued shares at the time of the transaction. In accordance with Volvo's previous accounting principles, such a purchase consideration was determined based on the average market price of the issued shares during ten days prior to the public disclosure of the transaction.

RR14 Joint Ventures
In accordance with RR14 Joint ventures, a joint venture should either be reported by use of the proportinate consolidation method or the equity method. Effective in 2001, the proportinate consolidation method is the preferred method under Volvo's accounting principles. In previous years, all joint ventures have been reported by use of the equity method.

RR15 Intangible Assets
In accordance with RR15 Intangible Assets, the expenditures for development of new products, production and information systems shall be reported as intangible assets if such expenditures with a high degree of certainty will result in future financial benefits for the company. The acquisition value for such intangible assets shall be amortized over the estimated useful life of the assets. Volvo's application of the new rules means that very high demands are established in order for these development expenditures to be reported as assets. For example, it must be possible to prove the technical functionality of a new product prior to this development being reported as an asset. In normal cases, this means that expenditures are capitalized only during the industrialization phase of a product development project. In accordance with Volvo's previous accounting principles, all costs for the development of new products, production and information systems were expensed on a current basis.

Exchange rates

		Average rate Jan–Dec			Year-end rate		
Country	Currency	1999	2000	2001	1999	2000	2001
Denmark	DKK	1.1864	1.1334	1.2403	1.1505	1.1870	1.2670
Japan	JPY	0.0731	0.0850	0.0850	0.0835	0.0832	0.0813
Norway	NOK	1.0604	1.0414	1.1485	1.0605	1.0715	1.1840
Great Britain	GBP	13.3834	13.8620	14.8763	13.7950	14.2200	15.4800
United States	USD	8.2742	9.1581	10.3272	8.5250	9.5350	10.6700
Euro	EUR	8.8245	8.4494	9.2434	8.5635	8.8570	9.4240

RR16 Provisions, Contingent Liabilities and Contingent Assets

In accordance with RR16 Provisions, Contingent Liabilities and Contingent Assets, a provision for decided restructuring measures is reported first when a detailed plan for the implementation of the measures is complete and when this plan is communicated to those who are affected. In accordance with Volvo's previous accounting principles, a provision for restructuring measures was reported in connection with the measures being decided by the company's management.

Income from investments in shares

Effective in 2001, Income from investments in associated companies and Income from other investments are included as a part of the operating income rather than as earlier as a part of the financial net. The change has been made as an adaption to Volvo's internal business control model in connection with the new organization. Comparable figures for previous years have been restated to conform to the changed classification.

Financial income and expenses in the Financial Services business area

In connection with the formation of the Financial Services business area January 1, 2000, there has been a modification of the principles used to classify financial income and expense in Volvo's insurance and real estate businesses. Effective in 2000, financial income and expense in these operations are reported in the Volvo Group's operating income. Earlier, these items were included in the Volvo Group's net interest income/expense. Comparable figures for 1999 have been adjusted to conform to the revised classification principle. As a result of the above, the definition of the Volvo Group's net financial assets has also been modified. Effective in 2000, the Volvo Group's net financial assets have been calculated excluding the Financial Services business area since financial income and expense in Financial Services is reported in consolidated operating income. As of January 1, 2000, as a result of the new definition, Volvo's net financial assets were reduced by SEK 2.2 billion.

Effective in 2000, Volvo Treasury's income is reported as part of the operating income in the Financial Services business area. Volvo Treasury's income includes interest income and similar income, interest expense and similar expenses, as well as overhead costs of Volvo Treasury's operations. However, income excludes the effects of the equity-capital base in Volvo Treasury. Based on the above definition, Volvo Treasury's income for 2000 amounted to SEK 151 M. Of this amount, SEK 183 M was formerly included in interest income in accordance with the earlier principle, and a deficit of SEK 32 M was included in Other financial expenses.

Change in identification of overhead costs in Volvo's spare-parts operations

Effective in 2000, the method of calculating Volvo's product costs related to spare parts has been revised. Beginning in 2000, overhead costs of the Volvo Group's spare-parts business, which earlier were included among administrative costs, are being included among cost of sales. Comparable figures for 1999 have been adjusted to conform to the changed classification.

Consolidated accounts

The consolidated accounts comprise the Parent Company, all subsidiaries and associated companies. Subsidiaries are defined as companies in which Volvo holds more than 50% of the voting rights or in which Volvo otherwise has a controlling influence. However, subsidiaries in which Volvo's holding is temporary are not consolidated. Associated companies are companies in which Volvo has long-term holdings equal to at least 20% but not more than 50% of the voting rights.

The consolidated accounts are prepared in accordance with the principles set forth in the Recommendation of the Swedish Financial Accounting Standards Council, RR1:00, Consolidated Financial Statements and Business Combinations.

All business combinations are accounted for in accordance with the purchase method.

Companies that have been divested are normally included in the consolidated accounts up to and including the date of divestment. However the measurement date for divestment of Volvo Cars was January 1, 1999. Companies acquired during the year are consolidated as of the date of acquisition.

Holdings in associated companies are reported in accordance with the equity method. The Group's share of reported income before taxes in such companies, adjusted for minority interests, is included in the consolidated income statement in Income from investments in associated companies, reduced in appropriate cases by amortization of goodwill. The Group's share of reported taxes in associated companies, is included in Group tax expense.

For practical reasons, most of the associated companies are included in the consolidated accounts with a certain time lag, normally one quarter. Dividends from associated companies are not included in consolidated income. In the consolidated balance sheet, the book value of shareholdings in associated companies is affected by Volvo's share of the company's income after tax, reduced by the amortization of goodwill and by the amount of dividends received.

Accounting for hedges

Loans and other financial instruments used to hedge an underlying position are reported as a hedge. In order to apply hedge accounting, the following criteria must be met: the position being hedged is identified and exposed to exchange-rate or interest-rate movements, the purpose of the loan/instrument is to serve as a hedge and that the hedging effectively protects the underlying position against changes in the market rates. Financial instruments used for the purpose of hedging future currency flows are accounted for as hedges if the currency flows are considered probable to occur.

Foreign currencies

In preparing the consolidated financial statements, all items in the income statements of foreign subsidiaries (except subsidiaries in highly inflationary economies) are translated to Swedish kronor at the average exchange rates during the year (average rate). All balance sheet items except net income are translated at exchange rates at the respective year-ends (year-end rate). The differences in consolidated shareholders' equity arising as a result of variations between year-end exchange rates are charged or credited directly to shareholders' equity and classified as restricted or unrestricted reserves. The difference arising in the consolidated balance sheet as a result of the translation of net income, in the income statements, in foreign subsidiaries' to Swedish kronor at average rates, and in the balance sheets at year-end rate, is charged or credited to unrestricted reserves. Movements in exchange rates change the book value of foreign associated companies. This difference affects restricted reserves directly.

When foreign subsidiaries and associated companies are divested, the accumulated translation difference is reported as a realized gain/loss and, accordingly, affects the capital gain.

Financial statements of subsidiaries operating in highly inflationary economies are translated to Swedish kronor using the monetary method. Monetary items in the balance sheet are translated at year-end rates and non-monetary balance sheet items and corresponding income statement items are translated at rates in effect at the time of acquisition (historical rates). Other income statement items are translated at average rates. Translation differences are credited to, or charged against, income in the year in which they arise.

In the individual Group companies as well as in the consolidated accounts, receivables and liabilities in foreign currency are valued at year-end exchange rates. In appropriate cases, hedged receivables and liabilities are valued at the underlying forward rate.

Gains and losses pertaining to hedges are reported at the same time as gains and losses of the items hedged. Received premiums or payments for currency options, which hedge currency flows in business transactions, are reported as income/expense during the contract period.

Gains/losses on outstanding currency futures at year-end, which were entered into to hedge future commercial currency flows, are reported at the same time as the commercial flow is realized. For other currency futures that do not fullfil the criteria for hedge accounting a full market valuation is made on a portfolio basis and are credited to, or charged against income.

In valuing financial assets and liabilities whose original currency denomination has been changed as a result of currency swap contracts, the loan amount is accounted for translated to Swedish kronor taking into account the swap contracts.

Exchange differences on loans and other financial instruments in foreign currency, which are used to hedge net assets in foreign subsidiaries and associated companies, are offset against translation differences in the shareholders' equity of the respective companies.

Exchange gains and losses on payments during the year and on the valuation of assets and liabilities in foreign currencies at year-end are credited to, or charged against, income before taxes and minority interests in the year they arise. The more important exchange rates employed are shown above.

Other financial instruments

Interest-rate contracts and foreign exchange contracts are used to change the underlying financial asset and debt structure and are reported as hedges against such assets and debts.

Interest-rate contracts used as part of the management of the Group's short-term investments are valued together with these investments in accordance with the portfolio method. Provisions are made for unrealized losses in excess of the unrealized gains within the portfolio.

Interest-rate contracts that do not fullfil the criteria of hedge accounting are valued at the balance sheet date at which time provisions for unrealized losses are made.

Capital expenditures

Capital expenditures include investments in buildings, machinery and equipment, as well as in intangible assets. Investments pertaining to assets under operating leases are not included.

Investments in fixed assets included in the Group's cash flow statement include only capital expenditures that have reduced the Group's liquid funds during the year.

Depreciation, amortization and impairments of tangible and intangible non-current assets

Depreciation is based on the historical cost of the assets, adjusted in appropriate cases by write-downs, and estimated useful lives. Capitalized type-specific tools are generally depreciated over 2 to 8 years. The depreciation period for assets under operating leases is normally 3 to 5 years. Machinery is generally depreciated over 5 to 20 years, and buildings over 25 to 50 years, while the greater part of land improvements are depreciated over 20 years. In connection with its participation in aircraft engine projects with other companies, Volvo Aero in certain cases pays an entrance fee. These entrance fees are capitalized and depreciated over 5 to 10 years.

The difference between depreciation noted above and depreciation allowable for tax purposes is reported by the parent company and in the individual Group companies as accumulated accelerated depreciation, which is included in untaxed reserves. Consolidated reporting of these items is described below under the heading Deferred taxes, allocations and untaxed reserves.

Goodwill is included in intangible assets and amortized over its estimated useful life. The amortization period is 5 to 20 years. The goodwill pertaining to Renault V.I., Mack Trucks, Volvo Construction Equipment, Champion Road Machinery, Volvo Aero Services, Prévost, Nova BUS, Volvo Bus de Mexico, Volvo Construction Equipment Korea and Volvo Aero Norge are being amortized over 20 years due to the holdings' long-term and strategic importance.

If, at a balance sheet date, there is any indication that a tangible or intangible non-current asset has been impaired, the recoverable amount of the asset is estimated. If the recoverable amount is less than the carrying amount, an impairment loss is recognized and the carrying amount of the asset is reduced to the recoverable amount.

Inventories
Inventories are stated at the lower of cost, in accordance with the first-in, first-out method (FIFO), or net realizable value. Provisions are made for obsolescence.

Marketable securities
Marketable securities are stated at the lower of cost or market value in accordance with the portfolio method.

Liquid funds
Liquid funds include Cash and bank balances and marketable securities. Marketable securities to some extent consist of interest bearing securities with maturities exceeding three months. However, these securities have high liquidity and can easily be converted to cash.

Post-employment benefits
Most of the Volvo Group's pension commitments are met through continuous payments to independent authorities or bodies that administer the plans. Pension expense corresponding to the fees paid for these defined-contribution pension plans is reported continuously. In certain of Volvo's subsidiaries, mainly in Sweden and the U.S., there are defined benefit plans covering pensions and healthcare benefits. For these plans, a provision and annual pension expense are calculated based on the current value of the earned future benefits. Provisions for pensions and annual expenses related to defined pension and healthcare benefits are reported in Volvo's consolidated balance sheet and income statement by applying the local rules and directives in each country.

Net sales
The Group's reported net sales pertain mainly to revenues from sales of goods and services. Net sales are reduced by the value of discounts granted and by returns.

Income from the sale of goods is recognized when the goods are delivered to the customers. If however the sale of goods is combined with a buy-back agreement or a residual value guarantee, the sale is accounted for as an operating lease transaction if significant risks are retained in Volvo. Income from the sale of workshop services is recognized when the service is provided. Rental revenues and interest income in conjunction with financial leasing or installment contracts is recognized over the contract period.

Research and development expenses and warranty expenses
Effective in 2001, Volvo has adopted RR15 Intangible Assets (see changes in accounting principles above). In accordance with the new accounting standard, expenditures for development of new products and production systems shall be reported as intangible assets if such expenditures with a high degree of certainty will result in future financial benefits for the company. The acquisition value for such intangible assets shall be amortized over the estimated useful life of the assets. Volvo's application of the new rules means that very high demands are established in order for these development expenditures to be reported as assets. For example, it must be possible to prove the technical functionality of a new product prior to this development being reported as an asset. In normal cases, this means that expenditures are capitalized only during the industrialization phase of a product development project. Other research and development expenses are charged to income as incurred.

Estimated costs for product warranties are charged to cost of sales when the products are sold.

Restructuring costs
Restructuring costs are reported separately in the income statement if they relate to a considerable change of the Group structure. A provision for decided restructuring measures (see changes in accounting principles above) is reported when a detailed plan for the implementation of the measures is complete and when this plan is communicated to those who are affected.

Deferred taxes, allocations and untaxed reserves
Tax legislation in Sweden and other countries sometimes contains rules other than those identified with generally accepted accounting principles, and which pertain to the timing of taxation and measurement of certain commercial transactions. Deferred taxes are provided for on differences which arise between the taxable value and reported value of assets and liabilities (temporary differences) as well as on tax-loss carryforwards. However, with regards to the valuation of deferred tax assets (the value of future tax deductions), these items are recognized provided that it is probable that the amounts can be utilized in connection with future taxable income.

Tax laws in Sweden and certain other countries allow companies to defer payment of taxes through allocations to untaxed reserves. These items are treated as temporary differences in the consolidated balance sheet, that is, a division is made between deferred tax liability and equity capital (restricted reserves). In the consolidated income statement an allocation to, or withdrawal from, untaxed reserves is divided between deferred taxes and net income for the year.

Application of estimated values
In preparing the year-end financial statements in accordance with generally accepted accounting principles, company management makes certain estimates and assumptions which affect the value of assets and liabilities as well as contingent liabilities at the balance sheet date. Reported amounts for income and expenses in the reporting period are also affected. The actual results may differ from these estimates.

Note 2 Acquisitions and divestments of shares in subsidiaries

Parent Company holdings of shares in subsidiaries as of December 31, 2001 are shown on pages 95–96. Significant acquisitions, formations and divestments within the Group are listed below.

Prévost Holding BV
On October 1, 2001 Volvo Buses divested 1% of Prévost Holding BV, a Canadian and North American bus manufacturer, to Henlys Group Plc. Thereafter Volvo and Henlys Group Plc own 50% of Prévost Holding BV each. Thus, effective on October 1, 2001, Prévost Holding BV is a joint venture and reported in the Volvo Group accounts in accordance with the proportinate consolidation method.

Acrivia AB (former OmniNova Technology AB)
In April 2001, Volvo Buses acquired 65% of Acrivia AB, an engineering company that develops production processes for buses and produce frames for the new TX platform, from TWR Sweden AB. Thereafter, Volvo Buses owns 100% of Acrivia AB.

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

Volvia
On February 8, 2001, Volvo's wholly owned subsidiary, Volvia reached an agreement covering the divestment of its insurance operations. The buyer is the If insurance company. The purchase price for the operations was 562.

Renault V.I. and Mack
On January 2, 2001, AB Volvo's acquisition of Renault's truck operations, Mack and Renault V.I., became effective. Under the terms of acquisition AB Volvo acquired all the shares of Mack and Renault V.I. in exchange for 15% of the shares in AB Volvo. The purchase price for the shares was set at SEK 10.7 billion, based on the Volvo share price on the acquisition date. Goodwill amounting to SEK 8.4 billion that arose in connection with the acquisition is being amortized over 20 years. In connection with the acquisition, Renault V.I. Finance was acquired for about FRF 154 M.

Eddo Restauranger AB
In December 2000, AB Volvo and Volvo Car Corporation divested in total 51% of the Eddo Restauranger restaurant chain to Amica AB, a company within the Fazer Group. Eddo was 55% owned by AB Volvo and 45% by Volvo Car Corporation. Amica AB acquired the shares in proportion to earlier holdings by AB Volvo and Volvo Car Corporation. The remaining holdings in Eddo by AB Volvo is 30%. Amica has an option to acquire and AB Volvo has an option to sell the remaining shares. The options expire in 2002.

Duffields of East Anglia Ltd
In July 2000, Volvo Trucks acquired Duffields of East Anglia Ltd, a company that has been a Volvo dealer since 1969. Duffields is represented in the east of England where they operate from ten own dealerships, manage two customer workshops and are responsible for a small independent dealer.

Volvo (Southern Africa) (Pty) Ltd
In February 2000, the new wholly-owned company Volvo (Southern Africa) (Pty) Ltd acquired the assets of the former distributor in South Africa for approximately USD 10 million, including dealerships in South Africa and an assembly plant for trucks and bus chassis in Botswana. The company will run operations within the truck, bus, construction equipment and marine and industrial engines sectors.

Truck Engine Parts Division
In February 2000, Volvo Aero's Truck Engine Parts Division (TEPD) was taken over by the Finnveden engineering group. TEPD produces components for trucks.

Volvo Maquinaria de Construccion Espana SA
As part of the strategy to mainly organize sales through independent dealers, Volvo Construction Equipment divested its market company in Spain in the second quarter of 1999. The buyer was Auto Sueco Lda, which previously was Volvo's partner in Portugal for more than 50 years. The gain on the sale amounted to SEK 0.2 billion.

Pro-Pav and Superpac
In April 1999, Volvo Construction Equipment reached an agreement covering the sale of its operations under the trademarks Pro-Pav and Superpac. The operations were previously conducted within the Canadian subsidiary Champion Road Machinery.

Mecalac
In March 1999, Volvo Construction Equipment divested 65% of its operations involving compact machinery under the Mecalac brand name. Concurrently, the intention to divest the remaining 35% interest within three years was announced.

Jet Support Corporation
As a result of the agreement between Volvo Aero and Boeing that grants Volvo Aero exclusive rights to market and to sell surplus spare parts to the fleet of Boeing aircraft on the world market, the operations of American Jet Support Corporation were acquired in April 1999.

Volvo Aero Norge AS
(formerly Norsk Jetmotor AS)
During 1999, Volvo Aero acquired 78% of the shares in Norsk Jetmotor AS in two stages for NOK 240 M. In conjunction with the acquisition, the name of the company, which is mainly involved in production of commercial aircraft components, was changed to Volvo Aero Norge AS. Goodwill of SEK 0.1 billion that arose in conjunction with the acquisition is being amortized over 20 years.

Volvo Malaysia Sdn Bhd
In the beginning of 1999, Federal Auto Industrial Sdn Bhd was acquired. The company, whose name was changed later in the year to Volvo Malaysia Sdn Bhd, conducts importer and dealer operations in Malaysia for trucks and buses as well as marine and industrial engines.

Volvo Cars
In January 1999, AB Volvo reached an agreement with Ford Motor Company covering the sale of Volvo Cars. Following approval by a General Meeting of Volvo shareholders on March 8, and by the relevant competition authorities, AB Volvo completed the sale of Volvo Cars to Ford Motor Company on March 31, 1999. Under terms of the agreement, Ford has the right to Volvo Cars' earnings beginning on January 1, 1999. In addition to a dividend of SEK 17.7 billion from Volvo Personvagnar Holding AB, AB Volvo received SEK 10.3 billion for the shares, plus USD 2.3 billion, of which USD 1.6 billion was paid on March 31, 2001. In connection with the sale, Ford assumed financial net debt of SEK 4.8 billion. The gain from the sale amounted to SEK 26.7 billion. In conjunction with the sale of Volvo Cars, the Volvo trademark was transferred to a newly formed company named Volvo Trademark Holding AB which is owned jointly by AB Volvo and Volvo Car Corporation. The right to use the trademark is thereby governed by a license agreement between Volvo Trademark Holding AB and AB Volvo as well as Volvo Car Corporation.

The effects during 2001, 2000 and 1999 on the Volvo Group's balance sheet and cash flow statement in connection with the **acquisition of subsidiaries and other business units** are specified in the following table:

	1999	2000	2001
Intangible assets	480	125	8,914
Property, plant and equipment	147	68	9,126
Assets under operating lease	–	–	10,195
Shares and participations	–	(9)	433
Inventories	365	348	9,361
Current receivables	233	300	8,774
Liquid funds	51	2	4,059
Other assets	43	1	7,674
Shareholders' equity	–	–	(10,356)
Minority interests	335	–	–
Provisions	(72)	(7)	(14,524)
Loans	(256)	(89)	(2,543)
Current liabilities	(264)	(237)	(30,020)
Acquired net assets	**1,062**	**502**	**1,093**
Liquid funds paid	(1,062)	(502)	(1,093)
Liquid funds according to acquisition analysis	51	2	4,059
Effect on Group liquid funds	**(1,011)**	**(500)**	**2,966**

The effects during 2001, 2000 and 1999 on the Volvo Group's balance sheet and cash flow statement in connection with the **divestment of subsidiaries and other business units** are specified in the following table:

	1999	2000	2001
Intangible assets	(46)	(17)	(354)
Property, plant and equipment	(17,915)	(132)	(288)
Assets under operating leases	(12,324)	–	–
Shares and participations	(100)	7	–
Inventories	(11,600)	(69)	(939)
Customer-financing receivables	(19,288)	–	–
Loans to external parties	10,474	–	–
Other receivables	(13,203)	(93)	(12,139)
Liquid funds	(1,602)	(7)	(1,824)
Minority interests	49	10	176
Provisions for post-employment benefits	866	–	–
Other provisions	11,054	158	2,922
Loans	28,682	38	420
Other liabilities	17,622	172	583
Divested net assets	**(7,331)**	**67**	**(11,443)**
Liquid funds received	33,661	506	11,860
Liquid funds, divested companies	(1,602)	(7)	(1,824)
Effect on Group liquid funds	**32,059**	**499**	**10,036**

For comparability the adjoining table includes net sales and operating income in 2000 and 1999 for the Volvo Group Proforma, including Mack Trucks and Renault V.I.

The proforma amounts have been prepared by the use of information included in Renault V.I.'s annual report for the year 2000. No adjustment has been made for purchase accounting or for differences in accounting principles between the Volvo Group and Renault V.I. The proforma calculation has not been audited by AB Volvo's auditors.

	1999	2000	2001
Net sales	177,682	185,988	189,280
Operating income	34,586	8,742	(676)

Note 3 Net sales

Net sales per business and market area are shown in tables on page 16.

Note 4 Other operating income and expenses

Other operating income and expenses include losses on forward and options contracts of 2,044 (700; 620), amortization of goodwill amounting to 1,058 (491; 398), surplus funds from Alecta (previously SPP) 43 (683; –), gain on sale of Volvia's operations 562 (–; –) and adjustment of the gain on sale of Volvo Cars 90 (520; –).

Note 5 Restructuring costs

Restructuring costs in 2001 amounted to 3,862 of which 3,106 for Global Trucks, 392 for Buses and 364 for Construction Equipment.

Restructuring costs in Global Trucks included costs for the integration of Mack Trucks and Renault Trucks in order to secure coordination gains made possible through the acquisition. The integration measures included reduction of the North American production capacity through a decision to close Mack's Winnsboro plant and transfer of production to Volvo's New River Valley plant. Integration measures further included restructuring of the global distribution system and production structure. In addition to the integration measures, restructuring costs in Global Trucks included significant personnel reductions due to the prevailing business conditions, especially in North America. Restructuring costs in Buses were attributable to the shut down of Nova Bus' plant for city buses in Roswell, United States. In Construction Equipment, restructuring measures were pertaining to close down of fabrication in the Asheville plant, United States, and to an overall redundancy program.

Of the total restructuring costs, 2,259 was attributable to contractual pensions and excess personnel, 573 was attributable to writedowns of assets and the remainder, 1,030 to other restructuring costs.

Note 6 Operating income (loss)

Operating income (loss) by business area is shown in a table on page 16. Depreciation and amortization are included in operating income and are specified by type of asset as shown below:

	1999	2000	2001
Intangible assets	525	648	1,265
Property, plant and equipment	2,514	2,733	4,545
Assets under operating leases	2,132	2,870	4,151
Total	**5,171**	**6,251**	**9,961**

Note 7 Income from investments in associated companies

Volvo's share of income in associated companies before taxes, is shown below:

	Income (loss)			Dividends received		
	1999	2000	2001	1999	2000	2001
Bilia AB	89	120	151	35	41	42
Xian Silver Bus Corp	4	13	27	–	–	–
Turbec AB	(22)	(44)	(67)	–	–	–
Petro Stopping Centers Holding LP	(13)	(46)	(73)	–	–	–
Shanghai Sunwin Bus Corp	–	–	(31)	–	–	–
AB Volvofinans[1]	89	111	46	8	8	9
Other companies	(2)	33	(55)	90	55	8
Holdings no longer reported as equity method investments						
Scania AB [2]	467	341	–	–	637	–
Arrow Truck Sales [3]	(21)	(76)	–	–	–	–
OmniNova Technology AB [3]	(26)	(17)	–	–	–	–
Other companies	–	–	–	–	–	15
Subtotal	**565**	**435**	**(2)**	**133**	**741**	**74**

Gains (losses) on sale of shares in associated companies			
Volvofinans	–	–	61
Other companies	2	9	(9)
Subtotal	**2**	**9**	**52**
Total income from investments in associated companies	**567**	**444**	**50**

1 Divested in 2001
2 On March 14, 2000 the European Commission rejected Volvo's application for approval of Volvo's proposed acquisition of Scania. As a result, Volvo's holding in Scania is no longer reported in accordance with the equity method.
3 From 2001 a subsidiary of AB Volvo

Note 8 Income from other investments

	1999	2000	2001
Dividends received			
Scania AB [1]	180	–	637
Henlys Group Plc	13	23	25
Holdings of Volvo Technology Transfer [2]	–	–	26
Other	8	3	6
Subtotal	**201**	**26**	**694**
Gain (loss) on sales of securities			
Mitsubishi Motors [3]	–	–	768
Holdings of Volvo Technology Transfer [2]	–	105	(10)
Other [4]	(31)	(61)	(42)
Subtotal	**(31)**	**44**	**716**
Total	**170**	**70**	**1,410**

1 In 2000 accounted for by the equity method and included in associated companies.
2 A Volvo venture-capital company.
3 Excluding costs of 194 for terminating the distribution of Mitsubishi Canter as well as costs for terminated development projects.
4 Including write-down of shares

Note 9 Other financial income and expenses

Other financial income and expenses include exchange gains amounting to 59 (52; 372).

Note 10 Taxes

Income after financial items was distributed as follows:

	1999	2000	2001
Sweden	31,268	3,983	(4,062)
Outside Sweden	2,763	1,828	2,198
Share of income (loss) in associated companies	565	435	(2)
Total	**34,596**	**6,246**	**(1,866)**

Tax expense was distributed as follows:

	1999	2000	2001
Current taxes:			
Sweden	(812)	(755)	(111)
Outside Sweden	(651)	(291)	(503)
Subtotal	(1,463)	(1,046)	(614)
Deferred taxes:			
Sweden	(480)	23	820
Outside Sweden	(6)	(243)	162
Subtotal	(486)	(220)	982
Associated companies	(321)	(244)	(42)
Total taxes	**(2,270)**	**(1,510)**	**326**

Tax expense pertains to current as well as deferred tax in Swedish and foreign companies.

Provision has been made for estimated tax charges that may arise as a result of prior tax audits in the Volvo Group. Tax claims for which no provision has been deemed necessary of approximately 1,151 (2,071; 2,754) are included among contingent liabilities.

The gain on the sale of Volvo Cars in 1999 amounted to SEK 26.7 billion. On November 25, 1999, Sweden's Supreme Administrative Court confirmed the preliminary decision of the Tax Board that AB Volvo's sale of Volvo Cars did not result in a taxable capital gain.

Deferred taxes relate to estimated tax on the change in tax-loss carryforwards and temporary differences.

Deferred tax assets are reported to the extent that it is probable that the amount can be utilized against future taxable income.

At year-end 2001, the Group had tax-loss carryforwards of about 16,900, of which approximately 8,600 was recognized in calculating deferred taxes. Accordingly, tax-loss carryforwards of about 8,300 may be utilized to reduce tax expense in future years. Of the total tax-loss carryforwards, about 3,300 expire within 5 years.

The Swedish corporate income tax rate is 28%. The table below shows the principal reason for the difference between this rate and the Group's tax rate, based on income after financial items.

	1999, %	2000, %	2001, %
Swedish corporate income tax rates	28	28	28
Difference in tax rate in various countries	1	2	6
Capital gains	(23)	(2)	7
Utilization of tax-loss carryforwards	0	(2)	15
Losses for which no benefit has been recognized	1	0	(3)
Recognition of deferred tax assets	–	(3)	(31)
Non-deductible expenses	0	2	(16)
Non-taxable income	–	(2)	28
Amortization of goodwill	1	2	(17)
Other, net	(2)	(3)	2
Tax rate for the Group, excluding equity method	**6**	**22**	**19**
Equity method	1	2	(2)
Tax rate for the Group	**7**	**24**	**17**

Specification of deferred tax assets and tax liabilities

	1999	2000	2001
Deferred tax assets:			
Tax-loss carryforwards, gross	1,031	1,698	5,464
Other tax deductions	154	303	501
Internal profit on inventory	223	221	359
Provision for doubtful receivables	186	157	596
Provision for warranties	552	555	1,203
Provision for pensions and other post-employment benefits	653	708	4,641
Provision for restructuring measures	277	206	895
Other deductible temporary differences	705	1,029	3,510
	3,781	**4,877**	**17,169**
Valuation allowance	(379)	(613)	(2,676)
Deferred tax assets after deduction for valuation allowance	**3,402**	**4,264**	**14,493**
Deferred tax liabilities:			
Accelerated depreciation on property, plant and equipment	989	1,180	2,081
Accelerated depreciation on leasing assets	855	1,432	2,542
LIFO valuation of inventory	206	167	916
Product and software development	–	–	571
Untaxed reserves	900	721	543
Other taxable temporary differences	1,004	1,501	1,143
	3,954	**5,001**	**7,796**
Deferred tax assets (liabilities), net	**(552)**	**(737)**	**6,697**

Deferred taxes are recognized after taking into account offsetting possibilities.

Note 11 Minority interests

Minority interests in net income (loss) and in shareholders' equity consisted mainly of the Henlys Group's participation in Prévost Holding BV (49%) and the minority interests in Volvo Aero Norge AS (22%) and in Volvo Aero Services LP (previously The AGES Group, ALP) (14%). As from October 1, 2001, Volvo's participating interest in Prévost Holding BV amounted to 50% and is accounted for using the proportionate method. As a consequence, effective October 1, 2001 minority is reported.

Note 12 Intangible and tangible assets

Acquisition costs	Value in balance sheet 1999	Value in balance sheet 2000	Investments	Sales/ scrapping	Subsidaries acquired and divested	Translation differences	Reclassifications	Value in balance sheet 2001
Goodwill	6,929	7,323	–	–	7,848	702	101	15,974
Entrance fees, aircraft engine programs	1,293	1,678	450	–	–	28	(67)	2,089
Product and software development	–	–	2,039	–	–	–	–	2,039
Other intangible assets	1,727	1,889	85	(4)	239	110	(56)	2,263
Total intangible assets	**9,949**	**10,890**	**2,574**	**(4)**	**8,087**	**840**	**(22)**	**22,365**
Buildings	10,575	12,044	1,177	(231)	3,198	824	37	17,049
Land and land improvements	2,633	2,790	170	(73)	1,428	273	4	4,592
Machinery and equipment [1]	24,235	26,976	4,178	(1,542)	7,835	1,596	92	39,135
Construction in progress including advance payments	1,368	1,388	188	(142)	1,638	120	(440)	2,752
Total buildings, machinery and equipment	38,811	43,198	5,713	(1,988)	14,099	2,813	(307)	63,528
Assets under operating leases	16,516	19,254	5,852	(3,954)	16,959	3,464	502	42,077
Total tangible assets	**55,327**	**62,452**	**11,565**	**(5,942)**	**31,058**	**6,277**	**195**	**105,605**

1 Machinery and equipment pertains mainly to production equipment.

Accumulated depreciation and amortization	Value in balance sheet 1999	Value in balance sheet 2000	Depreciation and amortization [2]	Sales/ scrapping	Subsidaries acquired and divested	Translation differences	Reclassifications	Value in balance sheet 2001	Book value in balance sheet 2001 [3]
Goodwill	1,836	2,354	1,058	–	(470)	96	(77)	2,961	13,013
Entrance fees, aircraft engine programs	1,170	1,221	66	–	–	20	(1)	1,306	783
Product and software development	–	–	3	–	–	–	–	3	2,036
Other intangible assets	325	390	138	–	(3)	19	26	570	1,693
Total intangible assets	**3,331**	**3,965**	**1,265**	**–**	**(473)**	**135**	**(52)**	**4,840**	**17,525**
Buildings	3,654	4,198	696	(164)	1,531	291	(144)	6,408	10,641
Land and land improvements	226	255	70	(4)	135	29	(1)	484	4,108
Machinery and equipment [1]	15,143	16,514	3,779	(1,256)	3,595	862	(92)	23,402	15,733
Construction in progress, including advance payments	–	–	–	–	–	–	–	–	2,752
Total buildings, machinery and equipment	19,023	20,967	4,545	(1,424)	5,261	1,182	(237)	30,294	33,234
Assets under operating leases	4,179	5,038	4,151	(1,853)	6,764	1,109	(233)	14,976	27,101
Total tangible assets	**23,202**	**26,005**	**8,696**	**(3,277)**	**12,025**	**2,291**	**(470)**	**45,270**	**60,335**

1 Machinery and equipment pertains mainly to production equipment.
2 Includes write-downs, 573.
3 Acquisition cost less accumulated depreciation and amortization.

Capital expenditures amounted to 8,287 (5,430; 5,172). Investments in assets under operating leases amounted to 5,852 (5,709; 5,578).

Capital expenditures approved but not yet implemented at December 31, 2001, amounted to SEK 6.1 billion (6.8; 7.2).

Note 13 Shares and participations

Group holdings of shares and participations in non-Group companies	Registration number	Percentage holding [1]	Dec 31,2000 Book value SEK M [2]	Dec 31,2001 Book value SEK M [2]
Shares in associated companies, equity method of accounting				
Bilia AB, Göteborg, Sweden	556112-5690	41	570	679
Shanghai Sunwin Bus Corp, China	–	50	202	193
Petro Stopping Centers Holdings, LP, USA	–	29	210	159
Blue Chip Jet HB, Göteborg, Sweden	969639-1011	40	165	156
Aviation Lease Finance, Delaware, USA	–	49	125	162
Xian Silver Bus Corp., Yan Liang, China	–	50	117	143
Arbustum Invest AB, Arboga, Sweden	556543-4247	40	37	33
AB Volvofinans, Sweden	–	–	774	–
Arrow Truck Sales, Kansas City, USA	–	–	134	–
SM Motors Pte Ltd, Singapore	–	–	91	–
Other holdings			95	442
Total shares and participations in associated companies [3]			**2,520**	**1,967**
Shares and participations in other companies				
Scania AB, Sweden	556184-8564	46/31	24,051	24,051
Deutz AG, Germany	–	11	670	670
Henlys Group Plc, Great Britain	–	10	524	524
Mitsubishi Motors Corporation, Japan	–	–	2,344	–
Other holdings			372	586
Total shares and participations in other companies			**27,961**	**25,831**
Book value in accordance with Group balance sheet			**30,481**	**27,798**

1 Where two percentage figures are shown, the first refers to share capital and the second to voting rights.
2 Associated companies are reported in accordance with the equity method. Other companies are reported at cost.
3 Volvo's calculated share of the net worth of associated companies amounts to 1,967 (2,520), of which shareholders' equity (incl. equity in untaxed reserves) 1,951 (2,100) and excess value 16 (420).

The Volvo Group has transactions with some of its associated companies. As of December 31, 2001, the Group's net receivables from associated companies amounted to 31 (358; 820).

The market value of Volvo's holdings of shares and participations in listed companies as of December 31, 2001 is shown in the table below. No write-downs have been deemed necessary since the deficits are not considered permanent.

	Book value	Market value
Scania AB	24,051	17,403
Bilia AB	679	804
Deutz AG	670	102
Henlys Group	524	156
Total holdings in listed companies	**25,924**	**18,465**
Holdings in non-listed companies	1,874	–
Total shares and participations	**27,798**	

Mitsubishi Motors Corporation (MMC)
In 1999, an agreement was signed between Volvo and Mitsubishi Motors Corporation, whereby Volvo acquired shares corresponding to 5% of the votes and capital in Mitsubishi Motors. In 2001, Volvo divested its holding and all rights and obligations relating to MMC, which resulted in a capital gain of 574, net of termination costs of 194.

AB Volvofinans
In 2001, Volvo divested its entire holding in Volvofinans for a total purchase price of 871 and with a capital gain of 61.

Arrow Truck Sales
In 2001, Volvo increased its holding to 100% and Arrow thereby became a subsidiary of Volvo.

SM Motors Pte Ltd
In 2001, Volvo divested its entire holding in SM Motors with a capital loss of 13.

Shanghai Sunwin Bus Corporation
In 2000, Volvo and the Chinese vehicle manufacturer, Shanghai Automotive Industry Corporation, signed agreements covering establishment in Shanghai of a joint-venture company, Shanghai Sunwin Bus Corporation, for the manufacture and sale of city and commuter buses. Each party will own 50% of the new company.

Scania AB
During 1999, Volvo acquired 43.5% of the capital and 28.6% of the voting rights in Scania, one of the world's leading manufacturers of trucks and buses. As from December 2000, Volvo's holding in Scania is 45.5% of the capital and 30.6% of the voting rights.

Petro Stopping Centers Holding LP
In 1999, Volvo acquired 28.7% of the truck-stop chain Petro Stopping Centers in the U.S. This expanded service to Volvo's truck customers along the interstate network in the U.S., offering preventative maintenance, spare parts sales, emergency road service and minor repairs.

Changes in the Volvo Group's holdings of shares and participations:	1999	2000	2001
Balance sheet, December 31, preceding year	3,393	29,213	30,481
Acquisitions and divestments, net	25,550	1,641	(2,844)
New issue of shares and shareholders' contributions	199	122	94
Share of income in associated companies, after tax	253	208	8
Dividends	(133)	(741)	(74)
Write-downs	(30)	(60)	(11)
Translation differences	(30)	92	97
Other	11	6	47
Balance sheet, December 31	**29,213**	**30,481**	**27,798**

Note 14 Long-term customer-financing receivables

	1999	2000	2001
Installment credits	9,115	12,115	13,668
Financial leasing	8,581	10,082	11,534
Other receivables	121	712	873
Total	**17,817**	**22,909**	**26,075**

The increase in 2000 was mainly attributable to the North American operations, while the increase in 2001 also was attributable to other markets.

Note 15 Other long-term receivables

	1999	2000	2001
Receivable from Ford Motor Company	12,125	–	–
Convertible debenture loan in Henlys	2,046	2,288	2,561
Other loans to external parties	3,434	2,297	2,635
Prepaid pensions	–	447	358
Deferred tax assets	1,666	1,527	7,741
Other receivables	818	705	1,161
Total	**20,089**	**7,264**	**14,456**

Note 16 Inventories

	1999	2000	2001
Finished products	11,622	13,210	20,303
Production materials, etc.	9,816	10,341	10,772
Total	**21,438**	**23,551**	**31,075**

Increase (decrease) in obsolescence reserve	1999	2000	2001
Balance sheet, December 31, preceding year	1,738	1,277	1,333
Increase (decrease) in obsolescence reserve charged to income	233	155	252
Scrapping	(247)	(53)	(162)
Acquired and divested operations	(376)	3	1,421
Translation differences	66	76	224
Reclassifications, etc.	(137)	(125)	(51)
Balance sheet, December 31	**1,277**	**1,333**	**3,017**

Note 17 Short-term customer-financing receivables

	1999	2000	2001
Installment credits	4,099	6,143	8,450
Financial leasing	4,595	5,195	5,913
Retailer financing	6,890	6,816	7,296
Other receivables	912	728	1,050
Total	**16,496**	**18,882**	**22,709**

The increase in 2000 was mainly attributable to the North American operations and in 2001 also to the European operations.

Note 18 Other short-term receivables

	1999	2000	2001
Accounts receivable	14,871	16,174	21,658
Prepaid expenses and accrued income	2,601	2,821	2,478
VAT receivables	1,437	1,659	1,684
Receivable from Ford Motor Company	–	12,125	–
Other loans to external parties	1,014	1,910	2,114
Prepaid pensions	–	161	412
Income tax receivables	841	842	988
Other receivables	1,783	2,624	4,235
Total, after deduction of reserves for doubtful accounts receivable 1,393 (1,101; 1,147)	**22,547**	**38,316**	**33,569**

Change of reserve for doubtful accounts receivable	1999	2000	2001
Balance sheet, December 31, preceding year	927	1,147	1,101
Change of reserve charged to income	382	151	222
Utilization of reserve related to actual losses	(86)	(10)	(241)
Acquired and divested operations	(178)	4	303
Translation differences	(60)	67	42
Reclassifications, etc.	162	(258)	(34)
Balance sheet, December 31, current year	**1,147**	**1,101**	**1,393**

Note 19 Marketable securities

Marketable securities consist mainly of interest-bearing securities, distributed as shown below:

	1999	2000	2001
Government securities	1,848	1,581	1,399
Banks and financial institutions	5,419	2,702	436
Corporate institutions	8,559	2,348	3,968
Real estate financial institutions	3,411	2,581	7,626
Securities issued by associated companies	725	–	–
Shares	833	–	–
Other	161	356	85
Total	**20,956**	**9,568**	**13,514**

Note 20 Cash and bank accounts

	1999	2000	2001
Cash in banks	4,324	5,802	4,941
Time deposits in banks	3,989	598	8,928
Total	**8,313**	**6,400**	**13,869**

Note 21 Shareholders' equity

The share capital of the Parent Company is divided into two series of shares: A and B. Both series carry the same rights, except that each Series A share carries the right to one vote and each Series B share carries the right to one tenth of a vote.

At the beginning of 2001, Volvo held 10% of the total number of shares in AB Volvo. Such shares were transferred to Renault SA on January 2, as partial payment for Renault V.I. and Mack. The transfer of shares to Renault SA was treated as an issue of new shares. During the beginning of 2001, Volvo repurchased an additional 10% of the total number of shares outstanding in AB Volvo. As a result, a total of SEK 8.3 billion was transferred to the shareholders' of AB Volvo. On February 9, 5% of the total number of shares outstanding were transferred to Renault SA as final payment for the shares of Renault V.I. Volvo thus holds 5% of the total number of registered A and B shares.

The total number of outstanding Volvo shares by year end 2001 amounts to 419,444,842. The average number of outstanding shares was 422,429,364 in 2001.

Number of shares outstanding and par value	A (no.)	B (no.)	Total (no.)	Par value [1]
December 31, 2001	131,674,699	287,770,143	419,444,842	2,649

1 Par value per share is SEK 6.00 (total par value is based on 441,520,885 registered shares).

In accordance with the Swedish Companies Act, distribution of dividends is limited to the lesser of the unrestricted equity shown in the consolidated or Parent Company balance sheets after proposed appropriations to restricted equity. Unrestricted equity in the Parent Company at December 31, 2001 amounted to 62,264.

As of December 31, 2001, Volvo related foundations holdings in Volvo were 0.54% of the share capital and 1.39% of the voting rights.

As shown in the consolidated balance sheet as of December 31, 2001, unrestricted equity amounted to 70,239 (71,885; 82,490). It is estimated that 13 of this amount will be allocated to restricted reserves.

Change in shareholders' equity	Share capital	Restricted reserves	Unrestricted reserves	Total shareholders' equity
Balance at December 31, 1998	**2,649**	**17,100**	**49,626**	**69,375**
Cash dividend	–	–	(2,649)	(2,649)
Net income	–	–	32,222	32,222
Effect of equity method of accounting [1]	–	271	(271)	–
Transfer between unrestricted and restricted equity	–	523	(523)	–
Transfers between unrestricted and restricted equity as a result of the sale of Volvo Cars	–	(5,063)	5,063	–
Translation differences	–	(292)	(501)	(793)
Accumulated translation differences related to the sale of Volvo Cars	–	–	(598)	(598)
Other changes	–	14	121	135
Balance at December 31, 1999	**2,649**	**12,553**	**82,490**	**97,692**
Cash dividend	–	–	(3,091)	(3,091)
Net income	–	–	4,709	4,709
Effect of equity method of accounting [1]	–	119	(119)	–
Transfer between unrestricted and restricted equity	–	(261)	261	–
Translation differences	–	1,385	(417)	968
Repurchase of own shares	–	–	(11,808)	(11,808)
Other changes	–	8	(140)	(132)
Balance at December 31, 2000	**2,649**	**13,804**	**71,885**	**88,338**
Cash dividend	–	–	(3,356)	(3,356)
Net income	–	–	(1,467)	(1,467)
Effect of equity method of accounting [1]	–	21	(21)	–
Transfer between unrestricted and restricted equity	–	(3,410)	3,410	–
Translation differences	–	1,850	(828)	1,022
Repurchase of own shares	–	–	(8,336)	(8,336)
New issue of shares to Renault S.A	–	–	10,356	10,356
Minimum liability adjustment for post-employment benefits [2]	–	–	(1,417)	(1,417)
Other changes	–	32	13	45
Balance at December 31, 2001	**2,649**	**12,297**	**70,239**	**85,185**

1 Mainly associated companies' effect on Group net income, reduced by dividends received.

2 Defined benefit plans for pensions in Volvo's subsidiaries in the United States are accounted for in accordance with U.S. GAAP (FAS87). In accordance with these rules, a minimum liability adjustment should be charged to shareholders' equity with an amount that corresponds to the unfunded part of accrued benefit obligations less accrual for prior service costs. See further in Note 33.

Note 22 Provisions for post-employment benefits

	1999	2000	2001
Provisions for pensions	1,002	1,294	3,632
Provisions for other post-employment benefits	1,128	1,338	11,015
Total	**2,130**	**2,632**	**14,647**

The amounts shown for Provisions for post-employment benefits correspond to the actuarially calculated value of obligations not insured with a third party or secured through transfers of funds to pension foundations. The amount of pensions falling due within one year is included. The Swedish Group companies have insured their pension obligations with third parties.

Group pension costs in 2001 amounted to 3,332 (1,548; 1,541). The greater part of pension costs consist of continuing payments to independent organizations that administer defined-contribution pension plans. The pension costs in 2000 was reduced by Alecta (previously SPP) surplus funds of 683 (see below).

In 1996 two Groupwide pension foundations for employees in Swedish companies were formed to secure commitments in accordance with the ITP plan (a Swedish pension plan). In conjunction with the formation, plan assets corresponding to the value of pension commitments was transferred to the foundations. During 2000 the two foundations were merged to form a single foundation, The Volvo Pension Foundation, which after the sale of Volvo Cars was common to both the Volvo Group and Volvo Cars. In 1999 and 2001, a net of 58 and 40 was transferred to the pension foundation while in 2000 a net of 105 was received. The accumulated benefit of Volvo Group pension obligations secured by this foundation at year-end 2001 amounted to 3,918. Assets in Volvo's Swedish pension foundation, which are invested in Swedish and foreign shares and funds, as well as interest-bearing securities, declined in value in

2001 as a result of the downturn on the stock market. Consequently, the value of the foundation's assets was 292 less than pension commitments at year-end 2001. As a result, a provision is reported to cover this deficit in the Volvo Consolidated financial statements for 2001.

In the mid-1990s and later years, surpluses arose in the Alecta insurance company in the management of the ITP pension plan. In December 1998 Alecta decided to distribute, company by company, the surpluses that had arisen up to and including 1998. In accordance with a statement issued by a special committee of the Swedish Financial Accounting Standards Council, surplus funds that were accumulated in Alecta should be recognized in the financial statements when the present value could be calculated in a reliable manner. The rules governing how the refund was to be made were established in the spring of 2000 and a refund of 683 was recognized in Volvo's accounts during 2000. At year-end 2001, a refund of 412 had yet not been settled with cash.

As a result of the acquisition on January 2, 2001 of Mack Trucks Inc. and Renault V.I., the Volvo Group received provisions for post-employment benefits totaling 8.3 billion. The provision pertained to commitments for pensions and other post-employment benefits, mainly healthcare benefits, which are not secured through the transfer of funds to independent pension plans. During 2001, the provision within the acquired operations increased, partly due to contractual occupational pensions in conjunction with restructuring measures during the year as well as the reporting of an additional minimum liability pertaining to pension obligations within Mack Trucks. The additional minimum liability is calculated in accordance with local rules (U.S GAAP) and pertains mainly to the deficit in the company's pension plans at year-end.

Additional information regarding Volvo's outstanding commitments for pension and other post-employment benefits and the status of the Group's pension plans is provided in Note 33.

Note 23 Other provisions

	Value in balance sheet 1999	Value in balance sheet 2000	Provisions and reversals	Utilization	Acquired and divested companies	Translation differences	Reclassifications	Value in balance sheet 2001
Warranties	3,594	3,644	5,289	(5,429)	2,264	343	(122)	5,989
Provisions in insurance operations	2,491	2,488	93	–	(2,334)	18	–	265
Restructuring measures	1,621	798	2,658	(1,786)	548	154	(30)	2,342
Provisions for residual value risks	519	725	425	(41)	411	130	66	1,716
Provisions for service contracts	937	1,276	142	(84)	156	123	92	1,705
Other provisions	3,452	3,745	1,634	(2,022)	1,959	274	(224)	5,366
Total	**12,614**	**12,676**	**10,241**	**(9,362)**	**3,004**	**1,042**	**(218)**	**17,383**

Note 24 Non-current liabilities

The listing below shows the Group's non-current liabilities in which the largest loans are distributed by currency. Most are issued by Volvo Treasury AB and Volvo Group Finance Europe BV. Information on loan terms is as of December 31, 2001. Volvo hedges foreign-exchange and interest-rate risks using derivative instruments. See also Note 32.

Bond loans	1999	2000	2001
FRF 1995–1997/ 2005–2009, 6.13–7.63%	3,271	3,383	3,599
GBP 1999/2003, 4.6%	–	142	154
DKK 1998/2005, 4.30%	377	389	317
SEK 1997–2001/2003–2008, 3.98–9.8%	3,101	2,952	2,502
JPY 1995–2001/2003–2011, 0.30–3.33%	4,654	4,812	2,130
HKD 1999/2006 7.99%	–	122	136
ITL	221	–	–
NLG 1998/2003, 3.58%	248	256	273
CZK, 2001/2004–2007, 5.0–6.5%	–	–	466
USD 1998–2001/2004–2008, 2.32–5.87%	1,918	667	2,070
EUR 1999–2001/2003–2009, 2.5–5.92%	10,002	17,505	19,035
Other bond loans	446	644	33
Total bond loans	**24,238**	**30,872**	**30,715**

Other loans	1999	2000	2001
USD 1997–2001/2003–2017 1.94–13.0%	2,954	4,905	10,023
EUR 1990–2000/2004–2014 4.84–10.25%	–	–	1,239
GBP 1994–2000/2003–2007 5.42–8.12%	1,151	858	915
SEK 1988–1999/2003–2013, 3.80–6.15%	631	822	650
BRL 1996–2001/2003–2006 8.29–20.5%	364	849	641
NLG 1998/2004, 6.60%	266	254	214
DEM	489	493	–
CAD 2002/2008–2009 1.75–3.75%	543	558	80
Other loans	1,586	795	274
Total other long-term loans	**7,984**	**9,534**	**14,036**
Deferred leasing income	**–**	**–**	**1,898**
Residual value liability	**–**	**–**	**7,250**
Other long-term liabilities	**292**	**265**	**231**
Total	**32,514**	**40,670**	**54,130**

Of the above long-term loans, 1,703 (693; 590) was secured.

Long-term liabilities mature as follows:	
2003	7,144
2004	15,079
2005	7,058
2006	4,505
2007	6,218
2008 or later	4,747
Total	44,751

Of other long-term liabilities the majority will mature within five years.

At year-end 2001, credit facilities granted but not utilized and which can be used without restrictions amounted to approximately SEK 22 billion (23; 20). Approximately SEK 19 billion of these facilities consisted of stand-by facilities for loans with varying maturities through the year 2006. A fee normally not exceeding 0.25% of the unused portion is charged for credit facilities.

Note 25 Current liabilities

Balance sheet amounts for loans were as follows:

	1999	2000	2001
Bank loans	9,822	7,160	7,417
Other loans	11,301	18,668	29,400
Total	**21,123**	**25,828**	**36,817**

Bank loans include current maturities, 1,484 (2,917; 1,893), of long-term loans. Other loans include current maturities of long-term loans,12,608 (7,750; 5,245), and commercial paper, 15,966 (10,724; 5,526).

The weighted average interest rate for the interest-bearing current liabilities was 5.4% (6.6; 5.2).

Noninterest-bearing liabilities accounted for 50,935 (27,742; 26,777), or 58% (52; 56) of the Group's total current liabilities.

Balance sheet amounts for Other current liabilities were as follows:

	1999	2000	2001
Advances from customers	3,447	3,512	3,112
Current income tax liabilities	569	697	707
Wages, salaries and withholding taxes	2,420	2,527	4,368
VAT liabilities	701	735	772
Accrued expenses and prepaid income	5,680	6,960	7,724
Deferred leasing income	–	–	2,033
Residual value liability	–	–	4,341
Other liabilities	2,504	1,934	5,156
Total	**15,321**	**16,365**	**28,213**

Secured bank loans at year-end 2001 amounted to 472 (473; 415). The corresponding amount for other current liabilities was 1,732 (1,506; 1,860).

Note 26 Assets pledged

	1999	2000	2001
Property, plant and equipment – mortgages	367	109	264
Chattel mortgages	412	350	394
Receivables	1,140	1,065	1,063
Inventories	456	254	199
Cash, marketable securities	1,548	1,207	1,802
Other	7	5	15
Total	**3,930**	**2,990**	**3,737**

The liabilities for which the above assets were pledged amounted at year-end to 3,907 (2,672; 2,865).

Note 27 Contingent liabilities

	1999	2000	2001
Discounted bills	467	443	345
Guarantees:			
Bank loans and trade bills – associated companies	–	48	67
Bank loans – customers and others	909	1,516	3,067
Recourse obligations	46	66	2,145
Tax claims	2,754	2,071	1,151
Other contingent liabilities	2,490	2,645	3,666
Total	**6,666**	**6,789**	**10,441**

The amount shown for guarantees to customers and others pertaining to bank loans, 3,067 (1,516; 909) includes the unutilized portion of credit facilities, 99 (623; 31). Recourse obligations pertain to receivables that have been transferred (customer-financing operations), less reduction for recognized credit risks. Tax liability pertains to actual or anticipated actions against the Volvo Group for which provisions are not considered necessary.

Legal proceedings

In March 1999, an FH 12 Volvo truck was involved in a fire in the Mont Blanc tunnel. The tunnel suffered considerable damage from the fire, which continued for 50 hours; 39 people lost their lives in the fire, and 34 vehicles were trapped in the tunnel. It is still unclear what caused the fire. The Mont Blanc tunnel has been closed since the fire.

An expert group has been appointed by the Commercial Court in Nanterre, France, to investigate the cause of the fire and the damage it caused. At present, it is not possible to anticipate the result of this investigation or the results of certain other French investigations now in progress regarding the fire. One of the investigations is being carried out by an Investigation Magistrate appointed to investigate potential criminal liability for the fire. In December 2000 an expert committee assisting the Investigation Magistrate filed a report on the events. Certain companies and individuals have formally been placed under investigation. At this stage, no Volvo entity, executive or employee has been placed under investigation.

A lawsuit has been filed with the Commercial Court in Nanterre by the insurance company employed by the French company that operates the tunnel against certain Volvo Group companies and the trailer manufacturer in which it demands compensation for the losses it claims to have suffered. The plaintiff has requested that the court postpone its decision until the expert group submits its report. Certain Volvo Group companies have further been involved in proceedings before the Civil Court of Bonneville instigated by the French Tunnel operating company against Bureau Central Francais, the owner of the truck and its insurers. These proceedings partly overlap with the proceedings in the Commercial Court of Nanterre. Volvo Group companies are also involved in proceedings regarding matters in connection with the tunnel fire before courts in Aosta, Italy, and Brussels, Belgium. Volvo is unable to determine the ultimate outcome of the litigation referred to above.

AB Volvo and Renault SA have entered into arbitration regarding the final value of acquired assets and liabilities in Renault V.I. and Mack. This process could result in an adjustment in the value of the transfer. Any such adjustment will affect the amount of acquired liquid funds and Volvo's reported goodwill amount. The outcome of this arbitration cannot be determined with certainty. However, Volvo believes that the outcome will not lead to an increase in goodwill.

Volvo is involved in a number of other legal proceedings incidental to the normal conduct of its businesses. Volvo does not believe that any liabilities related to such proceedings are likely to be, in the aggregate, material to the financial condition of the Group.

Note 28 Cash flow

Other items not affecting cash pertain to surplus funds from SPP – (–508; –), capital gains on the sale of subsidiaries and other business units, –829 (–573; –26,900), risk provisions and losses related to doubtful receivables and customer-financing receivables 1,541 (522; 766) and other –173 (–120; 17).

Net investments in customer-financing receivables resulted in 2001 in a negative cash flow of SEK 3.7 billion (4.5; 7.1). In this respect, liquid funds were reduced by SEK 16.6 billion (15.5; 14.2) pertaining to new investments in financial leasing contracts and installment contracts.

Investments in shares and participations, net in 2001 amounted to SEK 3.9 billion, mainly related to the sale of Volvo's holding in Mitsubishi Motors Corporation. Investments in shares and participations, net, in 2000 amounted to SEK 1.6 billion, of which SEK 1.3 billion was attributable to additional investments in Scania. Net investments in shares and participations during 1999 of SEK 25.9 billion pertained in entirety to future investments, of which the acquisition of shares in Scania AB and Mitsubishi Motors Corporation amounted to SEK 23.0 billion and SEK 2.3 billion, respectively.

Acquired and divested subsidiaries and other business units, net in 2001 amounted to SEK 13.0 billion mainly pertained to the final payment of SEK 12.1 billion from the sale of Volvo Cars, divestment of the insurance operation in Volvia and acquired liquid funds within Mack and Renault V.I.

During 2001 and 2000 net investments in loans to external parties contributed SEK 0.2 billion and SEK 0.3 billion, respectively to liquid funds. Net investments during 1999 in loans to external parties amounted to SEK 3.2 billion, of which SEK 2.0 billion pertained to payment of the convertible debenture loan in Henlys group and SEK 1.3 billion new investment in corporate bonds.

The change during the year in bonds and other loans generated liquid funds of SEK 6.2 billion (8.1; 16.3). New borrowing during the year, mainly the issue of bond loans and a commercial paper program, provided SEK 31.4 billion (19.5; 19.0). Amortization during the year amounted to SEK 25.2 billion (11.4; 23.0).

Note 29 Leasing

At December 31, 2001, future rental income from noncancellable financial and operating leases (minimum leasing fees) amounted to 31,109 (26,445; 19,910), of which 30,161 (25,664; 19,383) pertains to customer-financing companies. Future rental income is distributed as follows:

	Financial leases	Operating leases
2002	6,797	4,238
2003–2006	11,534	7,129
2007 or later	323	1,088
Total	18,654	12,455
Allowance for uncollectible future rental income	(252)	
Unearned rental income	(955)	
Present value of future rental income	17,447	

At December 31, 2001, future rental payments (minimum leasing fees) related to noncancellable leases amounted to 5,192 (4,385; 5,328).

Future rental payments are distributed as follows:

	Financial leases	Operating leases
2002	440	1,019
2003–2006	1,058	1,771
2007 or later	140	764
Total	**1,638**	**3,554**

Rental expenses amount to:

	1999	2000	2001
Financial leases:			
– Contingent rents	–	(1)	(4)
Operating leases:			
– Contingent rents	–	(80)	(82)
– Rental payments	–	(837)	(899)
– Sublease payments	–	1	14
Total	**(1,193)**	**(917)**	**(971)**

Book value of assets subject to finance lease:

	2000	2001
Acquisition costs:		
Buildings	48	71
Land and land improvements	26	40
Machinery and equipment	12	23
Assets under operating lease	2,217	2,330
Total	**2,303**	**2,464**
Accumulated depreciation:		
Buildings	(3)	(14)
Land and land improvements	(2)	(8)
Machinery and equipment	(4)	(11)
Assets under operating lease	(1,022)	(914)
Total	**(1,031)**	**(947)**
Book value:		
Buildings	45	57
Land and land improvements	24	32
Machinery and equipment	8	12
Assets under operating lease	1,195	1,416
Total	**1,272**	**1,517**

Note 30 Personnel

In accordance with a resolution adopted at the Annual General Meeting, the fee paid to the Board of Directors is a fixed amount of SEK 3,250,000, to be distributed as decided by the Board. The Chairman of the Board, Lars Ramqvist, receives a fee of SEK 1,000,000.

In 2001, Leif Johansson, President and Chief Executive Officer, received SEK 9,597,900 in salary and other benefits amounting to SEK 520,838. The bonus in 2000 was SEK 534,600 and will be saved for five years. The bonus for 2001 was SEK 1,640,000. This bonus, including a 6% upward adjustment, a total of SEK 1,738,400 was allocated to pension. In 2001, Leif Johansson received 13,600 employee stock options. Leif Johansson is eligible to take retirement with pension at age 55. Pension benefits are earned gradually over the years up to the employee's retirement age and are fully earned at age 55. During the period between the ages of 55 and 65, he would receive a pension equal to 70% of his pensionable salary, and a pension amounting to 50% of his pensionable salary after reaching the age of 65. The pensionable salary is the sum of 12 times the current monthly salary, Volvo's internal value for company car, and a five year rolling annual average of earned bonus which is limited to a maximum of 50% of the annual salary. Leif Johansson has twelve months notice of termination from AB Volvo and six months on his own initiative. If Leif Johansson's employment is terminated by AB Volvo, he is entitled to a severance payment equal to two years' salary, plus bonus. The severance payment will be adjusted for any income after the termination of his contract with Volvo.

In 2001, Sören Gyll, President and Chief Executive Officer up to and including April 22, 1997, received a car benefit amounting to SEK 69,100. Sören Gyll continued to serve the Group until December 31, 1997 and then retired on pension.

Leif Johansson, the Group Executive Committee, members of the executive committees of subsidiaries and a number of key executives receive bonuses in addition to salaries. Bonuses are based on the income and cash flow of the Volvo Group and/or of the executive's company, in accordance with the bonus system established by the Volvo Board in 1993 and reviewed in 2000. A bonus may amount to a maximum of 50% of an executive's annual salary.

The employment contracts of certain senior executives contain provisions for severance payments when employment is terminated by the Company, as well as rules governing pension payments to executives who take early retirement. The rules governing early retirement provide that, when employment is terminated by the Company, an employee is entitled to severance pay equal to the employee's monthly salary for a period of 12 or 24 months, depending on age at date of severance. In certain contracts, replacing contracts concluded earlier, an employee is entitled to severance payments amounting to the employee's monthly salary for a period of 30 to 42 months. In agreements concluded after the spring of 1993, severance pay is reduced, in the event the employee gains employment during the severance period, in an amount equal to 75% of income from new employment. An early-retirement pension may be received when the employee reaches the age of 60. A pension is earned gradually over the years up to the employee's retirement age and is fully earned at age 60. From that date until reaching the normal retirement age, the retiree will receive a maximum of 70% of the qualifying salary. From the age of normal retirement, the retiree will receive a maximum of 50% of the qualifying salary.

Volvo currently has two option programs for senior executives. The option programs have no dilutive effect on Volvo's outstanding shares.

In October 1998, Volvo announced a call option program with two subscriptions, one in 1999 and one in 2000. For the first subscription in May 1999, options were subscribed to approximately 100 senior executives. For the second subscription in April 2000, options were subscribed to approximately 60 senior executives.

The call options subscribed in May 1999, which can be exercised from May 18, 1999 until May 4, 2004, give the holder the right to acquire 1.03 Series B Volvo shares for each option held from a third party. The exercise price is SEK 290.70. The price of the options is based on a market valuation and was fixed at SEK 68.70 by Trygg-Hansa Livförsäkrings AB. The number of options corresponds to a part of the executive's bonus earned. A total of 91,341 options were subscribed. The options are financed 50% by the Company and 50% from the option-holder's bonus.

The second subscription took place in April 2000. These options can be exercised from April 28, 2000 until April 27, 2005, and give the holder the right to acquire one Series B Volvo share for each option held from a third party. The exercise price is SEK 315.35. The price of the options is based on market valuation by UBS Warburg and was fixed at SEK 55.75. The number of options corresponds to a part of the executive's bonus earned. A total of 120,765 options were subscribed. The options are financed 50% by the Company and 50% from the option holder's bonus.

In January 2000, a decision was made to implement a new incentive program for senior executives within the Volvo Group in the form of so-called employee stock options. The decision covers allotment of options for 2000 and 2001. Accordingly, during January 2000, a total of 595,000 options were allotted to 62 senior executives, including President and CEO Leif Johansson, who received 50,000 options. The executives has not made any payment for the options. The employee stock options allotted in January 2000 give the holders the right, from March 31, 2002 through March 31, 2003, to redeem their options or alternatively receive the difference between the actual price at that time and the exercise price determined at allotment. The exercise price is SEK 239.35, which is equal to 110% of the share price at allotment. The theoretical value of the options at allotment was set at SEK 35, using the Black & Scholes pricing model for options. Volvo has hedged the committments (including social costs) relating to a future increase in share price, through a Total Return Swap. Should the share price be lower than the exercise price at the closing date, Volvo will pay the swap-holder the difference between the actual share price and the exercise price at that time for each outstanding option.

In May, 2001, the second allotment within the employee stock option program took place. The allotment which was based on the fulfillment of financial goals, covered a total of 163,109 options to 71 senior executives, including President and CEO Leif Johansson, who received 13,600 options. The executives has not made any payment for the options. These employee stock options give the holders the right, from May 4, 2003 through March 31, 2004, to redeem their options or alternatively receive the difference between the actual price at that time and the exercise price determined at allotment. The exercise price is SEK 159, which is equal to 110% of the share price at allotment. The theoretical value of the options at allotment was set at SEK 22, using the Black & Scholes pricing model for options. Volvo has hedged the committments (including social costs) relating to a future increase in share price, through a Total Return Swap. Should the share price be lower than the exercise price at the closing date, Volvo will pay the swap-holder the difference between the actual share price and the exercise price at that time for each outstanding option.

Profit-sharing payments to employees for 2001, 2000 and 1999 amounted to –, – and 185.

	1999		2000		2001	
Average number of employees	Number of employees	of whom, women, %	Number of employees	of whom, women, %	Number of employees	of whom, women, %
AB Volvo						
Sweden	137	60	115	55	105	53
Subsidiaries						
Sweden	24,802	19	24,737	18	24,463	17
Western Europe	10,392	15	10,316	17	26,043	13
Eastern Europe	1,239	11	1,734	10	1,862	13
North America	11,860	19	11,875	33	13,450	18
South America	1,924	11	2,084	10	2,071	11
Asia	2,344	14	2,616	13	2,599	10
Other countries	450	12	787	14	1,438	10
Group total	**53,148**	**17**	**54,264**	**20**	**72,031**	**15**

Wages, salaries and other remunerations, SEK M	1999			2000			2001		
	Board and Presidents[1]	of which, bonuses	Other employees	Board and Presidents[1]	of which, bonuses	Other employees	Board and Presidents[1]	of which, bonuses	Other employees
AB Volvo									
Sweden	27.8	5.9	77.0	23.9	1.0	73.2	24.4	1.9	70.3
Subsidiaries									
Sweden	63.3	9.3	6,969.0	64.4	11.7	7,272.5	64.4	11.3	7,277.4
Western Europe	149.7	20.9	3,203.0	112.7	8.8	3,290.6	356.0	14.2	7,661.3
Eastern Europe	1.1	0.2	102.2	3.2	0.4	144.8	11.7	3.8	214.4
North America	60.9	1.9	3,137.2	103.5	16.3	3,484.6	174.5	14.3	7,135.9
South America	29.6	0.0	292.9	27.9	0.0	376.5	48.5	2.7	355.3
Asia	33.0	0.5	493.1	36.6	1.4	610.5	47.7	1.2	660.1
Other countries	6.4	0.5	106.0	5.5	–	134.7	13.0	–	231.1
Group total	**371.8**	**39.2**	**14,380.4**	**377.7**	**39.6**	**15,387.4**	**740.2**	**49.4**	**23,605.8**

Wages, salaries other remunerations and social-costs, SEK M	1999			2000			2001		
	Wages, salaries, remunerations	Social costs	of which, pension costs	Wages, salaries, remunerations	Social costs	of which, pension costs	Wages, salaries, remunerations	Social costs	of which, pension costs
AB Volvo [2]	104.8	78.5	54.3	97.1	90.4	70.3	94.7	111.9	92.5
Subsidiaries	14,647.4	5,001.7	1,486.8	15,668.0	5,654.2	1,477.9	24,251.3	8,995.1	3,239.7
Group total [3]	**14,752.2**	**5,080.2**	**1,541.1**	**15,765.1**	**5,744.6**	**1,548.2**	**24,346.0**	**9,107.0**	**3,332.2**

1 Including current and former Board members, Presidents and Executive Vice Presidents.

2 Of the **Parent Company's** pension costs, 21.9 (51.3; 14.6) pertain to Board members and Presidents. The Company's outstanding pension obligations to these individuals amount to 319.1 (301.8; 287.9).

3 Of the **Group's** pension costs, 100.3 (116.1; 60.0) pertain to Board members and Presidents. The Group's outstanding pension obligations to these individuals amount to 442.3 (397.6; 368.2).

Note 31 Fees to the auditors

Fees and other remuneration to external auditors for fiscal year 2001 amounted to 195, (130; 90), of which 74 (51; 55) for auditing, distributed between PricewaterhouseCoopers, 60 (38; 34) and others, 14 (13; 21), and 121 (79; 35) pertaining to non-audit services from PricewaterhouseCoopers.

Auditing assignments involve examination of the annual report and financial accounting and the administration by the Board and the President, other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or implementation of such other tasks. All other tasks are defined as other assignments.

Note 32 Financial risks

The Volvo Group is exposed to various types of financial risks. Group-wide policies form the basis for each Group company's action program. Monitoring and control is conducted continuously in each company as well as centrally. Most of the Volvo Group's financial transactions are carried out through Volvo's in-house bank, Volvo Treasury, which conducts its operations within established risk mandates and limits.

Foreign exchange risks

Volvo's currency risks are related to changes in contracted and projected flows of payments (commercial exposure), to payment flows related to loans and investments (financial exposure), and to the translation of assets and liabilities in foreign subsidiaries (equity exposure). The objective of the Volvo Group Currency Policy is to minimize the short-term impact of adverse exchange rate fluctuations on the Volvo Group's operating income, by hedging the Group's firm transaction exposure.

The objective is also to reduce the Group's balance sheet exposure to a minimum. Volvo Group Companies individually should not assume any currency risk.

Commercial exposure

According to the Volvo Group Currency Policy, forecasted currency flows representing firm exposure and forecasted exposure with a pre-fixed price in local currency should be hedged. Volvo uses forward exchange contracts and currency options to hedge these flows. In accordance with the Group's currency policy, between 50% and 80% of the net flow in each currency is hedged for the coming 6 months, 30% to 60% for months 7 through 12 and firm flows beyond 12 months should normally be hedged. The notional value of all forward and option contracts as of December 31, 2001 was SEK 12.1 billion (16.7; 25.0).

Volvo Group's outstanding currency derivative contracts pertaining to commercial exposure, December 31, 2001

The table shows forward exchange contracts and option contracts to hedge future flows of commercial payments.

		Currencies			Other Currencies		Fair value [2]
SEK M		Inflow USD	Inflow GBP	Inflow EUR	Net SEK	SEK	
Due date 2002	amount	482	175	418	32	10,840	
	rate [1]	9.05	14.46	9.30			
Due date 2003	amount	132	(4)	0	(374)	846	
	rate [1]	9.24	15.06	0.00			
Due date 2004	amount	74	(6)	0	(232)	466	
	rate [1]	10.34	15	0.00			
Total		**688**	**165**	**418**	**(574)**	**12,152**	
of which, option contracts		19	0	0	(75)	0	
Fair value of flows in forward contracts [2]		**(7,140)**	**(2,523)**	**(3,876)**	**462**	**11,877**	**(1,200)**

1 Average forward contract rate.

2 Outstanding forward contracts valued to market rates.

Volvo Group's net flow per currency

		Currencies			Other Currencies		Total
SEK M		Inflow USD	Inflow GBP	Inflow EUR	Net SEK	SEK	
Net flow 2001	amount	784	282	865		–	
	rate [3]	10.3272	14.8763	9.2434		–	
Net flow SEK, [3]		**8,100**	**4,200**	**8,000**	**3,800**	**–**	**24,100**
Hedged portion, % [4]		**61**	**62**	**48**			

3 Average exchange rate during the financial year.

4 Outstanding currency contracts, regarding commercial exposure due in 2002, percentage of net flow 2001.

Financial exposure

Group companies operate in local currencies. Through loans and investments being mainly in the local currency, financial exposure is reduced. In companies which have loans and investments in foreign currencies, hedging is carried out in accordance with Volvo's financial policy, which means no currency risks is assumed.

Equity exposure

In conjunction with translation of the Group's assets and liabilities in foreign subsidiaries to Swedish kronor a risk arises that the currency rate will have an effect on the consolidated balance sheet. Companies in the Volvo Group are generally formed or acquired with a long term perspective, where equity is used to fund real assets that are not to be realized within a foreseeable future. Furthermore, foreign equity exposure is relatively limited in relation to the consolidated equity in the Volvo Group balance sheet.

As a consequence of the above, equity hedging will primarily be used if a foreign Volvo Group company is over capitalized. To avoid extensive equity exposure, the level of equity in Volvo Group companies will be kept at a commercially, legally and fiscally optimal level. At year-end 2001, net assets in subsidiaries and associated companies outside Sweden amounted SEK 28.1 billion.

Hedging of translation exposure from shareholdings in foreign associated companies or minority interest companies will be executed on a case-by-case basis.

Volvo Group outstanding derivatives – commercial exposure

	December 31, 1999			December 31, 2000			December 31, 2001		
	Notional amount	Book value	Estimated fair value	Notional amount	Book value	Estimated fair value	Notional amount	Book value	Estimated fair value
Foreign exchange derivative contracts [5]									
– receivable position	69,531	91	4,044	19,017	71	1,513	9,780	16	554
– payable position	107,509	(203)	(5,628)	24,910	(89)	(2,817)	20,022	(271)	(1,753)
Options – purchased									
– receivable position	4,434	–	67	808	–	2	173	0	0
– payable position	392	–	(4)	1,736	(3)	(4)	75	(1)	(1)
Options – written									
– receivable position	3	–	0	385	–	0	–	–	–
– payable position	3,415	–	(49)	568	–	0	–	–	–
Total		(112)	(1,570)		(21)	(1,306)		(256)	(1,200)

5 As of 2000, the foreign exchange contracts are divided between commercial and financial exposure.

The notional amount of the derivative contracts represents the gross contract amount outstanding. To determine the estimated fair value, the major part of the outstanding contracts have been marked to market. Discounted cash flows have been used in some cases.

Interest-rate risks

Interest-rate risks relate to the risk that changes in interest-rate levels affect the Group's profit. By matching fixed-interest periods of financial assets and liabilities, Volvo reduces the effects of interest-rate changes. Interest-rate swaps are used to change the interest-rate periods of the Group's financial assets and liabilities. Exchange-rate swaps make it possible to borrow in foreign currencies in different markets without incurring currency risks.

Volvo also holds standardized futures and forward-rate agreements. The majority of these contracts are used to secure interest levels for short-term borrowing or placement.

Liquidity risks

Volvo ensures maintenance of a strong financial position by continuously keeping a certain percentage of sales in liquid assets. A proper balance between short- and long-term borrowing, as well as the ability to borrow in the form of credit facilities, are designed to ensure long-term financing.

Volvo Group outstanding derivatives – financial exposure

	December 31, 1999			December 31, 2000			December 31, 2001		
	Notional amount	Book value	Estimated fair value	Notional amount	Book value	Estimated fair value	Notional amount	Book value	Estimated fair value
Interest-rate swaps [6]									
– receivable position	87,647	486	3,055	64,345	561	2,990	62,456	3,670	4,549
– payable position	94,934	(373)	(3,461)	57,488	(366)	(2,969)	86,328	(3,888)	(4,633)
Forwards and futures									
– receivable position	231,907	–	99	174,576	0	201	230,323	120	120
– payable position	220,640	–	(61)	201,657	(28)	(247)	250,390	(126)	(126)
Foreign exchange derivative contracts [5]									
– receivable position	–	–	–	32,741	34	1,046	6,306	96	100
– payable position	–	–	–	21,668	(76)	(2,894)	21,465	(428)	(435)
Options purchased, caps and floors									
– receivable position	–	–	–	52	0	1	–	–	–
– payable position	–	–	–	–	–	–	–	–	–
Options written, caps and floors									
– receivable position	–	–	–	–	–	–	–	–	–
– payable position	–	–	–	55	0	0	–	–	–
Total		113	(368)		125	(1,873)		(556)	(425)

6 As from 2000 interest-rate swaps in foreign currencies are reported as financial exposure contracts and are included in interest-rate swaps. Comparative figures for 1999 have been calculated.

Credit risks in financial instruments

Credit risk in financial investments

The liquidity in the Group is invested mainly in local cash pools or directly with Volvo Treasury. This concentrates the credit risk within the Group's in-house bank. Volvo Treasury invests the liquid funds in the money and capital markets.

All investments must meet criteria for low credit risk and high liquidity. In accordance with Volvo's credit policy, counterparties for both investments and transactions in derivatives must have received a rating of "A" or better from one of the well-established credit-rating institutions.

Counterparty risks

The derivative instruments used by Volvo to reduce its foreign-exchange and interest-rate risk in turn give rise to a counterparty risk, the risk that a counterparty will not fulfill its part of a forward or option contract, and that a potential gain will not be realized. Transactions with derivative instruments are mainly conducted via Volvo Treasury which means that the counterparty risk is concentrated within the Group's in-house bank. Where appropriate, the Volvo Group arranges master netting agreements with the counterparty to reduce exposure. The credit exposure in interest-rate and foreign exchange contracts is represented by the positive fair value – the potential gain on these contracts – as of the reporting date. The risk exposure is calculated daily. The credit risk in futures contracts is limited through daily or monthly cash settlements of the net change in value of open contracts. The estimated exposure in foreign exchange contracts, interest-rate swaps and futures, and options amounted to 654, 4,669 and 0 as of December 31, 2001.

Volvo does not have any significant exposure to an individual customer or counterparty.

Calculation of fair value of financial instruments

Volvo has used generally accepted methods to calculate the market value of the Group's financial instruments as of December 31, 1999, 2000 and 2001. In the case of instruments with maturities shorter than three months – such as liquid funds and certain current liabilities as well as certain short-term loans – the book value has been assumed to closely approximate market value.

Official exchange rates and prices quoted in the open market have been used initially for purposes of valuation. In their absence, the valuation has been made by discounting future cash flows at the market interest rate for each maturity. These values are estimates and will not necessarily be realized.

Estimated fair value of Volvo's financial instruments

	December 31, 1999		December 31, 2000		December 31, 2001	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Balance sheet items						
Investments in shares and participations						
fair value determinable [1]	3,537	2,212	27,589	20,955	25,245	17,661
fair value not determinable [2]	241	–	372	–	586	–
Long-term receivables and loans	36,240	36,751	28,646	29,095	32,432	32,860
Short-term receivables and loans	17,508	17,288	33,078	35,338	24,822	24,765
Marketable securities	20,956	21,534	9,568	9,603	13,514	13,399
Long-term loans and debts	32,514	32,394	40,670	41,792	54,130	56,903
Short-term loans	21,123	20,429	25,828	27,000	36,817	35,898
Off-balance-sheet items						
Volvo Group outstanding derivative contracts – commercial exposure	(112)	(1,570)	(21)	(1,306)	(256)	(1,200)
Volvo Group outstanding derivative contracts – financial exposure	113	(368)	125	(1,873)	(556)	(425)

1 Pertains mainly to Volvo's holdings in Mitsubishi Motors Corporation 1999 as well as 2000, and in Scania AB 2000 as well as 2001.

2 No single investment represents any significant amount.

Note 33 Net income and shareholders' equity in accordance with U.S. GAAP

A summary of the Volvo Group's net income and shareholders' equity determined in accordance with U.S. GAAP, is presented in the accompanying tables.

Application of U.S. GAAP would have the following effect on consolidated net income and shareholders' equity:

Net income	1999	2000	2001
Net income in accordance with Swedish accounting principles	32,222	4,709	(1,467)
Items increasing (decreasing) reported net income			
Derivative instruments and hedging activities (A)	576	(654)	172
Business combinations (B)	(91)	(91)	(744)
Shares and participations (C)	12	24	–
Interest costs (D)	21	(3)	18
Leasing (E)	39	16	13
Investments in debt and equity securities (F)	253	(548)	(153)
Restructuring costs and income from divestment of Volvo Cars (G)	(1,325)	(281)	(579)
Pensions and other post-employment benefits (H)	40	(170)	456
Alecta surplus funds (I)	–	(523)	111
Software development (J)	370	384	(212)
Product development (K)	–	–	(1,962)
Entrance fees, aircraft engine programs (L)	(22)	(336)	(324)
Tax effect of above U.S. GAAP adjustments	(405)	600	690
Net increase (decrease) in net income	(532)	(1,582)	(2,514)
Net income in accordance with U.S. GAAP	**31,690**	**3,127**	**(3,981)**
Net income per share, SEK in accordance with U.S. GAAP	**71.80**	**7.40**	**(9.40)**
Weighted average number of shares outstanding (in thousands)	441,521	421,684	422,429

Shareholders' equity	1999	2000	2001
Shareholders' equity in accordance with Swedish accounting principles	97,692	88,338	85,185
Items increasing (decreasing) reported shareholders' equity			
Derivative instruments and hedging activities (A)	(632)	(1,286)	(1,114)
Business combinations (B)	1,408	1,317	4,125
Shares and participations (C)	12	36	36
Interest costs (D)	115	112	130
Leasing (E)	(189)	(163)	(149)
Investments in debt and equity securities (F)	(256)	(6,066)	(7,328)
Restructuring costs and income from divestment of Volvo Cars (G)	860	579	–
Pensions and other postemployment benefits (H)	443	109	272
Alecta surplus funds (I)	–	(523)	(412)
Software development (J)	370	754	542
Product development (K)	–	–	(1,962)
Entrance fees, aircraft engine programs (L)	(51)	(387)	(719)
Tax effect of above U.S. GAAP adjustments	(165)	1,941	3,024
Net increase (decrease) in shareholders' equity	1,915	(3,577)	(3,555)
Shareholders' equity in accordance with U.S. GAAP	**99,607**	**84,761**	**81,630**

Accounting for derivative instruments and hedging activities

Net income	1999	2000	2001
Derivatives Commercial exposure	576	(654)	342
Derivatives Financial exposure	–	–	(222)
Fair value adjustment hedged items	–	–	50
Transition adjustment	–	–	2
Total increasing (decreasing) reported net income	**576**	**(654)**	**172**

Fair value hedges included above

Net income	2001
Derivative contracts, financial exposure	338
Fair value adjustment hedged items	(293)
Ineffectiveness in net income	**45**

Significant differences between Swedish and U.S. accounting principles

A. Derivative instruments and hedging activities. Volvo uses forward exchange contracts and currency options to hedge the value of future commercial flows of payments in foreign currency. Outstanding contracts that are highly certain to be covered by currency transactions are not assigned a value in the consolidated accounts.

Under U.S. GAAP hedge accounting is not applied for commercial derivatives, why outstanding forward contracts and currency options are valued at market rates. The profits and losses that thereby arise are included when calculating income. Unrealized net losses for 2001 pertaining to forwards and options contracts are estimated at 944 (1,286; 632).

Volvo uses derivative instruments to hedge the value of the Groups' financial position. In accordance with U.S. GAAP, all outstanding derivative instruments are valued at fair value. The profits and losses that thereby arise are included when calculating income. Only part of the Groups' hedges of financial exposure qualify for hedge accounting under U.S. GAAP and are accounted for as such. In those cases the hedged item are valued at fair value regarding the risk and period beeing hedged and included when calculating income.

As of January 1, 2001 Volvo has made a transition adjustment in accordance with FAS 133. Book values of derivatives, assets and liabilities qualifying for hedge accounting prior to FAS 133 have been adjusted in accordance with FAS 133. The transition adjustment will be accrued over the average maturity of the assets and liabilities that qualified for hedge accounting prior to FAS 133.

B. Business combinations. Acquisitions of certain subsidiaries are reported differently in accordance with Volvo's accounting principles and U.S. GAAP. The difference is attributable primarily to reporting and amortization of goodwill.

In 1995, AB Volvo acquired the outstanding 50% of the shares in Volvo Construction Equipment Corporation (formerly VME) from Clark Equipment Company, in the U.S. In conjunction with the acquisition, goodwill of SEK 2.8 billion was reported. The shareholding was written down by SEK 1.8 billion, which was estimated corresponded to that portion of the goodwill that was attributable at the time of acquisition to the Volvo trademark. In accordance with U.S. GAAP, the goodwill of SEK 2.8 billion should be amortized over its estimated useful life (20 years).

In 2001, AB Volvo acquired 100% of the shares in Renault V.I. and Mack Trucks Inc. from Renault SA in exchange for 15% of the shares in AB Volvo. Under Swedish GAAP, the goodwill attributable to this acquisition was set at SEK 8.4 billion while under U.S. GAAP the corresponding goodwill was set at SEK 11.5 billion. The difference was mainly attributable to determination of the purchase consideration. In accordance with Swedish GAAP, when a subdiary subsidiary is acquired through the issue of own shares, the purchase consideration is determined to based on the market price of the issued shares at the time of the transaction is completed. In accordance with U.S. GAAP, such a purchase consideration is determined to based on the average market price of the issued underlying shares prior to the public announcementat the date the terms of the transaction are agreed and publicly announced of the transaction. The value of the goodwill includes value of other intangible assets.

	Net income			Shareholders' equity		
Goodwill	1999	2000	2001	1999	2000	2001
Goodwill in accordance with Swedish GAAP, December 31	(398)	(491)	(1,058)	5,093	4,969	13,013
Items affecting reporting of goodwill:						
Acquisition of Renault V.I. and Mack Trucks Inc.	–	–	(153)	–	–	2,899
Acquisition of Volvo Construction Equipment Corporation	(91)	(91)	(91)	1,408	1,317	1,226
Net change in accordance with U.S. GAAP	(91)	(91)	(244) [1]	1,408	1,317	4,125
Goodwill in accordance with U.S. GAAP, December 31	**(489)**	**(582)**	**(1,302)**	**6,501**	**6,286**	**17,138**

1 Income under U.S. GAAP was in total 744 lower than under Swedish GAAP, including 244 due to higher goodwill amortization and 500 due to other differences in purchase accounting.

C. Shares and participations. In calculating Volvo's share of earnings and shareholders' equity in associated companies in accordance with U.S. GAAP, differences between the accounting for these companies in accordance with Volvo's principles and U.S. GAAP have been reflected.

Income from investments in associated companies is reported before taxes in accordance with Swedish accounting principles, and after tax in accordance with U.S. GAAP. Taxes attributable to associated companies amounted to 42 (244; 321).

D. Interest costs. In accordance with U.S. GAAP, interest expense incurred in connection with the financing of the construction of property and other qualifying assets is capitalized and amortized over the useful life of the related assets. In Volvo's consolidated accounts, interest expenses are reported in the year in which they arise.

E. Leasing. Certain leasing transactions are reported differently in accordance with Volvo's accounting principles compared with U.S. GAAP. The differences pertain to sale-leaseback transactions prior to 1997.

F. Investments in debt and equity securities. In accordance with U.S. GAAP, Volvo applies SFAS 115: "Accounting for Certain Investments in Debt and Equity Securities." SFAS 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair market values, and for all debt securities. These investments are to be classified as either "held-to-maturity" securities that are reported at amortized cost, "trading" securities that are reported at fair value with unrealized gains or losses included in earnings, or "available-for-sale" securities, reported at fair value, with unrealized gains or losses included in shareholders' equity.

As of December 31, 2001, unrealized losses after deducting for unrealized gains in "available-for-sale" securities amounted to 7,211 (6,101; 840). Sale of "available-for-sale" shares in 2001 provided SEK 3.2 billion (–; –) and the capital gain, before tax, on sales of these shares amounted to SEK 0.6 billion (–; –).

Summary of debt and equity securities available for sale and trading	Book value	Market value	FAS 115-adjustment, gross	Tax and minority interests	FAS 115-adjustment, net
Trading, December 31, 2001	11,862	11,745	(117) [1]	33	(84)
Trading, January 1, 2001	7,175	7,211	36 [1]	(10)	26
Change 2001			(153) [2]	43	(110)
Available for sale					
Marketable securities	1,652	1,654	2	(1)	1
Shares and convertible debenture loan	27,806	20,593	(7,213)	2,020	(5,193)
Available for sale					
December 31, 2001	29,458	22,247	(7,211) [1]	2,019	(5,192)
January 1, 2001	31,600	25,499	(6,101) [1]	1,708	(4,393)
Change 2001			(1,110)	311	(799)

1 Adjustment of shareholders' equity in accordance with U.S. GAAP before tax effects.
2 Adjustment of income in accordance with U.S. GAAP before tax.

The book values and market values for these listed securities are distributed as follows:

	January 1, 2001		December 31, 2001	
	Book value	Market value	Book value	Market value
Available for sale				
Marketable securities	1,723	1,718	1,652	1,654
Shares and convertible debenture loan	29,877	23,781	27,806	20,593
Trading	7,175	7,211	11,862	11,745

G. Restructuring costs and income from divestment of Volvo Cars. Up to and including 2000, restructuring costs were in the Volvo Group's year-end accounts reported in the year that implementation of these measures was approved by each company's Board of Directors. In accordance with U.S. GAAP, costs are reported for restructuring measures only under the condition that a sufficiently detailed plan for implementation of the measures is prepared at the end of the accounting period. Effective in 2001, Volvo adopted a new Swedish accounting standard, RR16 Provisions, contingent liabilities and contingent assets, which is substantially equivalent to U.S. GAAP.

In accordance with U.S. GAAP, income from the divestment of Volvo Cars in 1999 was lower than in accordance with Swedish GAAP. This is mainly attributable to the accounting differences described under points A, D, G and H resulting in a higher net asset value for the operations divested.

H. Provision for pensions and other post-employment benefits. The greater part of the Volvo Group's pension commitments are defined contribution plans in which regular payments are made to independent authorities or bodies that administer pension plans. There is no difference between U.S. and Swedish accounting principles in accounting for these pension plans.

Other pension commitments are defined-benefit plans; that is, the employee is entitled to receive a certain level of pension benefits, usually related to the employee's final salary. In these cases the annual pension cost is calculated based on the current value of future pension payments. In Volvo's consolidated accounts, provisions for pensions and pension costs for the year in the individual companies are calculated based on local rules and directives. In accordance with U.S. GAAP, provisions for pensions and pension costs for the year should always be calculated as specified in SFAS 87, "Employers Accounting for Pensions." The difference lies primarily in the choice of discount rates and the fact that U.S. calculations of pension benefit obligations, in contrast to Swedish calculations, are based on salaries calculated at the time of retirement. In addition, under U.S. GAAP, the value of pension assets in excess of the pension obligation is accounted for.

Post-retirement expenses in accordance with U.S. GAAP include:

Defined-benefit plans in Sweden, U.S. and France	1999	2000	2001
Service cost	242	279	412
Interest cost	279	328	1,188
Expected return on plan assets	(366)	(445)	(1,335)
Amortization, net	15	(14)	32
Pension costs for defined benefit plans	**170**	**148**	**297**
Other plans (mainly defined contribution plans)	1,332	2,253	2,579
Total pension costs in accordance with U.S. GAAP [1, 2]	**1,502**	**2,401**	**2,876**
Total pension costs in accordance with Swedish accounting principles [1, 2]	**1,542**	**2,231**	**3,332**
Adjustment of net income for the year in accordance with U.S. GAAP before tax effect	40	(170)	456

1 Excluding deduction attributable to Alecta surplus funds of 683 in 2000 under Swedish GAAP and 160 in 2000 and 111 in 2001 under U.S. GAAP. See (I) in this footnote.

2 Excluding costs for special termination benefits in connection with restructuring measures during 2001 amounting to 402 under Swedish and U.S. GAAP.

In calculating the provisions for pensions in accordance with U.S. GAAP, the following assumptions were applied:

	Sweden			Outside Sweden		
	1999	2000	2001	1999	2000	2001
Discount rate, %	5.5	5.5	5.5	7.5	7.5	5.5 - 7.25
Payroll increase, %	3.0	3.0	3.0	6.0	6.0	3.0 - 5.0
Expected return on assets, %	7.0	7.0	7.0	9.0	9.0	8.5 - 9.5

The table below shows the status in accordance with U.S. GAAP of defined-benefit plans.

	Sweden Pension benefits		Outside Sweden Pension benefits		Outside Sweden Other benefits	
Reconciliation of benefit obligation	2000	2001	2000	2001	2000	2001
Benefit obligation at beginning of year	3,105	3,641	1,916	2,437	906	1,143
Service cost	166	97	113	315	45	88
Interest cost	168	198	161	990	76	513
Plan amendments	–	–	103	273	11	394
Special termination benefits	–	–	–	402	–	129
Curtailments	–	–	–	(60)	–	(13)
Actuarial loss (gain)	302	99	30	38	45	32
Acquisitions/divestments, net	–	–	–	11,247	–	5,657
Foreign-exchange translation	–	–	239	1,513	112	829
Benefits paid	(100)	(99)	(125)	(1,230)	(52)	(551)
Benefit obligation at end of year	**3,641**	**3,936**	**2,437**	**15,925**	**1,143**	**8,221**

	Sweden Pension benefits		Outside Sweden Pension benefits		Outside Sweden Other benefits	
Fair value of plan assets [1]	2000	2001	2000	2001	2000	2001
Fair value of plan assets at beginning of year	3,671	3,537	2,032	2,392	–	–
Lump sums not yet paid at beginning of year	–	–	0	–	–	–
Acquisitions/divestments, net	–	–	–	8,709	–	355
Actual return on plan assets	(39)	(157)	187	(810)	–	12
Employer contributions	0	14	46	109	–	211
Foreign-exchange translation	–	–	246	1,268	–	34
Benefits paid	(95)	–	(119)	(914)	–	(475)
Fair value of plan assets at end of year	**3,537**	**3,394**	**2,392**	**10,754**	**–**	**137**

1 Assets in pension funds, estimated at fair value.

	Sweden Pension benefits		Outside Sweden Pension benefits		Outside Sweden Other benefits	
Funded status	2000	2001	2000	2001	2000	2001
Funded status	(103)	(542)	(45)	(5,171)	(1,143)	(8,084)
Unrecognized actuarial loss (gain)	679	1,155	8	2,004	(124)	(93)
Unrecognized transition obligation (asset), according to SFAS 87 (net)	(71)	(52)	2	0	33	34
Unrecognized prior service cost	–	–	148	400	0	398
Additional minimum liability	(261)	(546)	0	(1,691)	–	–
Net amount recognized	**244**	**15**	**113**	**(4,458)**	**(1,234)**	**(7,745)**

The projected benefit obligation, accumulated obligation and fair value of plan assets for the pension plans with an accumulated benefit obligation in excess of plan assets were 12,273; 11,930 and 9,818 at December 31, 2001 and 704, 682 and 531 at December 31, 2000.

Other post-retirement benefit plans

In addition to its pension plans, certain subsidiaries sponsor unfunded benefit plans, mainly in the U.S., to provide health care and other benefits for retired employees who meet minimum age and service requirements. The plans are generally contributory, with retiree contributions being adjusted periodically, and contain other cost-sharing features such as deductibles and coinsurance. The estimated cost for health-care benefits is recognized on an accrual basis in accordance with the requirements of SFAS 106, "Employers' Accounting for Post-retirement Benefits Other than Pensions."

The costs for other benefits include the following components

	1999	2000	2001
Service costs	35	45	88
Interest costs	60	76	513
Expected return on plan assets	–	–	(27)
Amortization, net	(5)	(4)	4
Net post-retirement benefit expenses	**90**	**117**	**578**

An increase of one percentage point per year in health-care costs would change the accumulated post-retirement benefit obligation as of December 31, 2001 by approximately 206, and the net post-retirement benefit expense by approximately 15. A decrease of 1% would decrease the accumulated value of obligations by about 194 and reduce costs by approximately 14. In 2000, an increase of 1% would increase the accumulated value of obligations by about 81 and increase costs by about 7; a decrease of 1% would reduce the accumulated value of obligations by about 70 and cut costs by about 6.

Calculations made as of December 31, 2001 show an annual increase of 12% in the weighted average per capita costs of covered health-care benefits; it is assumed that the percentage will decline gradually to 6% and then remain at that level.

The discount rates used in determining the accumulated post-retirement benefit obligation as of December 31, 1999, 2000 and 2001 were 7.5%, 7.5% and 7.0–7.25%, respectively.

I. Alecta surplus funds. In the mid-1990s and later years surpluses arose in the Alecta insurance company (previously SPP) since the return on the management of ITP pension plan exceeded the growth in pension obligations. As a result of decisions in December 1998, Alecta distributed, company by company, the surpluses that had arisen up to and including 1998. In accordance with a statement issued by a special committee of the Swedish Financial Accounting Standards Council, surplus funds that were accumulated in Alecta should be reported in companies when their present value can be calculated in a reliable manner. The rules governing how the refund was to be made were established in the spring of 2000 and an income amounting to 683 was included in the Group's income statement under Swedish GAAP during 2000. In accordance with U.S GAAP, the surplus funds should be recognised in the income statement when they are settled.

J. Software development. In accordance with U.S. GAAP (SOP 98–1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use") expenditures for software development should be capitalized and amortized over the useful lives of the projects. In Volvo's accounting in accordance with U.S. GAAP, SOP 98-1 is applied as of January 1999. In Volvo's accounts prepared under Swedish GAAP up to and including 2000, expenditures for software development were expensed as incurred. Effective in 2001, Volvo adopted a new Swedish accounting standard, RR15 Intangible assets. With regard to software development, the new standard is substantially equivalent to U.S. GAAP and consequently the difference between Swedish and U.S. GAAP is pertaining only to expenditures for software development during 1999 and 2000.

K. Product development. Effective in 2001, Volvo adopted a new Swedish accounting standard, RR15 Intangible assets. In accordance with the new standard, which comply in all significant respects to the corresponding standard issued by the International Accounting Standards Committee (IASC), expenditures for development of new and existing products should be recognized as intangible assets if such expenditures with a high degree of certainty will result in future financial benefits for the company. The acquisition value of such intangible assets should be amortized over the useful lives of the assets. In accordance with the new standard, no retroactive application is allowed. Under U.S. GAAP, all expenditures for development of new and existing products should be expensed as incurred.

L. Entrance fees, aircraft engine programs. In connection with its participation in aircraft engine programs, Volvo Aero in certain cases pays an entrance fee. In Volvo's accounting these entrance fees are capitalized and amortized over 5 to 10 years. In accordance with U.S. GAAP, these entrance fees are expensed as incurred.

Comprehensive income	1999	2000	2001
Net income in accordance with U.S. GAAP	31,690	3,127	(3,981)
Other comprehensive income, net of tax			
Translation differences	(1,389)	966	1,015
Unrealized gains on securities (SFAS 115):			
Unrealized gains (losses) arising during the year	(419)	(3,787)	(1,532)
Less: Reclassification adjustment for gains included in net income	(43)	(1)	733
Additional minimum liability for pension obligations (FAS 87)	(54)	(132)	(1,622)
Other	(8)	(119)	41
Other comprehensive income, subtotal	(1,913)	(3,073)	(1,365)
Comprehensive income in accordance with U.S. GAAP	**29,777**	**54**	**(5,346)**

Supplementary U.S. GAAP information

Classification. In accordance with SFAS 95, “cash and cash equivalents” comprise only funds with a maturity of three months or less from the date of purchase. Some of Volvo’s liquid funds (see Notes 19 and 20) do not meet this requirement. Consequently, in accordance with SFAS 95, changes in this portion of liquid funds should be reported as investing activities.

Parent Company AB Volvo

Corporate registration number 556012-5790.

Board of Directors' report

On January 2, the acquisition of all the shares of Renault's truck operations – Mack and Renault V.I. – in exchange for 15% of AB Volvo's shares became effective. During the beginning of the year, Volvo repurchased 10% of the Company's outstanding shares. As a result, a total of SEK 8.3 billion was transferred to the shareholders of AB Volvo.

On February 9, half of these shares were transferred to Renault SA as final payment for the shares of Renault V.I. Volvo thus holds own shares corresponding to 5% of share capital and 5% of voting rights.

In June, Volvo received USD 297 M (SEK 3,182 M) as a payment for the sale of shares together with rights and obligations relating to Mitsubishi Motors Corporation.

Income from investments in Group companies includes dividends in the amount of 24,814 (589; 996), write-down of shares of 12,217 (372; 910) and net group contributions delivered totaling 3,450 (received 928; 1,416). Income from other shares and participations includes a dividend from Scania AB of 637 (637; 180) and capital gain of 595 from the sale of shares in Mitsubishi Motors Corporation.

The book value of shares and participations in Group companies amounted to 38,140 (39,729; 33,528), of which 37,725 (39,314; 33,321) pertained to shares in wholly owned subsidiaries. The corresponding shareholders' equity in the subsidiaries (including equity in untaxed reserves but excluding minority interests) amounted to 39,752 (63,636; 55,594).

Shares and participations in non-Group companies included 659 (679; 24,028) in associated companies that are reported in accordance with the equity method in the consolidated accounts. The portion of shareholders' equity in associated companies accruing to AB Volvo totaled 844 (616; 24,669). Shares and participations in non-Group companies included listed shares in Scania AB, Bilia AB, Deutz AG and Henlys Group Plc with a book value of 26,157. The market value of these holdings amounted to 18,465 at year-end. No write-downs were deemed necessary since the decline is not considered permanent.

Financial net assets/debt amounted to 12,207 (–5,178; 15,503).

AB Volvo's risk capital (shareholders' equity plus untaxed reserves) amounted to 73,682 corresponding to 82% of total assets. The comparable figure at year-end 2000 was 76%.

Income statements

SEK M		1999	2000	**2001**
Net sales		459	377	**500**
Cost of sales		(459)	(377)	**(500)**
Gross income		–	–	**–**
Administrative expenses	Note 1	(550)	(393)	**(424)**
Other operating income and expenses	Note 2	(38)	93	**0**
Operating income		(588)	(300)	**(424)**
Income from investments in Group companies	Note 3	18,728	1,558	**9,599**
Income from investments in associated companies	Note 4	(11)	(166)	**22**
Income from other shares and participations	Note 5	195	663	**1,258**
Interest income and similar credits	Note 6	564	266	**455**
Interest expenses and similar charges	Note 6	(570)	(353)	**(467)**
Other financial income and expenses	Note 7	72	(44)	**(163)**
Income after financial items		18,390	1,624	**10,280**
Allocations	Note 8	(227)	(133)	**2**
Taxes	Note 9	394	(115)	**832**
Net income		18,557	1,376	**11,114**

Balance sheets

SEK M		Dec 31, 1999	Dec 31, 2000	**Dec 31, 2001**
Assets				
Non-current assets				
Rights	Note 10	26	13	**0**
Total intangible assets		26	13	**0**
Property, plant and equipment	Note 10	24	30	**35**
Total tangible assets		24	30	**35**
Shares and participations in Group companies	Note 11	33,528	39,729	**38,140**
Long-term receivables with Group companies		680	761	**–**
Other shares and participations	Note 11	27,596	28,587	**26,224**
Other long-term receivables	Note 12	12,756	266	**1,282**
Total financial fixed assets		74,460	69,343	**65,646**
Total non-current assets		74,610	69,386	**65,681**
Current assets				
Short-term receivables from Group companies		1,726	1,590	**6,072**
Other short-term receivables	Note 13	287	13,071	**524**
Short-term investments in Group companies	Note 14	6,280	–	**17,873**
Cash and bank accounts		7	7	**7**
Total current assets		8,300	14,668	**24,476**
Total assets		82,910	84,054	**90,157**
Shareholders' equity and liabilities				
Shareholders' equity	Note 15			
Share capital (441,520,885 shares, par value SEK 6)		2,649	2,649	**2,649**
Legal reserve		7,241	7,241	**7,241**
Total restricted equity		9,890	9,890	**9,890**
Unrestricted reserves		47,452	51,110	**51,150**
Net income		18,557	1,376	**11,114**
Total unrestricted equity		66,009	52,486	**62,264**
Total shareholders' equity		75,899	62,376	**72,154**
Untaxed reserves	Note 16	1,394	1,527	**1,528**
Provisions				
Provisions for pensions	Note 17	293	309	**342**
Other provisions	Note 18	128	117	**37**
Total provisions		421	426	**379**
Non-current liabilities	Note 19			
Liabilities to Group companies		3,023	4,230	**4,455**
Total non-current liabilities		3,023	4,230	**4,455**
Current liabilities				
Loans from Group companies		788	14,168	**1,800**
Trade payables		122	38	**46**
Other liabilities to Group companies		1,068	1,109	**9,616**
Other current liabilities	Note 20	195	180	**179**
Total current liabilities		2,173	15,495	**11,641**
Total shareholders' equity and liabilities		82,910	84,054	**90,157**
Assets pledged		–	–	–
Contingent liabilities	Note 21	104,742	133,856	**150,295**

Cash flow statements

SEK M	1999	2000	2001
Operating activities			
Operating income	(588)	(300)	**(424)**
Depreciation and amortization	19	17	**17**
Other items not affecting cash	–	(49)	**–**
Changes in working capital:			
Increase (–)/decrease (+) in receivables	893	207	**(219)**
Increase (+)/decrease (–) in liabilities and provisions	(886)	(620)	**65**
Dividends received and Group contributions	24,270	2,735	**27,188**
Interest and similar items received	491	148	**662**
Interest and similar items paid	(684)	(330)	**(410)**
Other financial items	72	7	**(206)**
Income taxes paid	(460)	(147)	**(530)**
Cash flow from operating activities	23,127	1,668	**26,143**
Investing activities			
Investments in fixed assets	(2)	(10)	**(9)**
Disposals of fixed assets	12	0	**0**
Shares and participations in Group companies, net	15,441	(6,264)	**15,849**
Shares and participations in non-Group companies, net	(25,517)	(1,209)	**3,181**
Cash flow after net investments	13,061	(5,815)	**45,164**
Financing activities			
Increase (+)/ decrease (–) in loans	(8,566)	14,434	**(15,659)**
Long-term receivables, net	–	–	**60**
Dividend to AB Volvo shareholders	(2,649)	(3,091)	**(3,356)**
Repurchase of own shares	–	(11,808)	**(8,336)**
Change in liquid funds	1,846	(6,280)	**17,873**
Liquid funds at January 1	4,441	6,287	**7**
Liquid funds at December 31	6,287	7	**17,880**

Notes to cash flow statements

Shares and participations in Group companies, net			
Investments	(1,431)	(6,675)	**(7,671)**
Disposals	16,872	411	**23,520**
Net investments in shares and participations in Group companies	**15,441**	**(6,264)**	**15,849**

Investments during 2001 pertained mainly to payment of shareholders contributions, 5,846 and subscription for new shares in Mack Trucks Inc, 1,490. Renault V.I. was transferred Group-internal for 10,700.
Proceeds received from the sale of Volvo Personvagnar Holding AB resulted in a positive cash flow of 12,539 (382; 16,136).
Other investments and sales of shares in Group companies are shown in Note 11, pages 91–92.

Shares and participations in non-Group companies, net			
Investments	(25,518)	(1,328)	**(1)**
Disposals	1	119	**3,182**
Net investments in shares and participations in non-Group companies	**(25,517)**	**(1,209)**	**3,181**

Investments pertained mainly to shares in Scania AB, – (1,328; 23,023), and
Mitsubishi Motors Corporation, – (–; 2,343). During 2001 Mitsubishi Motors Corporation was sold for 3,182.
Other investments and sales of shares in non-Group companies are presented in Note 11, pages 91–92.

Increase/decrease in loans			
New loans	2,363	14,434	**104**
Amortization	(10,929)	–	**(15,763)**
Change in loans, net	**(8,566)**	**14,434**	**(15,659)**

Long-term receivables, net			
New loans granted	–	–	(40)
Amortization received	–	–	100
Change in long-term receivables, net	**–**	**–**	**60**

Liquid funds
Liquid funds include cash and bank balances and deposits at Volvo Treasury.

Notes to financial statements

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the two preceding years; the first figure is for 2000 and the second for 1999.

The accounting principles applied by Volvo are described in Note 1 on pages 57–60. Reporting of Group contributions is in accordance with the pronouncement of the Swedish Financial Accounting Standards Council issued in 1998. Group contributions are reported among Income from investments in Group companies. Surplus funds in Alecta are accounted for in accordance with a statement issued by a special committee of the Swedish Financial Accounting Standards Council.

As of January 1, 2001, the Parent Company is applying the new accounting standard, RR9 Income Taxes, issued by the Swedish Financial Accounting Standards Council. Restatement of the two preceding years has increased net income by 2 for year 2000 and 10 for 1999.

Intra-Group transactions

Of the Parent Company's sales, 353 (253; 258) were to Group companies and purchases from Group companies amounted to 188 (249; 266).

Employees

The number of employees at year-end was 122 (122; 124). Wages, salaries and social costs amounted to 207 (187; 183). Information on the average number of employees as well as wages, salaries and other remuneration is shown in Note 30 on pages 74–76.

Fees to auditors

Fees and other remuneration paid to external auditors for the fiscal year 2001 totaled 51 (42; 15), of which 3 (4; 5) for auditing, distributed between PricewaterhouseCoopers, 3 (4; 5) and others, 0 (0; 0), and 48 (38; 10) related to non-audit services from PricewaterhouseCoopers.

Note 1 Administrative expenses

Administrative expenses include depreciation of 17 (17; 19) of which 3 (4; 5) pertained to machinery and equipment, 1 (0; 1) to buildings and 13 (13; 13) to rights in the Volvo Ocean Race.

Note 2 Other operating income and expenses

Other operating income and expenses include surplus funds of 3 (89; 0) from Alecta as well as profit-sharing payments to employees in the amount of 0 (0; 1).

Note 3 Income from investments in Group companies

Of the income reported, 24,814 (589; 996) pertained to dividends from Group companies, whereof 20,649 from Sotrof AB. Group contributions totaled a net of –3,450 (received 928;1,416). Write-downs of shareholdings amounted to 12,217 (372; 910). Gain on sale of shares totaled a net amount of 452, of which 289 pertained to group-internal transfers. Gains on group internal transfers were attributable to the sale of shares in Volvo Lastvagnar AB to Volvo Global Trucks AB, 258 and the sale of shares in Fortos Ventures AB, 32 to Försäkringsaktiebolaget Volvia. Herkules VmbH, a subsidiary and the holder of shares in Mitsubishi Motors Company, was sold to DaimlerChrysler, thus resulting in a capital gain of 172 in AB Volvo.

Income in 2000 included an additional capital gain of 382, pertaining to the sale of shares in Volvo Personvagnar Holding AB to Ford Motor Company in 1999 and a gain of 30 for the sale of shares in Eddo Restauranger AB to Amica AB.

Income in 1999 included a gain on sales of shares of 17,784 in Volvo Personvagnar Holding AB. Group-internal transfers resulted in a net loss of 558, which primarily was attributable to capital loss on the sale of shares in Försäkringsaktiebolaget Volvia 596, and a gain on the sale of Volvo Penta Italia SpA, 35.

Note 4 Income from investments in associated companies

Dividends from associated companies that are reported in the Group accounts in accordance with the equity method amounted to 42 (49; 42). The participation in Blue Chip Jet HB amounted to a loss of 20 (28; 53). Income in 2000 included a net loss of 187 pertaining to sale of shares. This was attributable to capital loss from sale of shares in AB Volvofinans 224, a gain from sale of shares and put options in Bilia 31 and a gain from sale of shares in Blue Chip Jet HB 6.

Note 5 Income from other shares and participations

Of the income reported, 663 (662; 194) pertained to dividends from other companies. The dividend from Scania AB was 637 (637; 180) and from Henlys Group Plc 26 (23; 13). Transfer of shares together with rights and obligations relating to Mitsubishi Motors Corporation to a subsidiary, Herkules VmbH, resulted in a capital gain of 595.

Note 6 Interest income and expenses

Interest income and similar credits amounting to 455 (266; 564) included interest in the amount of 420 (141; 469) from subsidiaries and interest expenses and similar charges totaling 467 (353; 570), included interest totaling 451 (340; 543), paid to subsidiaries.

Note 7 Other financial income and expenses

Exchange differences on borrowings and lendings, including forward contracts related to loans, amounted to –2 (3; 60). Exchange differences related to operations are included in Other operating income and expenses. Other financial income and expenses also include guarantee commissions from subsidiaries, unrealized gains (losses) pertaining to a hedge for a program of personnel options, costs for confirmed credit facilities and costs of having Volvo shares registered on various stock exchanges as well as additional financial expenses attributable to a tax audit previously carried out.

Note 8 Allocations

	1999	2000	2001
Provision to tax allocation reserve	(297)	(250)	–
Reversal of tax equalization reserve	62	114	–
Reversal of exchange reserve	4	–	–
Allocation to extra depreciation	4	3	(1)
Utilization of replacement reserve	–	–	3
Total	**(227)**	**(133)**	**2**

Note 9 Taxes

	1999	2000	2001
Current taxes	384	(117)	(280)
Deferred taxes	10	2	1,112
Total taxes	**394**	**(115)**	**832**

Current taxes were distributed as follows:

Current taxes	1999	2000	2001
Current taxes for the period	(165)	(217)	0
Adjustment of current taxes prior periods	549	100	(280)
Total taxes	**384**	**(117)**	**(280)**

Provision has been made for estimated tax expenses that may arise as a consequence of the tax audit carried out mainly during 1992. Claims for which provisions are not deemed necessary amount to 0 (297; 288), which is included in contingent liabilities.

Deferred taxes relate to estimated tax on the change in tax loss carryforwards and temporary differences.

Deferred tax assets are reported to the extent that it is probable that the amount can be utilized against future taxable income.

Deferred taxes related to change in tax-loss carryforwards amount to 1,110 (0; 0) and to changes in other temporary differences to 2 (2; 10). No taxes have been debited or credited directly to equity.

Specification of tax expense for the period	1999	2000	2001
Income before taxes	18,163	1,491	10,282
Tax according to applicable tax rate (28%)	**(5,086)**	**(417)**	**(2,879)**
Capital gains	4,892	43	81
Non-taxable dividends	345	296	7,353
Non-deductible write-downs of shareholdings	(255)	(104)	(3,421)
Other non-deductible expenses	(58)	(41)	(39)
Other non-taxable income	7	8	17
Adjustment of current taxes prior periods	549	100	(280)
Tax expense for the period	**394**	**(115)**	**832**

Specification of deferred tax assets	1999	2000	2001
Tax-loss carryforwards	–	–	1,110
Provision for doubtful receivables	1	1	1
Provision for pensions and other post-employment benefits	108	113	117
Other deductible temporary differences	7	4	2
Deferred tax assets	**116**	**118**	**1,230**

Note 10 Intangible and tangible assets

Acquisition cost	Value in balance sheet 1999	Value in balance sheet 2000	Investments	Sales/ scrapping	Value in balance sheet 2001
Rights	52	52	–	–	52
Total intangible assets	**52**	**52**	–	–	**52**
Buildings	7	12	5	–	17
Land and land improvements	4	5	3	–	8
Machinery and equipment	53	49	1	(3)	47
Construction in progress	–	–	1	–	1
Total tangible assets	**64**	**66**	**10**	**(3)**	**73**

Accumulated depreciation	Value in balance sheet 1999[2]	Value in balance sheet 2000[2]	Depreciation[1]	Sales/ scrapping	Value in balance sheet 2001[2]	Book value in balance sheet 2001[3]
Rights	26	39	13	–	52	0
Total intangible assets	**26**	**39**	**13**	**-**	**52**	**0**
Buildings	1	1	1	–	2	15
Land and land improvements	0	0	–	–	–	8
Machinery and equipment	39	35	3	(2)	36	11
Construction in progress	–	–	–	–	–	1
Total tangible assets	**40**	**36**	**4**	**(2)**	**38**	**35**

The assessed value of buildings was 8 (4; 2) and of land 4 (2; 2). Investments in intangible and tangible assets amounted to – (–; –) and 10 (10; 2) respectively. Capital expenditures approved but not yet implemented at year-end 2001 amounted to 1 (1; 1).

1 Including write-downs
2 Including accumulated write-downs
3 Acquisition value, less depreciation

Note 11 Investments in shares and participations

Holdings of shares and participations are specified in AB Volvo's holding of shares on pages 95–96. Changes in holdings of shares and participations are shown below.

	Group companies			Non-Group companies		
	1999	2000	2001	1999	2000	2001
Balance December 31, previous year	45,193	33,528	39,729	2,131	27,596	28,587
Acquisitions/New issue of shares	704	855	15,581	25,518	1,335	1
Divestments	(12,605)	(12)	(22,388)	–	(316)	(2,344)
Shareholder contributions	1,146	5,730	17,435	–	–	–
Write-downs	(910)	(372)	(12,217)	(53)	(28)	(20)
Balance December 31, current year	**33,528**	**39,729**	**38,140**	**27,596**	**28,587**	**26.224**

Shares and participations in Group companies

All shares in Renault V.I. that were acquired from Renault SA, were paid for with Volvo shares held by AB Volvo and were booked to an amount of 10,700. The shares were then sold group internal to Volvo Holding France SA.

The shares in Mack Trucks Inc were acquired from Renault V.I. for 3,225 and newly issued shares were subscribed for in the amount of 1,490. At the end of the year the holdings were written down by 1,490.

A shareholder contribution of 8,678 was made to the newly formed company Volvo Global Trucks AB, who then aquired the shares in Volvo Lastvagnar AB for the corresponding amount. The holdings in Volvo Global Trucks AB were written down by 258, corresponding to the capital gain of the sale of Volvo Lastvagnar AB.

The shares in Volvo Powertrain AB and Volvo Parts AB were acquired from Volvo Lastvagnar AB for 166 and 0, respectively, whereupon Volvo Parts AB received a shareholder contribution of 200.

The shares in Mitsubishi Motors Corporation together with all rights and obligations relating to the company, were given a total value of 3,010 and were used as a shareholder contribution to a newly established German subsidiary; Herkules VmbH. The company was then divested to DaimlerCrysler.

The shares in Fortos Ventures AB, with a book value of 258, were sold to Försäkringsaktiebolaget Volvia.

Shareholder contributions that increased the book value were made to Volvo Holding Sverige AB, 4,900, Volvo Aero AB, 299, Volvo Holding Mexico, 159, Volvo Technology Transfer AB, 100, Volvo China Investment Co Ltd, 81 and Volvo Mobility Systems AB, 8.

Write-downs were carried out on holdings in Sotrof AB, 6,966, VFHS Finans, 3,460, and Volvo Bus de Mexico (MASA), 43.

2000: Newly issued shares were subscribed for in VNA Holding Inc for 411, Volvo Truck & Bus Ltd, 211 and in Volvo China Investment Co Ltd for 194.

Group internal acquisitions were made in Volvo Aero Holding Norge AS and in Volvo Lastebiler og Busser Norge AS for 29, following which the companies were merged with A/S Masten and Volvo Norge AS.

Shares in Eddo Restauranger AB were acquired group internal for 10, whereafter shares with a book value of 6 were sold to Amica AB. The remaining holding with a book value of 6 is then accounted for as shares in non-Group companies.

Shareholder contributions that increased the book values were made to VFHS Finans AB, 3,460, Volvo Bus Corporation, 1,054, Volvo Holding Sverige AB, 767, Volvo Aero Corporation, 302, Volvo Technology Transfer AB, 50, Volvo Business Services AB, 23, Volvo International Holding BV, 7 and to the newly formed company Volvo Mobility Systems AB, 7.

A shareholder contribution of 60 was made to Fortos Ventures AB, after which the holding was written down by 104.

Write-downs were carried out at the end of the year on holdings in Volvo International Holding BV, 231, Volvo Penta UK, 28 and Volvo Aero Turbines UK, 9.

1999: Volvo Personvagnar Holding AB received a shareholder contribution of 135, after which the shareholdings, 10,892, were sold to Ford Motor Company. In connection with the sale, Volvo Car Finance UK Ltd., 431, and Volvo Car UK Ltd., 265, were sold to Volvo Personvagnar AB.

Volvo Construction Equipment North America Inc was acquired from Volvo Construction Equipment NV for 412, after which the holdings were used as a shareholder contribution to VNA Holding Inc. The value of VNA Holding Inc. further increased by 7 concerning shares in Volvo Information Technology North America Inc., which was presented as a shareholder contribution in 1998.

Holdings in Försäkringsaktiebolaget Volvia, book value 601, were sold to Volvia Holding AB.

Volvo Malaysia Sdn Bhd was purchased from Federal Auto Holding Sdn Bhd for 26, after which a shareholders' contribution of 22 was presented, which increased the book value.

Shares in Volvo Penta Italia SpA were acquired from AB Volvo Penta and then sold to Volvo Holding Italia SpA.

The book value of Volvo Bus de Mexico (formerly Mexicana de Autobuses SA de CV) was increased by accrued expenses of 10 in connection with the acquisition. Holdings were written down at the end of the year by 681.

Newly issued shares were subscribed for in Volvo Truck & Bus Ltd. for 202, in Volvo Holding Mexico SA de CV, 42, and in Volvo Aero Turbines UK Ltd. for 8.

Shareholder contributions that increased book values were made to Volvo Aero AB, 269, Volvo International Holding BV, 182, Volvo Information Technology AB, 75, Volvo Holding Sverige AB, 25, and Volvo Technology Transfer AB, 20.

Write-downs were carried out at the year-end on holdings in Volvo Information Technology AB, 67, Volvo Holding Italia SpA, 49, Fortos Ventures AB, 38, Volvo Holding Danmark AS, 30, Volvo International Holding BV, 28, Volvo Holding Mexico SA de CV, 11 and Volvo Business Services AB, 6.

Shares and participations in non-Group companies

Total shares in Mitsubishi Motors Corporation, with a book value of 2,344, were transferred to a wholly-owned German subsidiary, which was then divested to DaimlerChrysler.

Shares in Lindholmen Teknikpark AB were acquired for 1.

The participations in Blue Chip Jet HB were written down by 20, corresponding to the share of the year´s income.

2000: At the beginning of year, AB Volvo increased its holdings in Scania by 1,328, to 30.6% of voting rights and 45.5% of share capital.

The remaining holding in Eddo Restauranger AB, with a book value of 6, was transferred from shares in Group companies to non-Group companies.

Protorp Förvaltnings AB, with a book value of 12, was liquidated.

Shares in Bilia AB with a book value of 29 were sold when Bilia repurchased some of its outstanding shares.

Total shares in AB Volvofinans, with a book value of 253, were sold to the Group company Volvo Finance Holding AB.

10% of the participations in Blue Chip Jet HB, with a book value of 22, were sold to Försäkringsaktiebolaget Skandia and Volvo Car Corporation. The remaining participations (40%) were then written down by 28, corresponding to the share of the year's income.

1999: Shares in Scania AB were acquired during the year for a total of 23,023, equal to 28.6% of voting rights and 43,5% of the share capital.

5% of the share capital and voting rights in Mitsubishi Motors Corporation was purchased for 2,343.

Newly issued shares in Henlys Group Plc were subscribed in the amount of 149.

Participations in the Blue Chip Jet HB were written down by 53, equal to the share of the year's income.

Share capital was increased by 5 in the newly formed company Volvo Trademark Holding AB.

Holdings in NLK Näringslivskredit AB were divested.

Note 12 Other long-term receivables

	1999	2000	2001
Receivable from Ford Motor Company	12,539	–	–
Other loans to external parties	100	137	0
Deferred tax assets	116	118	1,230
Other receivables	1	11	52
Total	**12,756**	**266**	**1,282**

As of 2001, deferred tax assets are reported as long-term receivables.

Note 13 Other short-term receivables

	1999	2000	2001
Income tax receivables	41	74	258
Accounts receivable	62	20	27
Prepaid expenses and accrued income	176	407	52
Other receivables	8	12,570	187
Total	**287**	**13,071**	**524**

Other receivables pertained mainly to a receivable from Ford Motor Company which was reclassified from long-term to short-term receivables during 2000 and was settled during 2001. The reserve for doubtful receivables amounted to 5 (5; 5) at the end of the year.

Note 14 Short-term investments in Group companies

Short-term investments in Group companies comprise deposits of 17,873 (0; 6,280) in Volvo Treasury.

Note 15 Shareholders' equity

	Restricted equity			
	Share capital	Legal reserve	Unrestricted equity	Total shareholders' equity
December 31, 1998	**2,649**	**7,241**	**49,995**	**59,885**
Effect of new accounting principle	–	–	106	106
December 31, 1998 including effect of new accounting principle	**2,649**	**7,241**	**50,101**	**59,991**
Cash dividend	–	–	(2,649)	(2,649)
Net income 1999	–	–	18,557	18,557
December 31, 1999	**2,649**	**7,241**	**66,009**	**75,899**
Cash dividend	–	–	(3,091)	(3,091)
Repurchase of own shares	–	–	(11,808)	(11,808)
Net income 2000	–	–	1,376	1,376
December 31, 2000	**2,649**	**7,241**	**52,486**	**62,376**
Cash dividend	–	–	(3,356)	(3,356)
Repurchase of own shares	–	–	(8,336)	(8,336)
Issue of shares to Renault SA	–	–	10,356	10,356
Net income 2001	–	–	11,114	11,114
December 31, 2001	**2,649**	**7,241**	**62,264**	**72,154**

The distribution of share capital by class of shares is shown in Note 21 to the consolidated financial statements, on pages 69–70.

In applying a new accounting standard, RR9 Income Taxes, issued by the Swedish Financial Accounting Standards Council, net income for years 2000 and 1999 have retroactively been increased by 2 and 10, respectively, as well as balance at December 31, 1998 by 106. All amounts pertain to deferred taxes related to temporary differences.

Note 16 Untaxed reserves

The composition of, and changes in, untaxed reserves:	Value in balance sheet 1999	Allocations 2000	Value in balance sheet 2000	Group internal transfer	Allocations 2001	Value in balance sheet 2001
Tax allocation reserve	1,275	250	1,525	–	–	1,525
Tax equalization reserve	114	(114)	–	–	–	–
Accumulated extra depreciation						
Land	–	–	–	–	3	3
Machinery and equipment	5	(3)	2	–	(2)	0
Replacement reserve	–	–	–	3	(3)	–
Total	**1,394**	**133**	**1,527**	**3**	**(2)**	**1,528**

Note 17 Provisions for pensions

Provisions for pensions and similar benefits correspond to the actuarially calculated value of obligations not insured with third parties or secured through transfers of funds to pension foundations. The amount of pensions falling due within one year is included. AB Volvo has insured the pension obligations with third parties. Of the amount reported, 10 (0; 0) pertains to contractual obligations within the framework of the PRI (Pension Registration Institute) system.

In 1996, two Groupwide pension foundations for employees were formed to secure commitments in accordance with the ITP plan. The Volvo 1995 Pension Foundation pertained to pension funds earned through 1995 and the Volvo 1996 Pension Foundation pertained to funds earned beginning in 1996. During 2000 these two foundations merged into one foundation. Pension funds amounting to 0 (0; 33) have been transferred from AB Volvo to the Volvo Pension Foundation.

AB Volvo's pension costs in 2001 amounted to 93 (70; 54), after withdrawal from the Volvo Pension Foundation of 0 (24; 30).

The accumulated benefit obligation of all AB Volvo's pension obligations at year-end 2001 amounted to 702, which has been secured in part through provisions for pensions and in part through funds in pension foundations. Net asset value in the Pension Foundation, marked to market, accruing to AB Volvo was 10 lower than corresponding pension obligations. A provision was recorded to cover this deficit.

The accounting for surplus funds in Alecta is shown in Note 22 to the consolidated financial statements, on pages 70–71.

Note 18 Other provisions

Other provisions comprise provisions for taxes in the amount of 24 (68; 68).

Note 19 Non-current liabilities

Long-term debt matures as follows:	
2003	1,054
2004	3,329
2005 or later	72
Total	**4,455**

Long-term liabilities to Group companies include loans of 0 (3,104; 3,023) from Volvo Treasury and 3,329 (0; 0) from Renault V.I.

Note 20 Other current liabilities

	1999	2000	2001
Wages, salaries and withholding taxes	37	30	30
Other liabilities	86	95	50
Accrued expenses and prepaid income	72	55	99
Total	**195**	**180**	**179**

No collateral is provided for current liabilities.

Note 21 Contingent liabilities

Of the contingent liabilities amounting to 150,295 (133,856; 104,742), 149,829 (133,548; 104,415) pertained to subsidiaries.

Guarantees for various credit programs are included in amounts corresponding to the credit limits. These guarantees amount to 147,246 (130,691; 101,885), of which guarantees on behalf of subsidiaries totaled 146,786 (130,686; 101,863). At the end of each year, the utilized portion amounted to 72,804 (58,448; 41,296) including 72,793 (58,140; 40,969) pertaining to subsidiaries.

AB Volvo's holding of shares

AB Volvo's holding of shares and participations in non-Group companies	Registration number	Percentage holding [1]	Dec 31, 2000 Book value, SEK M	Dec 31, 2001 Book value, SEK M
Scania AB, Sweden [2]	556184-8564	46/31	24,351	24,351
Mitsubishi Motors Corporation, Japan	–	–	2,344	–
Deutz AG, Germany [2]	–	11	670	670
Bilia AB, Sweden [2]	556112-5690	41	612	612
Henlys Group Plc, Great Britain[2]	–	10	524	524
Blue Chip Jet HB, Sweden	969639-1011	40	61	41
Eddo Restauranger AB, Sweden	556088-6086	30	7	7
Other investments			18	19
Total book value, non-Group companies			**28,587**	**26,224**

AB Volvo's holding of shares and participations in Group companies	Registration number	Percentage holding	Dec 31, 2000 Book value, SEK M	Dec 31, 2001 Book value, SEK M
Volvo Global Trucks AB, Sweden	556605-6759	100	–	8,420
Volvo Lastvagnar AB, Sweden	556013-9700	100	8,420	–
Volvo Lastvagnar Sverige AB, Sweden	556411-6878	100	–	–
Volvo Kuorma ja Linja Autot Oy Ab, Finland	–	100	–	–
Volvo Truck Latvia Sia, Latvia	–	100	–	–
Volvo Truck Czech S R O, Czech Republic	–	100	–	–
Volvo Truck Slovak, Slovakia	–	100	–	–
Volvo Ukraine LLC, Ukraine	–	100	–	–
Volvo do o Beograd, Yugoslavia	–	100	–	–
Volvo Trucks (Deutschland) GmbH, Germany	–	100	–	–
Volvo Europa Truck NV, Belgium	–	100	–	–
Volvo Trucks (Schweiz) AG, Switzerland	–	100	–	–
Volvo Truck Espana, SA, Spain	–	100	–	–
Volvo Trucks Canada Inc, Canada	–	100	–	–
Volvo Trucks de Mexico, Mexico	–	100	–	–
Volvo do Brasil Veiculos Ltda, Brazil	–	100	–	–
Volvo Peru Sociedad Anonima, Peru	–	100	–	–
Volvo Truck (Thailand) Co Ltd, Thailand	–	100	–	–
Volvo Truck East Asia (Pte) Ltd, Singapore	–	100	–	–
Volvo Truck Korea Ltd, South Korea	–	100	–	–
Volvo Truck Australia Pty Ltd, Australia	–	100	–	–
Volvo India Ltd, India	–	100	–	–
Volvo Bussar AB, Sweden	556197-3826	100	2,885	2,885
Säffle Karosseri AB, Sweden	556058-3485	100	–	–
Carrus Oy, Finland	–	100	–	–
Volvo Busse Deutschland GmbH, Germany	–	100	–	–
Volvo Poland Sp.Zo. O, Poland	–	100	–	–
Expar Inc, United States	–	100	–	–
Prévost Holding BV, Canada [3]	–	50	–	–
Volvo Bus Asia Pacific (Pte) Ltd, Singapore	–	100	–	–

1 Where two percentage figures are shown, the first refers to share capital and the second to voting rights.
2 The market value of the holdings is shown in Note 13 on page 67.
3 Effective on October 1, 2001, Prévost Holding BV is a joint venture with Henlys Plc and reported in the Volvo Group accounts in accordance with the proportionate consolidation method.

AB Volvo's holding of shares and participations in Group companies (cont.)	Registration number	Percentage holding	Dec 31, 2000 Book value, SEK M	Dec 31, 2001 Book value, SEK M
Volvo Construction Equipment NV, Beesd, The Netherlands	–	100	2,582	2,582
Volvo Wheel Loaders AB, Sweden	556310-1319	100	–	–
Volvo Construction Equipment Components AB, Sweden	556527-6820	100	–	–
Volvo Articulated Haulers AB, Sweden	556360-1615	100	–	–
Volvo Construction Equipment Customer Support AB, Sweden	556310-1301	100	–	–
Volvo Construction Equipment International AB, Sweden	556310-1293	100	–	–
Volvo Construction Equipment Europe Ltd, Great Britain	–	100	–	–
Volvo Construction Equipment Europe GmbH, Germany	–	100	–	–
Volvo Compact Service Equipment GmbH, Germany	–	100	–	–
Volvo Motor Graders, Ltd, Canada	–	100	–	–
Volvo Construction Equipment Australia Pty Ltd, Australia	–	100	–	–
AB Volvo Penta, Sweden	556034-1330	100	421	421
Volvo Penta Norden AB, Sweden	556127-7533	100	–	–
Volvo Penta Central Europe GmbH, Germany	–	100	–	–
Volvo Penta Benelux BV, The Netherlands	–	100	–	–
Volvo Penta España, SA, Spain	–	100	–	–
Volvo Penta Asia (Pte) Ltd, Singapore	–	100	–	–
Volvo Penta Japan Corporation (Kabushiki Kaisha), Japan	–	100	–	–
Volvo Aero AB, Sweden	556029-0347	100	2,586	2,885
Volvo Aero Engine Services AB, Sweden	556328-9171	100	–	–
Volvo Aero Support AB, Sweden	556413-0184	100	–	–
Volvo Aero Norge AS, Norway	–	78	–	–
VNA Holding Inc, United States	–	100	2,456	2,456
Volvo Trucks North America, Inc, United States	–	100	–	–
Volvo Construction Equipment North America Inc, United States	–	100	–	–
Volvo Penta of The Americas, Inc, United States	–	100	–	–
Volvo Aero North America Inc, United States	–	100	–	–
Volvo Treasury North America Inc, United States	–	100	–	–
Volvo Aero Services LP, United States	–	86	–	–
Volvo Treasury AB, Sweden	556135-4449	100	3,044	3,044
Volvo Powertrain AB (Volvo Lastvagnar Komponenter AB), Sweden	556000-0753	100	–	166
Volvo Parts AB, Sweden	556365-9746	100	–	200
Volvo Group Insurance Försäkrings AB, Sweden	516401-8037	100	182	182
Volvo Information Technology AB, Sweden	556103-2698	100	8	8
Fortos Ventures AB, Sweden	556004-2748	100	258	–
Volvo Financial Services AB (Volvo Group Credit Sweden AB), Sweden	556000-5406	100	486	486
Sotrof AB, Sweden	556519-4494	100	9,854	2,888
Volvo Technology Transfer AB, Sweden	556542-4370	100	136	236
Celero Support AB, Sweden	556039-1798	100	25	25
Volvo Holding Sverige AB, Sweden	556539-9853	100	793	5,693
Volvo Holding France SA, France	–	100	–	–
Renault V.I., France	–	100	–	–
VFHS Finans AB, Sweden	556579-4459	100	3,460	–
Mack Trucks Inc, United States	–	100	–	3,225
Volvo Group Finance Europe BV, The Netherlands	–	100	1,003	1,003
Volvo Construction Equipment Korea Co., Ltd, South Korea	–	100	–	–
Volvo Truck & Bus Ltd , Great Britain [1]	–	64	413	413
Volvo China Investment Co Ltd, China	–	100	194	275
Volvo Holding Mexico, Mexico	–	100	30	189
Volvo Holding Danmark AS, Denmark	–	100	104	104
Volvo Norge AS, Norway	–	100	56	56
Volvo Bus de Mexico (Mexicana de Autobuses, SA de CV), Mexico	–	100	93	50
Other holdings			240	248
Total book value, Group companies [2]			**39,729**	**38,140**

1 Combined with the part owned by Volvo Trucks the holding amounts to 100%.
2 AB Volvo's share of shareholders' equity in subsidiaries (including equity in untaxed reserves) was 39,752 (63,636).

Proposed disposition of unappropriated earnings

Group

As shown in the consolidated balance sheet at December 31, 2001, unrestricted equity amounted to SEK 70,239 M (71,885). Of this amount, SEK 13 M is estimated to be appropriated to restricted equity.

AB Volvo	SEK M
Retained earnings	51,150
Net income 2001	11,114
Total	62,264

The Board of Directors and the President propose that the above sum be disposed of as follows:

	SEK M
To the shareholders, a dividend of SEK 8.00 per share	3,356
To be carried forward	58,908
Total	62,264

Göteborg, February 7, 2002

Lars Ramqvist

Per-Olof Eriksson   Louis Schweitzer   Tom Hedelius

Leif Johansson   Finn Johnsson

Patrick Faure   Ken Whipple

Lars-Göran Larsson   Olle Ludvigsson   Johnny Rönnkvist

Our audit report was issued on February 7, 2002

Olof Herolf
Authorized Public Accountant
PricewaterhouseCoopers

Olov Karlsson
Authorized Public Accountant
PricewaterhouseCoopers

Auditors' report for AB Volvo

We have audited the annual accounts and the consolidated accounts on pages 14-97 and the accounting records and the administration of the Board of Directors and the President of AB Volvo for the year 2001. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes evaluating the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to determine the liability, if any, to the Company of any Board member, or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, or the Company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Göteborg, February 7, 2002

Olof Herolf
Authorized Public Accountant
PricewaterhouseCoopers

Olov Karlsson
Authorized Public Accountant
PricewaterhouseCoopers

Eleven-year summary

Consolidated income statements SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net sales	**77,223**	**83,002**	**111,155**	**155,866**	**171,511**	**156,060**	**183,625**	**212,936**	**125,019**	**130,070**	**189,280**
Cost of sales		(66,143)	(85,840)	(115,092)	(128,529)	(121,249)	(138,990)	(163,876)	(99,501)	(104,548)	(155,592)
Gross income		**16,859**	**25,315**	**40,774**	**42,982**	**34,811**	**44,635**	**49,060**	**25,518**	**25,522**	**33,688**
Research and development expenses		(6,243)	(4,438)	(4,652)	(7,343)	(8,271)	(8,659)	(10,104)	(4,525)	(4,876)	(5,391)
Selling expenses		(8,717)	(11,480)	(15,737)	(17,418)	(14,895)	(17,160)	(19,042)	(8,865)	(10,140)	(15,766)
Administrative expenses		(4,151)	(6,131)	(7,711)	(7,399)	(6,685)	(7,018)	(8,091)	(4,791)	(4,974)	(6,709)
Other operating income and expenses		517	(1,146)	(3,262)	(1,657)	(1,087)	(3,141)	(2,634)	(611)	622	(4,096)
Income from investments in associated companies		120	(1,749)	5,861	2,119	314	2,929	444	567	444	50
Income from other shares and participations		157	444	1,667	788	9,007	1,168	4,526	170	70	1,410
Income from divestment of subsidiaries	–	–	–	–	3,032	–	–	–	26,695	–	–
Restructuring costs [1]	–	(1,450)	(1,600)	–	(1,817)	–	–	(2,331)	–	–	(3,862)
Operating income (loss)	**(542)**	**(2,908)**	**(785)**	**16,940**	**13,287**	**13,194**	**12,754**	**11,828**	**34,158**	**6,668**	**(676)**
Interest income and similar credits		3,694	4,041	2,927	3,801	4,530	3,197	1,268	1,812	1,588	1,275
Interest expenses and similar charges		(4,906)	(5,458)	(3,572)	(3,686)	(3,114)	(2,699)	(1,315)	(1,505)	(1,845)	(2,274)
Other financial income and expenses		(629)	(440)	83	(354)	(407)	(76)	(162)	131	(165)	(191)
Income (loss) after financial items	**803**	**(4,749)**	**(2,642)**	**16,378**	**13,048**	**14,203**	**13,176**	**11,619**	**34,596**	**6,246**	**(1,866)**
Taxes	(560)	138	(468)	(2,783)	(3,741)	(1,825)	(2,583)	(3,140)	(2,270)	(1,510)	326
Minority interests in net income	439	1,291	(356)	(365)	(45)	99	(112)	(42)	(104)	(27)	73
Net income (loss)	**682**	**(3,320)**	**(3,466)**	**13,230**	**9,262**	**12,477**	**10,481**	**8,437**	**32,222**	**4,709**	**(1,467)**

1 In 1995 write-down of goodwill pertaining to Volvo Construction Equipment.

Consolidated income statements with Financial Services reported in accordance with the equity method SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net sales	**76,110**	**81,858**	**109,978**	**154,668**	**166,541**	**150,425**	**178,531**	**205,712**	**116,382**	**120,392**	**180,615**
Cost of sales							(135,027)	(158,077)	(92,772)	(97,131)	(149,477)
Gross income							**43,504**	**47,635**	**23,610**	**23,261**	**31,138**
Research and development expenses							(8,659)	(10,104)	(4,525)	(4,876)	(5,391)
Selling expenses							(16,763)	(18,468)	(8,117)	(9,285)	(14,663)
Administrative expenses							(6,889)	(7,950)	(4,632)	(4,651)	(6,474)
Other operating income and expenses							(3,015)	(2,515)	(587)	309	(3,071)
Income from Financial Services							375	681	1,066	1,499	325
Income from investments in associated companies							3,033	354	478	341	(86)
Income from other shares and participations							1,168	4,526	170	70	1,408
Income from divestment of subsidiaries							–	–	26,695	–	–
Restructuring costs							–	(2,331)	–	–	(3,862)
Operating income (loss)	**(542)**	**(2,908)**	**(785)**	**16,940**	**13,287**	**13,194**	**12,754**	**11,828**	**34,158**	**6,668**	**(676)**

Consolidated balance sheets SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Intangible assets	373	298	2.284	4,545	5,626	2,277	3,284	5,778	6,618	6,925	17,525
Property, plant and equipment	17,232	18,377	25,922	25,991	25,094	26,458	30,793	36,207	19,788	22,231	33,234
Assets under operating leases [2]	1,317	1,753	2,235	2,205	2,847	4,968	13,501	22,285	12,337	14,216	27,101
Shares and participations	30,399	30,494	26,299	18,548	18,087	12,412	4,583	3,393	29,213	30,481	27,798
Inventories	16,705	18,368	21,390	23,380	23,929	23,148	27,993	32,128	21,438	23,551	31,075
Customer financing receivables	2,672	9,083	8,019	9,351	10,336	15,552	32,304	46,798	34,313	41,791	48,784
Interest bearing receivables	1,842	405	602	1,516	2,766	4,080	4,667	4,735	18,617	19,228	8,079
Other receivables [1]	17,429	16,469	26,323	28,597	26,708	25,603	27,087	34,197	24,019	26,352	39,946
Liquid funds	18,779	21,760	21,442	24,449	23,306	26,661	20,603	20,224	29,269	15,968	27,383
Assets	**106,748**	**117,007**	**134,516**	**138,582**	**138,699**	**141,159**	**164,815**	**205,745**	**195,612**	**200,743**	**260,925**
Shareholders' equity [1]	33,864	29,721	27,088	43,332	51,200	57,876	61,951	69,375	97,692	88,338	85,185
Minority interests	4,986	3,919	6,686	838	605	504	899	860	544	593	391
Provision for postemployment benefits	4,245	5,085	6,139	6,097	6,890	3,150	3,296	2,936	2,130	2,632	14,647
Other provisions [3]	–	11,653	14,235	13,914	14,602	14,988	19,657	25,187	14,832	14,941	18,427
Loans	31,980	42,641	42,675	33,551	28,166	31,886	41,217	64,230	53,345	66,233	81,568
Other liabilities [3]	31,673	23,988	37,693	40,850	37,236	32,755	37,795	43,157	27,069	28,006	60,707
Shareholders' equity and liabilities	**106,748**	**117,007**	**134,516**	**138,582**	**138,699**	**141,159**	**164,815**	**205,745**	**195,612**	**200,743**	**260,925**
Assets pledged	2,641	4,114	4,613	6,527	5,434	6,503	6,743	5,388	3,930	2,990	3,737
Contingent liabilities	4,691	6,808	8,656	7,581	7,450	6,188	5,406	6,737	6,666	6,789	10,441

1 Effective in 1997, adjustment was made to conform with the Swedish Financial Accounting Standard Council's recommendation, RR9, Income Taxes. See Note 1 to the consolidated financial statements.

2 Including company vehicles up to and including 1991.

3 Other provisions are included among other liabilities up to and including 1991.

Consolidated balance sheet excluding Financial Services[1] SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Intangible assets				4,544	5,623	2,258	3,262	5,692	6,518	6,781	17,366
Property, plant and equipment				25,246	23,430	24,720	28,755	33,944	17,318	19,652	30,370
Assets under operating leases				0	0	49	1,366	1,817	1,611	4,245	15,020
Shares and participations				20,782	20,699	16,359	9,894	11,744	35,296	37,366	35,145
Inventories				23,047	23,813	23,042	27,756	31,883	21,053	22,998	30,557
Customer financing receivables				0	0	0	227	384	9	15	114
Interest bearing receivables				1,516	2,720	4,060	4,664	4,715	18,617	19,286	12,426
Other receivables				28,596	26,110	24,312	25,802	31,398	21,075	24,882	38,815
Liquid funds				21,811	20,637	23,170	16,605	15,439	24,465	10,958	24,874
Assets				**125,542**	**123,032**	**117,970**	**118,331**	**137,016**	**145,962**	**146,183**	**204,687**
Shareholders' equity				43,332	51,200	57,876	61,951	69,375	97,692	88,338	85,185
Minority interests				703	351	448	859	804	544	593	391
Provision for post-employment benefits				6,060	6,855	3,126	3,266	2,904	2,118	2,619	14,632
Other provisions				11,806	12,525	12,618	15,962	19,435	9,861	8,277	14,085
Loans				24,266	16,301	13,432	1,047	5,018	12,206	18,233	29,710
Other liabilities				39,375	35,800	30,470	35,246	39,480	23,541	28,123	60,684
Shareholders' equity and liabilities				**125,542**	**123,032**	**117,970**	**118,331**	**137,016**	**145,962**	**146,183**	**204,687**

1 Financial Services reported in accordance with the equity method.

Consolidated cash flow statements SEK bn	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Operating income [1]	(0.5)	(2.9)	(0.8)	16.9	13.3	13.2	12.8	11.8	7.5	6.7	(0.7)
Depreciation	3.1	3.1	3.8	5.1	5.6	5.4	6.8	9.6	5.2	6.3	10.0
Other items not affecting cash [2]							(3.5)	(4.9)	(0.3)	(0.4)	0.5
Change in working capital [2]	(0.4)	4.6	3.5	(8.9)	(7.3)	(11.2)	4.7	1.5	(1.0)	(3.3)	6.4
Financial items and income tax [2]							(0.4)	(2.0)	(1.7)	(1.3)	(2.1)
Cash flow from operating activities	**2.2**	**4.8**	**6.5**	**13.1**	**11.6**	**7.4**	**20.4**	**16.0**	**9.7**	**8.0**	**14.1**
Investments in fixed assets	(2.9)	(2.9)	(3.5)	(4.3)	(6.5)	(8.2)	(9.9)	(10.5)	(4.9)	(5.4)	(8.1)
Investments in leasing assets	(1.0)	(1.3)	(1.7)	(2.5)	(2.6)	(3.9)	(9.8)	(12.7)	(5.6)	(5.7)	(5.8)
Disposals of fixed assets and leasing assets	1.2	0.3	0.8	1.4	1.3	2.0	1.8	2.6	1.6	2.1	2.6
Customer financing receivables, net	(0.1)	(3.7)	1.9	(1.5)	(1.6)	(4.8)	(15.5)	(12.8)	(7.1)	(4.5)	(3.7)
Shares and participations, net	(7.2)	(0.2)	0.5	8.2	2.0	14.1	10.7	5.5	(25.9)	(1.6)	3.9
Acquired and divested subsidiaries and other business units, net	(0.2)	0.3	0.4	–	(4.4)	(0.9)	(1.3)	(5.6)	31.0	0.0	13.0
Cash flow after net investments	**(8.0)**	**(2.7)**	**4.9**	**14.4**	**(0.2)**	**5.7**	**(3.6)**	**(17.5)**	**(1.2)**	**(7.1)**	**16.0**
Increase (decrease) in loans [3]	1.3	3.2	(5.9)	(8.3)	1.5	6.8	5.6	19.5	16.3	8.1	6.2
Loans to external parties, net	0.1	0.5	(0.2)	(0.9)	(0.9)	(1.9)	(0.4)	(0.3)	(3.2)	0.3	0.2
Repurchase of own shares	–	–	–	–	–	–	–	–	–	(11.8)	(8.3)
Dividend to AB Volvo shareholders	(1.2)	(1.2)	(0.6)	(0.6)	(1.5)	(1.9)	(2.0)	(2.2)	(2.6)	(3.1)	(3.4)
Other	7.1	0.4	0.2	(1.3)	0.7	(5.0)	(5.9)	(0.2)	(0.1)	0.0	0.1
Change in liquid funds, excluding translation differences	**(0.7)**	**0.2**	**(1.6)**	**3.3**	**(0.4)**	**3.7**	**(6.3)**	**(0.7)**	**9.2**	**(13.6)**	**10.8**
Translation differences on liquid funds	–	1.8	1.3	(0.3)	(0.7)	(0.3)	0.3	0.3	(0.2)	0.3	0.6
Change in long-term securities holdings	1.9	0.9	–	–	–	–	–	–	–	–	–
Change in liquid funds	**1.2**	**2.9**	**(0.3)**	**3.0**	**(1.1)**	**3.4**	**(6.0)**	**(0.4)**	**9.0**	**(13.3)**	**11.4**

As from 1992 the effects of major acquisitions and divestments of subsidiaries as well as the distribution of the shares in Swedish Match in 1996 have been excluded from other changes in the balance sheet. Furthermore the effects of changes in exchange rates at translation of foreign subsidiaries have been excluded, since these effects do not affect cash flow.

1 1999, excluding gain on sale of Volvo Cars of SEK 26.7 billion.
2 Reported on a single line in 1991–1996.
3 Including pensions and similar commitments 1991.

Operating cash flow excluding Financial Services SEK bn	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Operating income					12.9	12.8	12.4	11.1	6.4	5.2	(1.0)
Depreciation					4.8	4.4	5.0	6.4	3.1	3.8	7.0
Other items not affecting cash							(4.0)	(5.5)	(0.5)	(1.6)	0.0
Change in working capital					(6.3)	(11.1)	3.4	0.7	(1.7)	(3.0)	6.0
Financial items and income taxes							(0.5)	(2.3)	(1.7)	(0.8)	(2.3)
Cash flow from operating activities					**11.4**	**6.1**	**16.3**	**10.4**	**5.6**	**3.6**	**9.7**
Investments in fixed assets					(6.4)	(8.0)	(9.5)	(10.2)	(4.7)	(5.1)	(7.7)
Investments in leasing assets					(0.8)	(0.8)	(0.5)	(0.9)	(0.5)	(0.6)	(0.5)
Disposals of fixed assets and leasing assets					1.2	1.8	1.0	1.5	0.8	0.7	1.1
Customer-financing receivables, net					–	–	0.3	(0.3)	0.1	0.0	0.8
Operating cash flow					**5.4**	**(0.9)**	**7.6**	**0.5**	**1.3**	**(1.4)**	**3.4**

Exports from Sweden SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Volvo Group, total	31,881	30,344	36,130	43,330	56,059	54,589	58,569	64,401	52,719	46,251	50,394

Salaries, wages and other remuneration (including social costs) SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Volvo Group, total	17,654	16,857	19,489	24,156	27,248	25,997	26,951	30,064	19,832	21,510	33,453

Key ratios [5]	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Gross margin, % [1, 2]		20.3	22.8	26.2	25.1	22.3	24.4	23.2	20.3	19.3	17.2
Research and development expenses as percentage of net sales [1, 2]		7.5	4.0	3.0	4.3	5.3	4.9	4.9	3.9	4.1	3.0
Selling expenses as percent of net sales [1, 2]		10.5	10.3	10.1	10.2	9.5	9.4	9.0	7.0	7.7	8.1
Administration expenses as percentage of net sales [1, 2]		5.0	5.5	4.9	4.3	4.3	3.9	3.9	4.0	3.9	3.6
Operating margin, %	(0.7)	(3.6)	(0.7)	11.0	8.0	8.8	7.1	5.7	29.3	5.5	(0.4)
Return on shareholders' equity, %	2.0	neg	neg	36.5	19.3	23.7	17.2	13.0	34.9	5.0	neg
Interest coverage, times	1.1	0.2	0.6	5.5	4.6	5.5	5.8	9.6	23.1	4.5	neg
Self-financing ratio, % [3]	82	122	148	247	151	73	115	78	108	89	125
Self-financing ratio excluding Financial Services, % [3]					190	87	181	108	127	72	137
Net financial position, SEK M	(11,357)	(18,117)	(20,592)	(6,999)	201	10,672	16,956	12,232	28,758	9,392	(7,042)
Net financial position as percentage of shareholders' equity and minority interests	(29.2)	(53.9)	(61.0)	(15.9)	0.4	18.3	27.0	17.4	29.3	10.6	(8.2)
Shareholders' equity and minority interests as percentage of total assets	36.4	28.8	25.1	31.9	37.4	41.4	38.1	34.1	50.2	44.3	32.8
Shareholders' equity and minority interests as percentage of total assets, excluding Financial Services [4]				35.1	41.9	49.4	53.1	51.2	67.3	60.8	41.8
Shareholders' equity as percentage of total assets	31.7	25.4	20.1	31.3	36.9	41.0	37.6	33.7	49.9	44.0	32.6

1 Key ratios are stated in accordance with the new 1997 Annual Accounts Act. Figures for the years 1992 through 1996 have been adjusted to conform with the new principle.

2 1991–1996 including Financial Services. As from 1997 Financial Services is accounted by the equity method.

3 As of 1999, Volvo's cash flow statement is presented in accordance with the Swedish Financial Accounting Standards Council's recommendation, Reporting of Cash Flow, RR7. Values in prior years are adjusted in accordance with the new presentation form.

4 Financial Services had a marginal effect on the percentage of risk capital and minority capital prior to 1994.

5 Effective in 1997, adjustment was made to conform with the Swedish Financial Accounting Standard Council's recommendation, RR9, Income Taxes. See Note 1, to the consolidated financial statements. Income per share is calculated as net income divided by average number of shares.

Volvo share statistics

Data per share (adjusted for issues and splits) [1]	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Income, SEK [1]	1.80	(8.60)	(8.90)	31.80	20.20	26.90	23.20	19.10	73.00	11.20	(3.50)
Dividend, SEK	3.10	1.55	1.55	3.40	4.00 [8]	4.30	5.00	6.00	7.00	8.00	8.00 [9]
Share price at year-end, SEK (B share)	63	69	108	140	136	151	213	186	220	156,50	176
Direct return, % (B share) [2]	4.9	2.3	1.4	2.4	2.9	2.9	2.3	3.2	3.2	5.1	4.5
Effective return, % (B share) [3]	61	13	60	32	0	30	46	(10)	22	(23)	17.6
Price/earnings ratio (B share) [4]	36	neg	neg	4	7	6	9	9	3	14	neg
EBIT multiple [5]	neg	neg	36	7	7	16	9	11	10	10	25
Payout ratio, % [6]	176	neg	neg	11	20	16	22	31	10	71	neg
Shareholders' equity, SEK [7]	87	77	70	98	110	125	140	157	221	222	203
Return on shareholders' equity	2.0	neg	neg	36.5	19.3	23.7	17.2	13.0	34.9	5.0	neg

Other share data	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Number of shareholders at year-end	170,500	163,800	147,300	182,700	206,700	176,800	225,500	210,600	238,000	230,000	214,000
Number of Series A shares outstanding at year-end, millions	25.3	25.3	25.3	142.2	142.2	142.2	138.6	138.6	138.6	124.7	131.7
Number of Series B shares outstanding at year-end, millions	52.3	52.3	52.3	301.9	321.4	321.4	302.9	302.9	302.9	272.6	287.8
Average number of outstanding shares, millions				415.9	458.9	463.6	452.5	441.5	441.5	421.7	422.4
Number of Series A shares traded in Stockholm during the year, millions	64.7	16.6	32.8	54.1	23.2	23.7	23.7	34.5	27.0	42.4	40.3
Number of Series B shares traded in Stockholm during the year, millions	34.5	169.7	465.5	363.3	363.3	316.4	362.7	371.3	479.6	391.2	344.4
Number of A and B shares traded in London during the year, millions	89.1	178.9	150.7	287.5	232.8	301.0	260.8	425.5	215.8	143.0	169.0
Number of shares traded in ADR, NASDAQ during the year, millions	9.9	9.4	11.5	19.0	73.5	83.0	51.8	50.5	54.9	16.0	15.0 [10]

1 Effective in 1997, adjustment was made to conform with the Swedish Financial Accounting Standard Council's recommendation, RR9, Income Taxes. See Note 1 to the consolidated financial statements. Income per share is calculated as net income divided by average number of shares outstanding.

2 Dividend in SEK per share divided by share price at year-end.

3 Share price at year-end, including dividend paid during the year, divided by share price at beginning of the year, including redemption 1997 and distribution of one share of Swedish Match 1996.

4 Share price at year-end divided by income per share.

5 Market value at year-end minus net financial position and minority interests divided by operating income excluding restructuring costs.

6 Dividend divided by income per share.

7 Shareholders' equity divided by number of shares outstanding at year-end.

8 Plus one share of Swedish Match per Volvo share, price of SEK 21.74 (weighted average first ten trading days following listing).

9 Proposed by the Board of Directors.

10 Source NASDAQ - Citibank.

The largest shareholders in AB Volvo, December 31, 2001 [1]

	Number of shares	% of total votes [2]	Share capital, % [2]
Renault SA	88,304,177	20.0	20.0
Franklin-Tempelton funds	26,049,296	1.5	5.9
Robur aktiefonder (savings funds)	15,698,884	6.1	3.6
Investor AB	14,219,720	1.5	3.2
AMF Pensionsförsäkringar AB (labor market insurance)	14,116,000	3.4	3.2
Alecta (former SPP)	12,921,257	3.8	2.9
Skandia (insurance)	10,679,293	4.3	2.4
AFA Försäkring (insurance)	6,177,258	1.0	1.4
Fjärde AP-fonden (labor fund)	5,428,795	2.1	1.2
SEB fonder (savings funds)	5,365,179	1.2	2.3
Total		**44.9**	**46.1**

1 Following the repurchase of own shares, AB Volvo held 5% of the Company's shares on Dec 31, 2001.

2 Based on all registered shares.

Distribution of shares, December 31, 2001

Volvo shareholder owning	Number of shareholders	% of total votes [1]	Share of capital, % [1]
1–1,000 shares	201,647	7.8	8.5
1,001–10,000 shares	11,458	4.7	6.3
10,001–100,000 shares	765	4.3	5.9
100,001–	241	83.2	79.3
Total	**214,111**	**100**	**100**

1 Based on all registered shares.

Business area statistics

Net sales SEK M		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Global Trucks	Western Europe	16,718	15,252	15,851	22.718	24,289	23,268	25,180	30,666	32,750	33,383	64,262
	Eastern Europe	528	518	599	948	1,299	1,721	2,274	3,089	2,265	3,158	5,532
	North America	5,714	6,933	11,817	13,951	13,069	8,510	12,206	17,659	22,303	17,201	33,747
	South America	1,606	484	3,188	4,780	4,641	2,759	3,832	3,777	2,190	3,111	3,994
	Asia	3,066	1,675	2,170	2,474	2,863	2,577	2,410	2,047	2,010	3,432	4,683
	Other markets	435	1,130	330	1,379	1,330	1,443	1,503	1,267	1,492	1,911	7,922
	Total	**28,067**	**25,992**	**33,955**	**46,250**	**47,491**	**40,278**	**47,405**	**58,505**	**63,010**	**62,196**	**120,140**
Buses	Western Europe	2,600	2,581	3,380	3,838	4,709	4,660	5,082	5,528	5,735	6,767	6,263
	Eastern Europe	12	3	62	102	34	80	190	366	226	182	373
	North America	2	1	43	34	736	1,575	2,314	5,574	6,871	7,723	6,847
	South America	522	728	897	1,005	1,087	853	1,002	910	469	732	757
	Asia	514	572	986	868	844	1,112	1,562	1,519	943	1,269	1,839
	Other markets	170	566	119	289	285	247	432	389	469	514	596
	Total	**3,820**	**4,451**	**5,487**	**6,136**	**7,695**	**8,527**	**10,582**	**14,286**	**14,713**	**17,187**	**16,675**
Construction Equipment [1]	Western Europe					4,199	7,163	7,836	9,557	9,901	10,029	10,326
	Eastern Europe					112	93	263	336	193	255	341
	North America					1,403	3,385	5,680	6,548	5,725	5,823	6,145
	South America					556	598	991	957	498	776	847
	Asia					339	937	1,036	1,092	1,903	2,484	2,773
	Other markets					307	628	847	882	662	626	703
	Total					**6,916**	**12,804**	**16,653**	**19,372**	**18,882**	**19,993**	**21,135**
Volvo Penta	Western Europe	1,563	1,478	1,541	1,753	2,065	2,048	2,219	2,725	2,986	3,204	3,789
	Eastern Europe	0	0	0	0	1	2	34	23	26	30	38
	North America	437	483	859	1,326	1,139	1,142	1,332	1,412	1,770	2,257	2,175
	South America	159	92	74	92	99	109	136	153	134	160	213
	Asia	406	407	434	464	458	486	643	476	692	794	988
	Other markets	20	82	78	107	116	98	102	142	153	154	177
	Total	**2,585**	**2,542**	**2,986**	**3,742**	**3,878**	**3,885**	**4,466**	**4,931**	**5,761**	**6,599**	**7,380**
Volvo Aero	Western Europe	2,473	2,146	2,281	2,400	2,590	2,950	3,682	4,231	4,560	4,651	4,788
	Eastern Europe	4	0	0	13	27	8	6	47	16	42	87
	North America	1,208	1,244	1,326	1,104	1,100	1,071	3,066	3,502	4,557	5,040	5,841
	South America	0	13	4	0	4	4	257	284	193	134	187
	Asia	11	6	5	66	66	89	264	336	491	701	708
	Other markets	4	9	11	5	3	21	201	184	136	145	173
	Total	**3,700**	**3,418**	**3,627**	**3,588**	**3,790**	**4,143**	**7,476**	**8,584**	**9,953**	**10,713**	**11,784**
	Other and eliminations	6,161	7,302	9,086	9,039	2,580	645	536	1,952	4,063	3,704	3,501
Net sales excl Financial Services		**44,333**	**43,705**	**55,141**	**68,755**	**72,350**	**70,282**	**87,118**	**107,630**	**116,382**	**120,392**	**180,615**
Financial Services	Western Europe	1,113	1,144	1,177	1,198	4,758	5,384	4,461	5,465	6,300	6,240	5,314
	Eastern Europe						0	0	86	185	257	360
	North America					6	54	509	1,152	1,620	2,626	3,216
	South America						153	72	297	455	452	451
	Asia						0	0	0	1	0	24
	Other markets					206	44	52	224	76	103	130
	Total	**1,113**	**1,144**	**1,177**	**1,198**	**4,970**	**5,635**	**5,094**	**7,224**	**8,637**	**9,678**	**9,495**
	Eliminations	–	–	–	–	–	–	–	–	–	–	(830)
Volvo Group excluding divested operations		**45,446**	**44,849**	**56,318**	**69,953**	**77,320**	**75,917**	**92,212**	**114,854**	**125,019**	**130,070**	**189,280**
Cars		37,022	44,598	58,158	73,598	83,340	83,589	96,453	103,798	–	–	–
Other divested operations and eliminations		(5,245)	(6,445)	(3,321)	12,315	10,851	(3,446)	(5,040)	(5,716)	–	–	–
Volvo Group total		**77,223**	**83,002**	**111,155**	**155,866**	**171,511**	**156,060**	**183,625**	**212,936**	**125,019**	**130,070**	**189,280**

Effective in 1997, the Volvo Group's accounting per market area reflects geographical definitions, based on an ISO standard. The figures for 1991–1996 have been adjusted to conform with the new principle.

1 Subsidiary in the Volvo Group as of July 1995. Net sales for the Construction Equipment business area in the years 1991 through 1995, calculated using the average exchange rate for the US dollar in each year, amounted to 8,273, 7,890, 9,665,12,084 and 13,684.

Operating income SEK M	1991	1992	1993 [8]	1994 [7]	1995 [6]	1996 [5]	1997 [4]	1998 [3]	1999 [2]	2000	2001 [1]
Global Trucks [9]	941	(889)	585	4,051	5,020	783	1,707	2,769	3,247	1,414	(2,066)
Buses	(166)	71	313	318	405	331	550	(37)	224	440	(916)
Construction Equipment	–	–	–	–	717	1,162	1,436	626	1,709	1,594	527
Volvo Penta	(113)	(184)	125	223	212	(27)	181	(63)	314	484	658
Volvo Aero	202	261	143	60	103	153	472	527	584	621	653
Financial Services	294	173	266	166	281	311	479	590	1,066	1,499	325
Other	(103)	632	(2,240)	7,638	1,496	9,310	3,520	4,041	319	616	143
Volvo Group excluding divested operations	**1,055**	**64**	**(808)**	**12,456**	**8,234**	**12,023**	**8,345**	**8,453**	**7,463**	**6,668**	**(676)**
Cars	(1,597)	(2,972)	23	2,599	490	1,080	4,409	3,375	26,695	–	–
Other divested operations	–	–	–	1,885	4,563	91	–	–	–	–	–
Operating income (loss) Volvo Group	**(542)**	**(2,908)**	**(785)**	**16,940**	**13,287**	**13,194**	**12,754**	**11,828**	**34,158**	**6,668**	**(676)**

1 Operating income in 2001 included restructuring costs mainly related to the integration of Mack and Renault of SEK 3,862 M of which 3,106 in Global Trucks, 392 in Buses and 364 in Construction Equipment.
2 Effective January 1, 1999, Volvo Cars was reported as a divested operation. The capital gain from the divestment was SEK 26,695 M.
3 Restructuring costs in 1998 amounted to SEK 1,650 M of which 46 in Global Trucks, 422 in Buses, 910 in Construction Equipment and 158 in Volvo Penta. In addition operating income included a capital gain from the sale of shares in Pharmacia UpJohn amounting to SEK 4,452 M.
4 Operating income in 1997 included a capital gain from the sale of shares in Pripps Ringnes amounting to SEK 3,027 M.
5 Operating income in 1996 included a capital gain from the sale of shares in Pharmacia UpJohn amounting to SEK 7,766 M.
6 Operating income in 1995 included write-down of goodwill pertaining to Volvo Construction Equipment, consolidated as from July 1, 1995, amounting to SEK 1,817 M.
7 Operating income in 1994 included a capital gain from the sale of shares in Investment AB Cardo amounting to SEK 2,597 M and AB Custos amounting to SEK 916 M.
8 Operating income in 1993 included a provision of SEK 1,600 M relating to excess value in Volvo Trucks, which was estimated to arise in connection with exchange of shares with Renault.
9 Refers to Volvo Trucks for 1991–2000.

Operating margin %	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Global Trucks	3.4	(3.4)	1.7	8.8	10.6	1.9	3.6	4.7	5.2	2.3	(1.7)
Buses	(4.3)	1.6	5.7	5.2	5.3	3.9	5.2	(0.3)	1.5	2.6	(5.5)
Construction Equipment [1]	–	–	–	–	10.4	9.1	8.6	3.2	9.1	8.0	2.5
Volvo Penta	(4.4)	(7.2)	4.2	6.0	5.5	(0.7)	4.1	(1.3)	5.5	7.3	8.9
Volvo Aero	5,5	7.6	3.9	1.7	2.7	3.7	6.3	6.1	5.9	5.8	5.5
Volvo Group excluding divested operations	**2.4**	**0.1**	**(1.5)**	**18.1**	**11.4**	**17.1**	**9.6**	**7.9**	**6.4**	**5.5**	**(0.4)**
Operating margin, total	**(0.7)**	**(3.6)**	**(0.7)**	**11.0**	**8.0**	**8.8**	**7.1**	**5.7**	**29.3**	**5.5**	**(0.4)**

1 Included in the Volvo Group as of mid-year 1995. Operating margin for Volvo Construction Equipment for the years 1991 to 1995 amounted to (2.3), (5.5), 5.2, 13.4 and 12.3.

Return on operating capital, excluding restructuring costs %	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Global Trucks	12	neg	8	>25	>25	10	18	>25	>25	9	4
Buses	neg	5	18	22	18	12	17	8	4	6	neg
Construction Equipment	–	–	–	–	>25	23	23	18	19	16	9
Volvo Penta	neg	neg	11	19	17	neg	14	7	>25	>25	>25
Volvo Aero [1]	12	22	11	5	13	19	>25	23	19	25	20

1 As of 1997, return on operating capital for Aero excludes Volvo Aero Services.

Depreciation and amortization SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Global Trucks	532	594	704	839	937	1,023	1,252	1,493	1,375	1,478	3,706
Buses	95	70	88	65	99	121	136	218	280	320	355
Construction Equipment	–	–	–	–	143	302	394	996	475	579	599
Volvo Penta	30	95	36	58	70	68	71	67	77	77	65
Volvo Aero	208	214	216	209	219	231	215	224	333	410	437
Financial Services					45	59	71	95	134	145	181
Other	320	136	160	155	123	158	288	354	365	372	467
Volvo Group excluding divested operations	**1,185**	**1,109**	**1,204**	**1,326**	**1,636**	**1,962**	**2,427**	**3,447**	**3,039**	**3,381**	**5,810**
Cars	1,591	1,577	1,869	2,149	2,283	2,345	2,557	2,880	–	–	–
Other divested operations	13	0	152	1,025	953	206	–	–	–	–	–
	2,789	**2,686**	**3,225**	**4,500**	**4,872**	**4,513**	**4,984**	**6,327**	**3,039**	**3,381**	**5,810**
Assets under operating leases [1]	340	433	552	607	784	838	1,812	3,299	2,132	2,870	4,151
Volvo Group, total	**3,129**	**3,119**	**3 ,777**	**5,107**	**5,656**	**5,351**	**6,796**	**9,626**	**5,171**	**6,251**	**9,961**

1 Company vehicles included up to and including 1993.

Research and development expenses SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Global Trucks	1,870	2,258	1,365	1,399	1,760	2,078	2,051	2,301	2,524	2,709	3,614
Buses	256	251	240	265	306	343	434	617	576	614	498
Construction Equipment	–	–	–	–	221	555	627	715	786	844	674
Volvo Penta	180	166	154	148	177	183	213	270	287	368	287
Volvo Aero	163	194	196	160	150	155	205	248	216	238	211
Other	50	28	21	21	30	36	74	114	136	104	107
Volvo Group excluding divested operations	**2,519**	**2,897**	**1,976**	**1,993**	**2,644**	**3,350**	**3,604**	**4,265**	**4,525**	**4,877**	**5,391**
Cars	3,895	3,346	2,462	2,502	4,561	4,901	5,055	5,839	–	–	–
Other divested operations	–	–	–	157	138	20	–	–	–	–	–
Volvo Group total	**6,414**	**6,243**	**4,438**	**4,652**	**7,343**	**8,271**	**8,659**	**10,104**	**4,525**	**4,877**	**5,391**

Figures for years 1992 through 1996 have been adjusted to conform with the new Annual Accounts Act.

Number of employees at year-end Number	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Global Trucks	20,290	19,480	17,780	19,790	21,450	20,860	22,090	22,560	23,330	24,320	41,870
Buses	3,050	2,620	2,610	2,600	3,620	3,750	4,220	8,690	8,860	9,060	6,230
Construction Equipment	–	–	–	–	7,610	7,300	8,550	9,680	8,900	8,830	7,780
Volvo Penta	2,040	1,540	1,420	1,540	1,570	1,420	1,400	1,490	1,400	1,480	1,370
Volvo Aero	4,420	4,290	4,040	3,770	3,890	3,740	4,170	3,990	4,550	4,240	4,040
Financial Services	190	210	220	230	450	560	710	860	1,160	1,220	1,080
Other	4,020	3,530	3,130	2,120	2,370	3,090	3,840	5,190	5,270	5,120	8,550
Volvo Group, excluding divested operations	**34,010**	**31,670**	**29,200**	**30,050**	**40,960**	**40,720**	**44,980**	**52,460**	**53,470**	**54,270**	**70,920**
Cars	29,570	28,450	26,800	29,080	31,050	29,600	27,920	27,360	–	–	–
Other divested operations	–	–	17,640	16,420	7,040	10	–	–	–	–	–
Volvo Group, total	**63,580**	**60,120**	**73,640**	**75,550**	**79,050**	**70,330**	**72,900**	**79,820**	**53,470**	**54,270**	**70,920**

Capital expenditures SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Global Trucks	786	912	725	979	2,063	2,576	2,397	2,552	2,468	3,175	5,725
Buses	114	101	64	54	124	199	276	320	571	364	324
Construction Equipment	–	–	–	–	204	286	484	630	566	397	565
Volvo Penta	36	24	35	96	79	67	86	133	126	134	197
Volvo Aero	258	199	157	170	180	173	413	448	793	614	681
Financial Services					79	166	253	329	140	302	405
Other and corporate capital expenditures	267	117	412	227	317	250	410	512	508	444	390
Volvo Group [1]	**1,461**	**1,353**	**1,393**	**1,526**	**3,046**	**3,717**	**4,319**	**4,924**	**5,172**	**5,430**	**8,287**
Cars	1,413	1,562	2,072	1,596	2,540	4,425	5,544	5,625	–	–	–
Other divested operations	–	–	–	1,152	905	58	–	–	–	–	–
Volvo Group total	**2,874**	**2,915**	**3,465**	**4,274**	**6,491**	**8,200**	**9,863**	**10,549**	**5,172**	**5,430**	**8,287**
Assets under operating leases [1]	**700**	**888**	**1,000**	**1,255**	**1,655**	**2,369**	**3,290**	**4,816**	**5,578**	**5,709**	**5,832**
Divested operations	300	464	678	1,240	930	1,482	6,483	7,838	–	–	–
Volvo Group total [2]	**1,000**	**1,352**	**1,678**	**2,495**	**2,585**	**3,851**	**9,773**	**12,654**	**5,578**	**5,709**	**5,832**

1 Excluding divested operations. 2 Until 1996 including company vehicles.

Market area statistics

Net sales excluding Financial Services SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Western Europe	28,688	27,932	30,874	39,518	40,301	40,610	44,190	54,156	59,858	61,942	93,147
Eastern Europe	560	536	666	1,100	1,512	1,906	2,769	4,074	2,714	3,676	6,383
Europe total	**29,248**	**28,468**	**31,540**	**40,618**	**41,813**	**42,516**	**46,959**	**58,230**	**62,572**	**65,618**	**99,530**
North America	7,425	8,625	14,052	16,521	17,510	15,729	24,699	34,705	41,382	38,029	54,630
South America	2,303	2,296	4,102	5,859	6,289	4,302	6,438	6,339	3,487	4,730	6,018
Asia	4,119	2,932	3,693	4,013	5,128	5,290	5,936	5,490	6,027	8,765	10,862
Other markets	1,370	1,415	1,787	1,765	1,610	2,445	3,086	2,866	2,914	3,250	9,575
Volvo Group excl divested operations	**44,465**	**43,736**	**55,174**	**68,776**	**72,350**	**70,282**	**87,118**	**107,630**	**116,382**	**120,392**	**180,615**
Cars	37,022	44,598	58,158	73,598	83,340	83,589	96,453	103,798	–	–	–
Other divested operations and eliminations	(5,245)	(6,445)	(3,321)	12,315	10,851	(3,446)	(5,040)	(5,716)	–	–	–
Volvo Group total	**76,242**	**81,889**	**110,011**	**154,689**	**166,541**	**150,425**	**178,531**	**205,712**	**116,382**	**120,392**	**180,615**
of which, Sweden	9,617	10,117	12,087	12,524	10,034	9,264	9,995	11,192	12,842	13,920	12,928

Effective in 1997, The Volvo Group's accounting per market area reflects geographical definitions based on an ISO standard. The accounting for the years 1991–1996 has been adjusted to conform with the new principle.

Capital expenditures SEK M	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Sweden	1,081	1,004	970	824	1,962	2,333	2,558	2,622	1,789	2,453	4,638
Europe, excluding Sweden	192	230	264	279	421	608	609	913	966	985	1,946
North America	125	55	96	331	502	558	601	735	1,425	1,538	1,370
South America						3	414	371	512	237	118
Asia						3	102	230	441	187	180
Other markets	63	64	63	92	161	212	35	53	39	30	35
Volvo Group [1]	**1,461**	**1,353**	**1,393**	**1,526**	**3,046**	**3,717**	**4,319**	**4,924**	**5,172**	**5,430**	**8,287**
Cars	1,413	1,562	2,072	1,596	2,540	4,425	5,544	5,625	–	–	–
Other divested operations	–	–	–	1,152	905	58	–	–	–	–	–
Volvo Group total	**2,874**	**2,915**	**3,465**	**4,274**	**6,491**	**8,200**	**9,863**	**10,549**	**5,172**	**5,430**	**8,287**
Assets under operating leases [1]	**700**	**888**	**1,000**	**1,255**	**1,655**	**2,369**	**3,290**	**4,816**	**5,578**	**5,709**	**5,852**
Divested operations	300	464	678	1,240	930	1,482	6,483	7,838	–	–	–
Volvo Group total [2]	**1,000**	**1,352**	**1,678**	**2,495**	**2,585**	**3,851**	**9,773**	**12,654**	**5,578**	**5,709**	**5,852**

1 Excluding divested operations. 2 Until 1996 including company vehicles.

Employees Number	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Sweden	42,960	39,130	43,980	44,880	47,000	43,330	43,650	43,900	24,840	25,030	24,350
Europe, excluding Sweden	11,630	12,040	16,280	18,040	16,930	15,290	16,100	17,880	11,900	12,320	27,800
North America	5,320	5,540	6,950	6,100	7,860	6,900	8,450	12,100	11,880	11,410	12,670
South America	1,730	1,520	3,400	3,400	3,620	2,130	2,000	1,980	1,930	2,100	2,090
Asia	1,460	1,380	2,170	2,380	2,830	2,260	1,720	3,340	2,480	2,570	2,550
Other markets	480	510	860	750	810	420	980	620	440	840	1,460
Volvo Group total	**63,580**	**60,120**	**73,640**	**75,550**	**79,050**	**70,330**	**72,900**	**79,820**	**53,470**	**54,270**	**70,920**

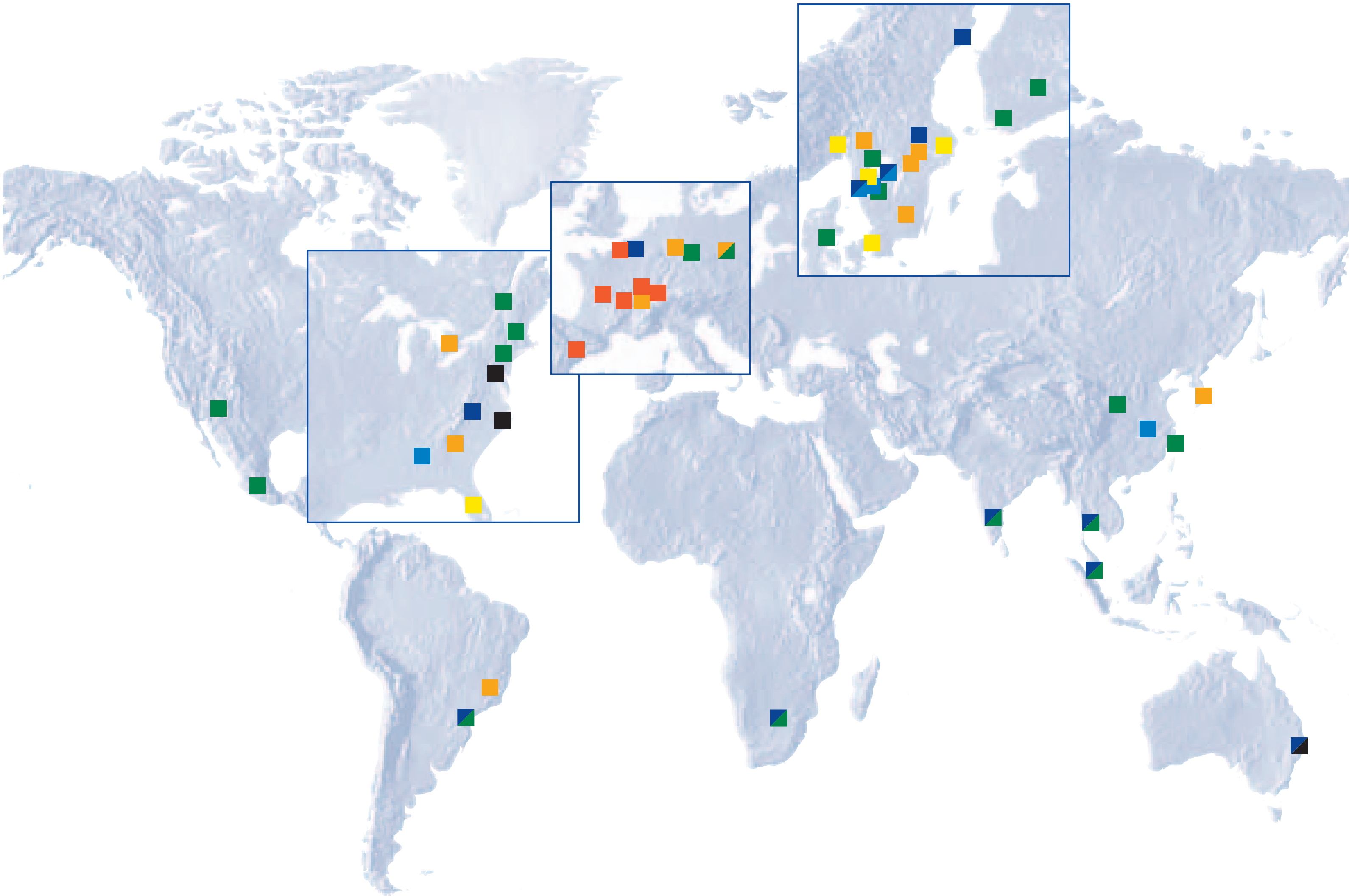
Volvo vehicles invoiced Number	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Heavy trucks (>16 tons)	47,580	43,030	47,280	63,560	71,360	59,100	63,930	78,690	81,240	76,470	117,180
Medium-heavy trucks (7–15.9 tons)	6,180	5,100	3,950	4,940	5,130	4,580	5,050	4,590	3,850	5,360	17,310
Light trucks (<7 tons)											20,820
Total trucks	**53,760**	**48,130**	**51,230**	**68,500**	**76,490**	**63,680**	**68,980**	**83,280**	**85,090**	**81,830**	**155,310**
Buses and bus chassis	**4,650**	**5,580**	**5,450**	**5,770**	**6,830**	**7,410**	**8,730**	**10,200**	**9,500**	**11,015**	**9,953**
Cars	**297,950**	**307,310**	**302,110**	**351,000**	**374,640**	**368,250**	**386,440**	**399,680**	–	–	–

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Trucks	Total Europe	27,000	22,200	17,100	27,000	34,160	34,970	34,470	42,350	42,530	46,140	98,040
	Western Europe	25,800	21,250	16,240	25,450	32,330	32,310	31,040	37,810	39,630	42,050	90,460
	Eastern Europe	1,200	950	860	1,550	1,830	2,660	3,430	4,540	2,900	4,090	7,580
	North America	13,380	16,720	21,860	26,460	27,090	16,850	20,900	29,310	34,300	23,610	34,650
	South America	3,480	3,590	5,900	8,320	7,800	4,980	6,970	6,020	3,900	4,530	5,790
	Asia	8,100	4,120	4,840	4,830	5,270	4,850	4,710	3,760	2,720	5,560	6,600
	Other markets	1,800	1,500	1,530	1,890	2,170	2,030	1,930	1,840	1,640	1,990	10,230
	Total	**53,760**	**48,130**	**51,230**	**68,500**	**76,490**	**63,680**	**68,980**	**83,280**	**85,090**	**81,830**	**155,310**
Buses	Total Europe	2,430	2,360	2,610	3,040	3,570	3,840	4,190	3,860	3,630	3,994	3,115
	Western Europe	2,410	2,320	2,520	2,900	3,510	3,770	4,030	3,580	3,430	3,870	2,899
	Eastern Europe	20	40	90	140	60	70	160	280	200	124	216
	North America	–	10	30	10	340	750	1,110	2,730	3,640	3,869	3,128
	South America	1,340	1,780	1,320	1,630	1,510	1,460	1,350	1,510	710	980	1,009
	Asia	640	1,270	1,050	780	920	1,060	1,410	1,650	1,000	1,659	2,209
	Other markets	240	160	440	310	490	300	670	450	520	513	492
	Total	**4,650**	**5,580**	**5,450**	**5,770**	**6,830**	**7,410**	**8,730**	**10,200**	**9,500**	**11,015**	**9,953**

Effective in 1997, The Volvo Group's accounting per market area reflects geographical definitions based on an ISO standard. The accounting for the years 1991–1996 has been adjusted to conform with the new principle.

Environmental performance of Volvo production plants Absolute values related to net sales	1998	1999	2000	2001
Energy consumption (GWh;MWh/SEK M)	1,779; 16,5	1,815; 15.6	1,656; 13.8	2,533;14.0
Water consumption (´000 m^3; m^3/SEK M)	5,281; 49.1	6,729; 57.8	6,138; 51.0	9,172; 50.8
NOx emissions (tons;kilos/SEK M)	489; 4.5	478; 4.1	464; 3.9	718; 4.0
Solvent emissions (tons;kilos/SEK M)	1,079; 10.0	1,332; 11.4	1,422; 11.8	1,743; 9.7
Sulphur dioxide emissions (tons; kilos/SEK M)	59; 0.5	77; 0.7	59;0.5	312; 1.7
Hazardous waste (tons; kg/SEK M)	10,820;101	15,596; 134	17,170; 143	19765; 109
Net sales, SEK bn	107.6	116.4	120.4	180.6

Volvo Production sites



■ Mack Trucks

North America
Macungie
Hagerstown
Winnsboro

Australia
Brisbane

■ Renault Trucks

Europe
Vénissieux
St Priest
Blainville
Bourg en Bresse
Limoges
Villaverde

■ Volvo Trucks

North America
New River Valley

South America
Curitiba

Europe
Umeå
Köping
Skövde
Göteborg
Ghent

Africa
Gaborone

Australia
Brisbane

Asia
Bangalore
Kuala Lumpur*
Bangkok*

■ Volvo Buses

North America
St Claire
St Eustache
Schenectady
Roswell*
Mexico City

South America
Curitiba

Europe
Säffle
Borås
Tampere
Turku
Aabenraa
Wroclaw
Heilbronn

Africa
Gaborone

Asia
Xian*
Shanghai*
Bangalore
Bangkok
Kuala Lumpur**

■ Volvo Construction Equipment

North America
Goderich
Asheville

South America
Pederneiras

Europe
Arvika
Eskilstuna
Hallsberg
Braås
Konz-Könen
Belley
Wroclaw

Asia
Changwon

■ Volvo Penta

North America
Lexington

Europe
Vara
Skövde
Göteborg

Asia
Wuxi

■ Volvo Aero

North America
Boca Raton

Europe
Trollhättan
Bromma
Malmö
Kongsberg

* Ownership ≤ 50%.
** Independent partner.

Definitions

Definition of key ratios

Capital expenditures
Capital expenditures include investments in property, plant and equipment, as well as in intangible assets. Investments pertaining to assets under operating leases are not included.

Investments in fixed assets included in the Group's cash flow statement include only capital expenditures that have reduced the Group's liquid funds during the year.

Equity ratio
Shareholders' equity divided by total assets.

Income per share
Net income divided by the weighted average number of shares outstanding during the period.

Interest coverage
Income divided by interest expense and similar charges. Income includes operating income and interest income and similar credits.

Net financial position
Cash and bank accounts, marketable securities and interest-bearing short- and long-term receivables reduced by short- and long-term interest-bearing loans and provisions for post-employment benefits. Net debt in Financial Services is not included since the interest expense on these liabilities is charged against operating income and does not affect consolidated interest net.

Operating cash flow, excluding Financial Services
Cash flow from operating activities with deductions for net investments in fixed assets and leasing assets.

Operating margin
Operating income divided by net sales.

Return on operating capital
Operating income divided by average operating capital. Operating capital consists of operating assets (tangible and intangible assets, receivables and inventories) reduced by non interest-bearing current liabilities. This ratio is used only for Volvo's business areas, not for the Group as a whole.

Return on shareholders' equity
Net income divided by average shareholders' equity.

Self-financing ratio
Cash flow from operating activities (see Cash flow statement) divided by net investments in fixed assets and leasing assets.

Share of shareholders' equity and minority interests
Shareholders' equity and minority interests divided by total assets.

Readers' guide

For your convenience, please find below a guide referring to different subjects in the annual report.

Annual General Meeting, April 24

The Annual General Meeting of AB Volvo will be held in Göteborg in Lisebergs-hallen (entrance from Örgrytevägen) on Wednesday, April 24, 2002, at 2:00 p.m.

Notice

Shareholders who wish to participate must:

be recorded in the share register maintained by VPC AB (Swedish Central Securities Depository) not later than April 12, 2002

give notice of intention to attend not later than 12:00 noon, Thursday, April 18, 2002

- by telephone, +46 31 66 00 00 beginning March 22
- by mail addressed to AB Volvo (publ), Legal Department, SE-405 08 Göteborg, Sweden
- by e-mail agm@volvo.com

When giving notice, shareholders should state their:

- name
- personal number (registration number)
- address and telephone number

Shareholders whose shares are held in the trust department of a bank or by a brokerage firm should request that the shares be temporarily reregistered in the shareholder's name several banking days prior to April 12, 2002.

April 29 has been proposed as the record date for payment of dividends, which are expected to be distributed on May 3.

Volvo's Nomination Committee

The following persons were named members of Volvo's Nomination Committee at the 2001 Annual General Meeting:

Thomas Halvorsen	The National Pension Insurance Fund, Fourth Fund Managing board
Lars Ramqvist	Chairman of the Board of AB Volvo
Bengt Hane	Representative for shareholders with smaller holdings
Shemaya Lévy	Renault SA
Lars Otterbeck	Alecta

The Nomination Committee is responsible for submitting to the Annual General Meeting the names of candidates to serve as members of the Board of Directors and as auditors and deputy auditors. The Committee also proposes the amount of the fees to be paid to the holders of these positions.

Publication dates

Volvo Annual Report 2001	March 22, 2002
Form 20-F US GAAP 2001	April, 2002
Three months ended March 31, 2002	April 22, 2002
Six months ended June 30, 2002	July 23, 2002
Nine months ended September 30, 2002	October 24, 2002
Report on 2002 operations	February, 2003
Annual Report 2002	March, 2003

The reports shown in boldface type are available on www.volvo.com on date of publication and are also sent directly to all shareholders who have advised Volvo that they wish to receive Group financial information.

The above information can also be ordered from Celero Support AB, DDC, Dept 63356 ARUN, SE-405 08 Göteborg, Sweden. Telephone: +46 31-66 10 47.
Telefax: +46 31-66 20 20. E-mail: volvoinf@volvo.com

Historical and current time series reflecting the Volvo Group's financial development, market information and share data are published regularly on www.volvo.com

AB Volvo (publ)
SE-405 08 Göteborg, Sweden
Telephone +46-31 66 00 00

AB Volvo, Investor Relations, 635-2604