



AB Volvo

Press Information

AB VOLVO INTENDS TO MAKE A PUBLIC OFFER FOR BILIA'S TRUCK AND CONSTRUCTION EQUIPMENT OPERATIONS

AB Volvo plans to make a public offer for Bilia's truck and construction equipment operations. To streamline its own operations, AB Volvo intends to exchange its holding of Bilia's automobile operations for Bilia's truck and construction machinery operations.

- Today, the Board of Directors of Bilia announced its intention to transfer the Bilia truck and construction equipment operations to a separate company (Kommersiella Fordon AB, KFAB), and subsequently to propose to the upcoming Annual General Meeting of shareholders that the company be distributed among the shareholders. Ownership of one share in Bilia is to entitle the holder to one share in KFAB. The dividend proposed by the Board of Bilia – SEK 4.25 per Bilia share – remains valid.
- Volvo, with 43% of the capital and voting rights and the largest shareholder in Bilia, has announced that it intends to propose to the resulting shareholders in KFAB that they transfer their KFAB shares to Volvo in return for shares in "the new Bilia"¹. Volvo's intention is to offer three shares in "the new Bilia" for four shares in KFAB, providing certain conditions are fulfilled.
- The projected exchange ratio was established through consensus between Volvo and the Board of Directors of Bilia.

¹ Bilia, after separation of the rights to the distribution of KFAB and all other distributions relating to the 2002 fiscal year.

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Bilia's proposal to spin off KFAB

Today, the Board of Directors of Bilia announced its intention to propose to the Annual General Meeting of shareholders in Bilia, which is to be postponed, that the Group be divided into two units – one containing the operations involving trucks and construction equipment (KFAB) and the other containing the operations involving automobiles (“the new Bilia”). Bilia’s intention is to carry out the division by transferring all assets, rights and obligations relating to its truck and construction equipment operations (including the properties used mainly for these operations) to the newly formed subsidiary KFAB, which is then to be distributed among Bilia’s shareholders, subject to the approval of the Annual General Meeting. The record day regarding the distribution of KFAB will be announced on Bilia’s notice of the postponement of the Annual General Meeting.

Volvo's motivation

Bilia is a leading service supplier and dealer for automobiles, trucks and construction equipment. Bilia operates in the Nordic region and in about ten other European countries. With 43% of the capital and voting rights, Volvo is the largest shareholder in Bilia. Volvo’s intention with the planned offer is to exchange its holding in Bilia’s automobile operations for an increased interest in Bilia’s truck and construction equipment operations. This will result in a streamlining and focusing of Volvo’s operations while enabling Volvo to ensure that KFAB’s dealership operations and service centers continue to serve as an example for Volvo’s quality-oriented dealership network. The acquisition of KFAB is expected to generate synergistic effects regarding both expenses and revenues. A more detailed description of the synergies will be presented at a later date.

Description of KFAB

Bilia is to be divided by transferring all assets, rights and obligations relating to truck and construction equipment operations to a newly formed subsidiary, KFAB, that will subsequently be distributed among Bilia’s shareholders. The intention is that KFAB will assume most of Bilia’s current net debt, so that “the new Bilia” will have a strong balance sheet, enabling the company to continue its expansion and develop its operations. KFAB will have SEK 375 M in shareholders’ equity as of July 1, 2003. For a more detailed description of KFAB, including preliminary pro forma financial accounts, please refer to the press release from Bilia.

Declaration of intent

Volvo, which owns approximately 43% of the shares in Bilia, has engaged in discussions with the Board of Bilia to ascertain the possibility for Volvo to acquire the operations that are to be distributed among Bilia’s shareholders. These discussions led to a decision by Volvo to issue a declaration of intent to

the future shareholders in KFAB to offer to acquire all shares in KFAB, by offering three shares in “the new Bilia” in exchange for four shares in KFAB.

An offer is expected to be issued when Bilia has completed the transfer of its truck and construction operations to KFAB in accordance with the discussions that have taken place and will continue to take place between Volvo and Bilia, and Volvo has verified this through a due diligence procedure carried out by Volvo. Volvo’s and Bilia’s intention is that these measures will be completed in such time that the offer may be issued before the upcoming Annual General Meeting of shareholders in Bilia. A new date for this Meeting is to be announced by Bilia. The acceptance period is expected to be closed during the first half of July.

Provided the projected offer is fully accepted, Volvo’s ownership in “the new Bilia” will amount to approximately 132,000 shares, corresponding to approximately 0.5% of the capital and voting rights in “the new Bilia.” Volvo’s projected acquisition of KFAB is expected to have a marginally positive effect on Volvo’s earnings per share. As established with Bilia’s Board of Directors, Volvo has undertaken to ensure that the shares in KFAB are listed for trading on a Swedish exchange, authorized marketplace or other organized Swedish market, in case Volvo’s intended offer results in Volvo not becoming owner of more than 90% of the shares and voting rights in KFAB.

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The Volvo Group is one of the world's leading manufacturers of trucks, buses and construction equipment, drive systems for marine and industrial applications, aerospace components and services. The Group also provides complete solutions for financing and service. The Volvo Group, which employs about 71,000 people, has production facilities in 25 countries and sells their products in more than 185 markets. Annual sales of the Volvo Group amount to 18 billion euro. The Volvo Group is a publicly-held company headquartered in Göteborg, Sweden. Volvo shares are listed on the stock exchanges in Stockholm, London, Brussels and Frankfurt and on NASDAQ in the US.