VOLVO

AB Volvo

Press Information

Volvo – Preliminary* report on 2003 operations

	Fourth quarter 2003	Fourth quarter 2002	Year 2003	Year 2002
Net sales, SEK M	48,733	45,877	174,768	177,080
Operating income, SEK M	1,766	823	6,534	2,837
Income after financial items, SEK M	1,589	737	5,687	2,013
Net income, SEK M	1,144	638	4,328	1,393
Sales growth, %	6.2	(5.7)	(1.3)	(2.0)
Income per share, SEK	2.70	1.50	10.30	3.30
Return on shareholders' equity, %			5.7	1.7

* This Report on Operations for 2003 is preliminary due to that the Board of Directors awaits the outcome of ongoing discussions to divest AB Volvo's holding in Scania AB. As a consequence of the ongoing discussions, AB Volvo has not made any revaluation of its holding in Scania in this Report.

- Volvo announces intentions regarding its holding of Scania shares.
- Net sales for the fourth quarter 2003 amounted to SEK 48,733 M (45,877).
- Operating income for Trucks more than doubled in the fourth quarter and amounted to SEK 1,457 M (507). The strong improvement is due to improved results in North America and a favorable earnings trend in Europe within both Renault Trucks and Volvo Trucks. Volvo Trucks shows continued solid performance in Europe.
- Net income increased to SEK 1,144 M (638) in the fourth quarter.
- Income per share for the fourth quarter amounted to SEK 2.70 (1.50). Income per share for the year more than tripled and amounted to SEK 10.30 (3.30).
- Cash flow after net investments excluding Financial Services improved to SEK 7.8 billion (4.9) in the fourth quarter.
- The Board of Directors proposes that a cash dividend of SEK 8.00 per share be paid for 2003.

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Comments by the Chief Executive Officer

We are currently involved in discussions with a number of potential buyers regarding the sale of our holding in Scania. If we do not reach an agreement with a buyer, we will seek a solution that fulfils the European Commission's requirement for divestment and at the same time provides Volvo's shareholders the possibility to realize the added value that exists in a large block of A shares and to fully exercise the influence in Scania that is inherent in the high voting rights carried by A shares. See further on page 3.

Our positive development continued during the fourth quarter, with sharply improved profitability and very strong cash flow. Operating income and operating margin doubled compared with the fourth quarter of 2002.

Operating income also doubled for the full year, and income per share tripled – despite the volume of sales not having increased to any significant extent.

This major improvement is attributable mainly to new products, synergies and cost savings.

Our new products and services have captured market shares in important markets and provided increased value to our customers, which is reflected in a relevant price picture.

The synergies are the result of many years of work carried out throughout the Group to coordinate operations, from product development and purchasing to production and distribution. The year 2003 is when these efforts began to have an effect on earnings.

Costs and capacity were aligned with lower demand within Volvo Aero, Buses and the North American truck operations. Many of the measures will yield long-term efficiency improvements, for example coordination between Mack Trucks and Volvo Trucks in North America.

In terms of individual business areas, Volvo Penta again reported strong earnings, with an operating margin for the full year exceeding 9%.

The truck operations improved profitability in significant figures for the Group as a result of reduced costs in North America, stable and high earnings capacity for Volvo Trucks in Europe and increased productivity in Renault Trucks.

Financial Services nearly doubled operating income and developed solidly.

Volvo CE also advanced strongly during 2003. Sales rose significantly in the fourth quarter. The upturn in the North American market noted during 2003 is looking increasingly stable.

Volvo Aero and Buses, which are both facing difficult business climates, are still on the downside. For Volvo Aero, it appears that 2004 will be another difficult year, although the aftermarket segment is showing some signs of recovery. The view for Buses is fragmented, with major variations in demand between markets. Buses decided in December to close the body plant in Aabenraa in Denmark and is continuing to monitor operations, with focus on Europe.

We assess that the truck market in Europe will remain at today's relatively high level of 214,000 trucks, or increase somewhat during 2004. Customer activity rose in North America during the fourth quarter and there are expectations of an increase by 10-15% to a level of about 200,000 trucks.

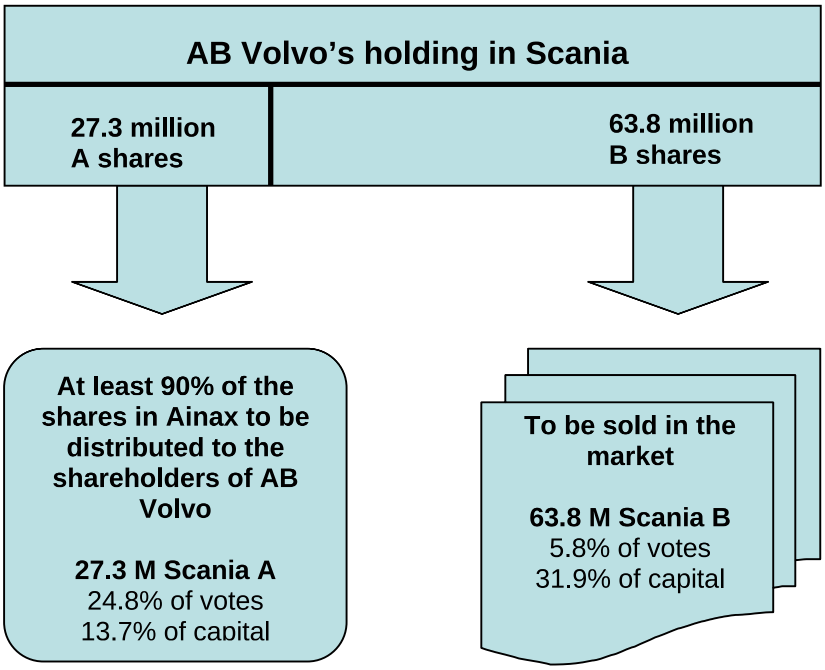
The growth regions continue to develop favorably. Iran and China accounted for a large share of our growth in Asia during 2003, when the Group took many important steps to increase its presence in China.

The level of the Group's activities to enhance efficiency and improve distribution and service will remain high, in established as well as growth markets. With our strong product program and improved cost position, I believe we have favorable conditions for profitable growth.

Leif Johansson

Volvo announces intentions regarding its holding in Scania AB

AB Volvo is currently involved in discussions with a number of potential buyers regarding the sale of the shares the Group owns in Scania. Volvo is also awaiting the European Commission's decision on Volvo's request for an extension of the deadline for divestiture of the Group's shares in Scania. If an agreement isn't reached with a buyer, AB Volvo will seek a solution that fulfils the European Commission's requirement for divestment. If a sale is not agreed or an extension is not awarded, AB Volvo intends to transfer the Scania Series A shares to a separate, newly formed company, "Ainax", that will have the sole purpose of managing Volvo's shareholders' interests in Scania. At least 90% of the shares in the newly formed company Ainax will be distributed to Volvo's shareholders. The intention is that the Series B shares in Scania will be sold in the market. In total it is intended that over time, about half of the value that AB Volvo's holding in Scania represents will be transferred to the shareholders of AB Volvo.



It is intended that Tuve Johannesson, currently Chairman of the foundation that manages the Rausing family's industrial investments and a member of the Board of a number of other Swedish listed companies, will be Chairman of Ainax. Tuve Johannesson left AB Volvo in 1999 in conjunction with the sale of Volvo Cars to Ford, where he remained as president until 2000. Shemaya Lévy, former CFO of Renault SA, is also intended to be a Board member. The other Board members have not yet been determined.

Currently, AB Volvo owns 91 million shares in Scania, corresponding to 30.6% of the votes and 45.5% of the share capital. When the European Commission approved AB Volvo's acquisition of Renault VI and Mack Trucks Inc. in 2000, the Commission set the condition that Volvo must divest the Scania shares not later than April 23, 2004. Volvo has also been forbidden by the Commission to exercise ownership influence over Scania through its holding. Since the Commission announced its decision, Volvo has held discussions with a number of interested parties regarding the sale of the Scania shares, with the primary goal of securing the best result for Volvo's shareholders.

As a consequence of the ongoing discussions on a divestment or an extension of the deadline for divestment of the holding in Scania, AB Volvo has been unable to establish a fair value of the holding. Consequently, AB Volvo has not made any revaluation of its holding in Scania in this preliminary Report on Operations for 2003. As soon as a fair value of the holding in Scania is determinable, the shares will be revalued. The book value of AB Volvo's holding of Scania shares is SEK 24,026 M. Valued at the year-end rate at December 31, 2003, AB Volvo's holding in Scania would amount to SEK 18,459 M and, consequently, a write-down of SEK 5,567 M would be made. A valuation based on the closing rate at February 2, 2004 would indicate a value of SEK 20,754 M.

Significant events during the fourth quarter of 2003

Volvo Trucks secured major order in US

Volvo Trucks has received an order for 4,400 Volvo VN 670s, a tractor version of the Volvo VN truck, from Swift Transportation, one of the leading transport companies in North America. This is the largest single order that Volvo Trucks North America, Inc. has received for the new VN series. Volvo Trucks will be the main supplier of trucks to Swift Transportation for a two-year period, with an option for one additional year. Production of the trucks will begin in the first quarter of 2004.

Volvo Aero is partner in General Electric's new LMS100 gas turbine

Volvo Aero will deliver a number of key components to the new environmentally friendly gas turbine, the LMS100, which is expected to play a significant role in the power generation industry. This is an important agreement for Volvo Aero and a broadening of its product range. The total value of the contracts is estimated to USD 800 M over a 20-year period.

Volvo and ArvinMeritor plan strategic alliance on axles

Volvo plans to enter into a Strategic Alliance on axles with ArvinMeritor. A Memorandum of Understanding has been signed between the two companies. Final agreements are planned to be made during first quarter 2004.

Volvo Buses to close plant in Aabenraa, Denmark

Volvo Buses is to close its bodybuilding plant in Aabenraa, Denmark. In all, about 200 employees will be affected by the closure. The Aabenraa plant is expected to close during the second half of 2004.

Volvo Buses wins orders in South Africa and Hungary

Volvo Buses won an order for 100 Volvo B7R bus chassis for South Africa. The customer is Remant/Alton Land Transport (PTY) Ltd., and the buses will be used for public transport services in and around Durban on the east coast of South Africa.

Volvo Buses also signed an order for 150 buses for Budapest's municipal transport. The buses entering service in Budapest are the 7700 model articulated buses. The buses are being built in Volvo Buses' factory in Poland. The first 50 buses will be delivered in May 2004, and the remaining 100 during 2004/2005.

Twenty-one Renault Kerax trucks in the 2004 Telefonica Dakar Rally

The 2004 Dakar Rally was the 26th edition of this prestigious race covering a distance of 11,052 kilometers in three weeks. Twenty-one Renault Kerax trucks, 15% of the total number of trucks participating, started at the rally between Clermont Ferrand and Dakar. Four Renault Kerax trucks was in the race, four in the race assistance team and twelve in the technical back-up team. The twenty-first vehicle, the only one belonging to Renault Trucks, assisted the other Renault Kerax trucks with spare parts and other equipment needed for the rally.

Mack President, Paul Vikner, joins Volvo Group Executive Committee

Paul L Vikner, who has served as President and CEO of Mack Trucks, Inc. since July 2001, was appointed member of Volvo's Group Executive Committee effective January 1, 2004, reporting to Leif Johansson, President and CEO of the Volvo Group. Vikner will continue to serve as President of Mack.

Significant events earlier in 2003

Volvo Trucks introduced new truck models

Volvo Trucks launched the new Volvo NH in Brazil. With this launch the company's global product range has been completely renewed. The launch of the Volvo NH was accompanied by the introduction of the new Volvo FH and Volvo FM in South America, which marks the total renewal of the entire Volvo truck range in South America. Earlier in September the Volvo VM – a new medium-heavy truck in the 17- to 23-ton segment – was introduced.

Volvo Penta introduces new products

Volvo Penta launched a new generation of medium-heavy diesel engines for leisure boats. The new electronic diesel engines, the D4 at 210 hp and the D6 at 310 hp. The engines are manufactured in Volvo Penta's engine plant in Vara, Sweden. Volvo Penta is also launching the new 130- or 160-hp D3 diesel engine and the new D2-75 hp engine for sailing yachts.

Renault Trucks starts delivering Midlum to Iran

The Renault Midlum truck is being assembled locally in Iran by Saipa Diesel for its domestic market.

Renault Trucks launches the new Renault Master
The new Renault Master features new exterior, new interior, new engines and improved performance. The Renault Master is accompanied by a new service offering, which will enable Renault Trucks to reinforce and improve its market share in the less than 3.5-ton segment.

Volvo's acquisition of the truck and construction equipment business of Bilia completed
The acquisition of the truck and construction equipment operations of Bilia was completed in the third quarter. The acquired operations were consolidated in the Volvo Group as of July 2003. The integration of the Bilia dealer network is proceeding well and is ahead of the time plan. Bilia is a corner stone in a new European strategy aiming at building a new distribution network with much closer customer relations.

AB Volvo to be delisted from the stock exchanges in Frankfurt, Hamburg and Düsseldorf
The Board of AB Volvo has decided to apply to be delisted from the stock exchanges in Frankfurt, Düsseldorf and Hamburg. Volvo was first listed on the German exchanges in 1974. The delisting from the three stock exchanges is expected to be effective in the autumn of 2004.

Volvo Environment Prize recognizes efforts to alleviate poverty
The 2003 Volvo Environment Prize was awarded jointly to Madhav Gadgil from India and Mohammad Yunus from Bangladesh who have each in his respective field created new models for understanding and transforming the relationships between poverty, development and the environment.

Volvo's nomination committee
The nomination committee, which was appointed during the third quarter 2003 and for the period up to the next Annual General Meeting, comprises Lars Ramqvist, Chairman of the Board, Shemaya Lévy, Renault, Marianne Nilsson, Robur, Lars Otterbeck, Alecta and Bengt Hane representing shareholders with smaller holdings. Lars Otterbeck has been appointed chairman of the committee.

Volvo Aero signs new contracts
Volvo Aero signed an agreement with German MTU Aero Engines to manufacture components for the GP7000, an engine intended for Airbus's forthcoming A380 jumbo jet. Boeing and Volvo Aero have extended their Marketing and Distribution Agreement through December 2009.

Volvo Trucks and Sistema began production of heavy trucks in Russia
Volvo Trucks became the first Western truck manufacturer to start production under its own name in Russia. This move is the result of a joint venture with Russian partner AFK Sistema. The new assembly facility for heavy trucks was inaugurated on March 20, in Zelenograd, just north of Moscow.

Volvo CE starts production of excavators in China
The first Volvo Excavator built in Volvo CE's new factory located in the Pudong area outside Shanghai in China left the production line in the beginning of April. The new factory will have a production capacity of a couple of thousand units per year.

Volvo CE acquires dealer L.B. Smith in the US
On May 2, Volvo Construction Equipment purchased the assets associated with the Volvo distribution business of L.B. Smith, Inc., its largest dealer in the US.

Introduction of the New Volvo FH16
On June 5, Volvo Trucks presented the new Volvo FH16. The Volvo FH16 is developed to meet the trend for heavier, longer truck combinations. The new Volvo FH16 is equipped with an all-new 16-liter engine with a power output of up to 610 hp, making it the most powerful truck on the European market.

Volvo starts assembly of trucks in China
On June 9, Volvo Trucks signed a Joint Venture agreement with China National Heavy Truck Corporation for production of trucks. Production is planned to start during the first quarter of 2004.

AB Volvo delisted from the Brussels Stock Exchange
On June 16, the Volvo share was delisted from the First Market of the Euronext Brussels Stock Exchange following an earlier application from AB Volvo. As of June 17, 2003 Bank Brussels Lambert (BBL) provides for a listing of Volvo's international depositary receipt on the Trading Facility market.

The Volvo Group - 2003

Net sales
Net sales of the Volvo Group for the fourth quarter of 2003 amounted to SEK 48,733 M, compared with SEK 45,877 M in 2002. This represents an increase of 12% adjusted for changes in currency rates.

Net sales of Trucks amounted to SEK 33,238 M in the fourth quarter of 2003, up 12% adjusted for currency effects compared with the year-earlier period. Deliveries in Western Europe were down 5% while deliveries in North America increased by 37% to 10,196 vehicles. In Asia the number of invoiced trucks more than doubled to 6,832 units, mainly as a result of high deliveries to Iran.

Net sales of Volvo CE and Volvo Penta for the fourth quarter of 2003 increased by 28% and 18%, respectively, adjusted for currency effects, thus reflecting strong organic growth. Net sales for Buses amounted to SEK 3,101M, down 14% adjusted for currency effects. Volvo Aero's sales were up by 21% adjusted for currency effects.

For the full year, the Group's net sales amounted to SEK 174,768 M, an increase of 6% adjusted for currency effects, compared with 2002. The Group's net sales in Western Europe increased by 4%. Net sales in North America were down 16% compared with 2002, mainly due to lower USD exchange rates and lower deliveries of Mack trucks. Sales in South America increased somewhat, while considerable growth was noted in Eastern Europe and Asia.

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

Net sales by market area	**Fourth quarter**		**Year**		**Change**	
SEK M	**2003**	**2002**	**2003**	**2002**	**in %**	**% of total**
Western Europe	26,490	25,272	95,775	92,331	+4	55
Eastern Europe	2,525	2,382	8,344	7,437	+12	5
North America	10,556	10,800	42,043	50,206	-16	24
South America	1,571	1,158	4,727	4,667	+1	3
Asia	5,367	3,712	15,754	12,644	+25	9
Other markets	2,224	2,553	8,125	9,795	-17	4
Total	**48,733**	**45,877**	**174,768**	**177,080**	**(1)**	**100**

Operating income
Operating income more than doubled for the fourth quarter of 2003 compared with the year-earlier period, and amounted to SEK 1,766 M (823).

Trucks' operating income for the fourth quarter of 2003 was SEK 1,457 M (507). The improvement across the three truck brands, Mack, Renault and Volvo, is largely related to increased margins due to price realization and cost rationalization. Earnings improved in North America, where profitability developed favorably for both Volvo and Mack despite adverse market conditions. In Europe, Volvo Trucks' strong performance continued and both Renault Trucks and Volvo Trucks reported improved earnings.

Volvo CE reported fourth quarter earnings amounting to SEK 133 M (loss: 47). The improvement was largely related to higher volumes and improved margins on new products strongly offset by negative currency effects. Earnings within Buses continued to be unsatisfactory, and the operating loss amounted to SEK 96 M for the quarter, compared with an operating income of SEK 33 M in the year-earlier period. Earnings for Volvo Penta remained favorable, with an operating income of SEK 171 M in the quarter (159), and an operating margin of 9.2%. Volvo Aero's operating loss was SEK 47 M compared with a loss of SEK 41 M in the year-earlier period. Financial Services operating income rose to SEK 251 M (129) in the fourth quarter. Operating loss from other operations in the fourth quarter amounted to SEK 103 M (income: 83).

Operating income for the Group in the fourth quarter of 2003 included capitalization of development costs, net of amortization, and totaled SEK 197 M compared with SEK 336 M in the year-earlier period.

Other operating expense was SEK 142 M in the fourth quarter (559). The decrease is mainly attributable to forward exchange contracts. However, the total effect on operating income from changed exchange rates was negative in an amount of about SEK 400 M, compared with the year-earlier period.

Operating income by business area is further specified in the table below:

Operating income	**Fourth quarter**		**Year**	
SEK M	**2003**	**2002**	**2003**	**2002**
Trucks	1,457	507	3,951	1,189
Buses	(96)	33	(361)	(94)
Construction Equipment	133	(47)	908	406
Volvo Penta	171	159	695	647
Volvo Aero	(47)	(41)	(44)	5
Financial Services	251	129	926	490
Other	(103)	83	459	194
Operating income	**1,766**	**823**	**6,534**	**2,837**

Net interest expense
Net interest expense for the fourth quarter 2003 amounted to SEK 192 M, compared with SEK 262 M during the third quarter this year. The lower net interest expense was mainly explained by lower net financial debt due to the positive cash flow.

Taxes
During the fourth quarter of 2003, a tax expense of SEK 442 M was reported (102), mainly relating to current tax expenses.

Consolidated income statements	Fourth quarter		Year	
SEK M	2003	2002	2003	2002
Net sales	**48,733**	**45,877**	**174,768**	**177,080**
Cost of sales	(39,416)	(37,598)	(141,256)	(145,453)
Gross income	**9,317**	**8,279**	**33,512**	**31,627**
Research and development expenses	(1,713)	(1,656)	(6,829)	(5,869)
Selling expenses	(4,545)	(4,197)	(15,891)	(15,393)
Administrative expenses	(1,388)	(1,258)	(5,259)	(5,464)
Other operating income and expenses	(142)	(559)	(540)	(2,989)
Income from Financial Services*	251	129	926	490
Income from investments in associated companies	(2)	98	166	126
Income from other investments	(12)	(13)	449	309
Operating income	**1,766**	**823**	**6,534**	**2,837**
Interest income and similar credits	272	359	1 193	1,246
Interest expenses and similar charges	(464)	(428)	(1,984)	(1,870)
Other financial income and expenses	15	(17)	(56)	(200)
Income after financial items	**1,589**	**737**	**5,687**	**2,013**
Taxes	(442)	(102)	(1,334)	(590)
Minority interests in net (income) loss	(3)	3	(25)	(30)
Net income	**1,144**	**638**	**4,328**	**1,393**
Income per share, SEK	2.70	1.50	10.30	3.30

** Financial Services reported in accordance with the equity method.*

Key operating ratios, Volvo Group	Fourth quarter		Year	
%	2003	2002	2003	2002
Sales growth	6.2	(5.7)	(1.3)	(2.0)
Gross margin	19.1	18.0	19.2	17.9
Research and development expenses in % of net sales	3.5	3.6	3.9	3.3
Selling expenses in % of net sales	9.3	9.1	9.1	8.7
Administrative expenses in % of net sales	2.8	2.7	3.0	3.1
Operating margin	3.6	1.8	3.7	1.6

Condensed income statement - Financial Services	Fourth quarter		Year	
SEK M	2003	2002	2003	2002
Net sales	**2 293**	**2 610**	**9 153**	**9 925**
Income after financial items	**251**	**129**	**926**	**490**
Taxes	(82)	(32)	(170)	(134)
Net income	**169**	**97**	**756**	**356**

Key ratios - Financial Services	Dec 31	Dec 31
12 months figures unless otherwise stated	2003	2002
Return on shareholders' equity, %	9.8	4.8
Equity ratio at end of period, %	12.0	10.8
Asset growth, %	(3.6)	(5.7)

Consolidated balance sheets	Volvo Group excl Financial Services 1)		Financial Services		Volvo Group total	
SEK M	Dec 31 2003	Dec 31 2002	Dec 31 2003	Dec 31 2002	Dec 31 2003	Dec 31 2002
Assets						
Intangible assets	16 662	16 919	94	126	16 756	17 045
Property, plant and equipment	27 248	27 789	3 392	3 010	30 640	30 799
Assets under operating leases	8 976	11 155	13 234	13 284	21 201	23 525
Shares and participations	34 052	34 750	188	236	26 236	27 492
Long-term customer finance receivables	53	55	23 918	25 348	23 448	25 207
Long-term interest-bearing receivables	2 911	4 189	5	7	2 769	4 188
Other long-term receivables	7 879	8 489	59	47	7 718	8 297
Inventories	25 848	27 564	611	741	26 459	28 305
Short-term customer finance receivables	65	44	22 894	22 700	22 554	21 791
Short-term interest bearing receivables	6 502	4 306	0	0	3 863	1 302
Other short-term receivables	25 200	25 767	1 649	2 126	24 903	25 693
Marketable securities	19 385	16 570	144	137	19 529	16 707
Cash and bank	8 717	7 584	654	1 602	9 206	8 871
Total assets	**183 498**	**185 181**	**66 842**	**69 364**	**235 282**	**239 222**
Shareholders' equity and liabilities						
Shareholders' equity	76 450	78 278	8 004	7 494	76 450	78 278
Minority interests	216	247	0	0	216	247
Provisions for post-employment benefits	15 264	16 218	24	18	15 288	16 236
Other provisions	12 792	13 893	2 256	2 828	15 048	16 721
Loans	24 677	22 494	52 852	54 270	74 092	72 437
Other liabilities	54 099	54 051	3 706	4 754	54 188	55 303
Shareholders' equity and liabilities	**183 498**	**185 181**	**66 842**	**69 364**	**235 282**	**239 222**

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

Balance sheet

The Volvo Group's total assets at December 31, 2003 amounted to SEK 235.3 billion, corresponding to a decline of SEK 3.9 billion since year-end 2002. Total assets decreased by SEK 13.4 billion as a consequence of changes in currency exchange rates, which was partly offset by an increase of SEK 4.0 billion related to changes in the Group structure, mainly the acquisition of Bilia's truck and construction equipment operations. Total assets further increased by SEK 3.6 billion as a consequence of adoption of new accounting principles for derivative instruments, see further on page 24.

Shareholders' equity and minority interests amounted to SEK 76.7 billion, corresponding to 41.8 % of total assets, excluding Financial Services. Changes of shareholders' equity during 2003 are specified on page 10. The Group's net financial debt at year-end 2003, amounted to SEK 2.4 billion, which corresponded to 3.2 % of Shareholders' equity and minority interests. A specification of all changes of the net financial position is included on page 10.

Changes of Net financial position, SEK bn	Fourth quarter		Year	
Beginning of period		**(9.6)**		**(6.1)**
Cash flow from operating activities	9.2		12.9	
Investments in fixed assets, net	(1.3)		(5.3)	
Customer Finance receivables, net	0.0		0.0	
Investments in shares, net	0.0		(0.1)	
Acquired and divested operations	(0.1)		0.0	
Cash-flow after net investments, excluding Financial Services		**7.8**		**7.5**
Change in provision for post-employment benefits*		(0.5)		(1.5)
Debt in acquired operations		(0.4)		(2.0)
Dividend paid to AB Volvo shareholders		-		(3.4)
Currency effect		0.5		3.0
Other		(0.2)		0.1
Total change		**7.2**		**3.7**
Net financial position at end of period		**(2.4)**		**(2.4)**

* Includes adoption to new accounting standards, which increased the provisions for post-employment benefits by 2.3 billion and contribution to US pension plans, which reduced the provisions by 0.8 billion.

Key ratios 12 month figures unless otherwise stated	Dec 31 2003	Dec 31 2002
Income per share, SEK	10.30	3.30
Return on shareholders' equity,%	5.7	1.7
Net financial position at end of period, SEK billion	(2.4)	(6.1)
Net financial position at end of period as percentage of shareholders' equity and minority interests	(3.2)	(7.7)
Shareholders' equity and minority interests at end of period as percentage of total assets	32.6	32.8
Shareholders' equity and minority interests as percentage of total assets, excluding Financial Services	41.8	42.4

Changes of shareholders' equity SEK bn	Jan - Dec 2003	 2002
Beginning of period	**78.3**	**85.2**
Translation differences	(0.5)	(2.2)
Transition impact of new accounting standards for pensions and other post-employment benefits	(2.3)	-
Dividend to Volvo's shareholders	(3.4)	(3.4)
Minimum liability adjustment for post-employment benefits	-	(2.5)
Net income	4.3	1.4
Other changes	0.0	(0.2)
Balance at end of period	**76.4**	**78.3**

Number of Volvo shares, million	Dec 31 2003	Dec 31 2002
Number of shares outstanding	419.4	419.4
Average number of shares outstanding during the period	419.4	419.4
Company shares held by AB Volvo	22.1	22.1

Cash flow statement	Fourth quarter		Year	
SEK bn	2003	2002	2003	2002
Operating activities				
Operating income *	1.5	0.7	5.6	2.3
Add depreciation and amortization	1.8	1.7	7.2	7.8
Other non-cash items	0.1	0.0	0.1	1.0
Change in working capital	5.8	4.5	0.7	0.4
Financial items and income taxes paid	0.0	(0.5)	(0.7)	(1.1)
Cash flow from operating activities	**9.2**	**6.4**	**12.9**	**10.4**
Investing activities				
Investments in fixed assets	(1.4)	(1.7)	(5.8)	(6.3)
Investment in leasing vehicles	(0.1)	0.0	(0.1)	(0.1)
Disposals of fixed assets and leasing vehicles	0.2	0.3	0.6	1.1
Customer Finance receivables, net	0.0	0.0	0.0	0.0
Investments in shares, net	0.0	0.0	(0.1)	(0.1)
Acquired and divested operations	(0.1)	(0.1)	0.0	(0.1)
Cash-flow after net investments excl Financial Services	**7.8**	**4.9**	**7.5**	**4.9**
Cash-flow after net investments, Financial Services	**(2.0)**	**(1.7)**	**(3.2)**	**(4.3)**
Cash-flow after net investments, Volvo Group total	**5.8**	**3.2**	**4.3**	**0.6**
Financing activities				
Change in loans, net	(3.4)	(2.1)	1.9	(0.1)
Loans to external parties, net	0.2	(0.1)	0.9	1.7
Dividend paid to AB Volvo's shareholders	0.0	0.0	(3.4)	(3.4)
Other	0.0	0.1	0.1	0.1
Change in liquid funds excl translation differences	**2.6**	**1.1**	**3.8**	**(1.1)**
Translation difference on liquid funds	(0.2)	(0.3)	(0.6)	(0.7)
Change in liquid funds	**2.4**	**0.8**	**3.2**	**(1.8)**

** excluding Financial Services*

Condensed cash-flow statement, Financial Services	Fourth quarter		Year	
SEK bn	2003	2002	2003	2002
Cash-flow from operating activities	**0.5**	**1.4**	**4.1**	**4.9**
Net investments in credit portfolio etc	(2.5)	(3.1)	(7.3)	(9.2)
Cash-flow after net investments	**(2.0)**	**(1.7)**	**(3.2)**	**(4.3)**

The Volvo Group's cash flow

Cash flow after net investments, excluding Financial Services, during the fourth quarter of 2003 increased to SEK 7.8 billion. Operating cash flow in the quarter amounted to SEK 7.9 billion (5.0). The main reasons for the positive development were lower levels of inventories. The ongoing capital rationalization project within the Volvo Group is progressing well.

Cash flow after net investments within Financial Services was negative in an amount of SEK 2.0 billion in the quarter (negative: 1.7).

Net borrowing decreased during the fourth quarter by SEK 3.4 billion. During the same period, total liquid funds increased by SEK 2.4 billion and amounted to SEK 28.7 billion as of December 31, 2003.

Financial review by business area

Net sales	Fourth quarter		Year		Change
SEK M	**2003**	**2002**	**2003**	**2002**	**in %**
Trucks	33 238	31 133	116 969	118 752	(2)
Buses	3 101	3 852	11 978	14 035	(15)
Construction Equipment	6 499	5 287	23 154	21 012	10
Volvo Penta	1 851	1 723	7 596	7 669	(1)
Volvo Aero	2 094	2 053	8 030	8 837	(9)
Other	1 950	1 829	7 041	6 775	4
Net sales	**48 733**	**45 877**	**174 768**	**177 080**	**(1)**

Operating income	Fourth quarter		Year	
SEK M	**2003**	**2002**	**2003**	**2002**
Trucks	1 457	507	3 951	1 189
Buses	(96)	33	(361)	(94)
Construction Equipment	133	(47)	908	406
Volvo Penta	171	159	695	647
Volvo Aero	(47)	(41)	(44)	5
Financial Services	251	129	926	490
Other	(103)	83	459	194
Operating income	**1 766**	**823**	**6 534**	**2 837**

Operating margin	Fourth quarter		Year	
%	**2003**	**2002**	**2003**	**2002**
Trucks	4.4	1.6	3.4	1.0
Buses	(3.1)	0.9	(3.0)	(0.7)
Construction Equipment	2.0	(0.9)	3.9	1.9
Volvo Penta	9.2	9.2	9.1	8.4
Volvo Aero	(2.2)	(2.0)	(0.5)	0.1
Operating margin	**3.6**	**1.8**	**3.7**	**1.6**

Trucks

Net sales by market area SEK M	Fourth quarter 2003	Fourth quarter 2002	Year 2003	Year 2002	Change in %
Europe	19 871	19 318	70 101	67 830	+3
North America	7 258	7 170	28 151	33 721	(17)
South America	1 176	751	3 464	3 277	+6
Asia	3 387	1 837	9 206	5 919	+56
Other markets	1 546	2 057	6 047	8 005	(24)
Total	**33 238**	**31 133**	**116 969**	**118 752**	**(2)**

Total market
The total market for heavy trucks in Western Europe was unchanged during 2003, compared with the preceding year. The markets in Germany and in the UK strengthened by 6% and 10% respectively, while the markets in Italy and France weakened. Eastern Europe continues to show a positive trend.

In North America, the industry is generally optimistic about 2004, and we see signs of improvement. The total market for heavy trucks in North America (Class 8) was at the same level at 179,000 trucks in 2003 compared with the year-earlier period. However, the trend during the fourth quarter showed positive signs in the vocational segment, but the uncertainty remains in other segments. The industry order intake in December was very high reflecting large, replacement-driven, fleet orders.

The market for heavy trucks in Brazil rose by 28% compared with a year earlier.

Deliveries
Total deliveries from the Group’s truck operations amounted to 47,686 vehicles in the fourth quarter of 2003, an increase of 12% compared with the year-earlier period. In Europe, 26,981 trucks were delivered, compared with 28,203 trucks in 2002. Deliveries in North America were up 37% compared with the year-earlier period and totaled 10,196 trucks. Deliveries in Asia, including the Middle East continued to develop favorably.

During 2003, Volvo Trucks delivered a total of 75,312 trucks, an increase of 8% compared with a year earlier. Deliveries were up 15% in North America following the introduction of EPA02 in the US in 2002. Deliveries in Asia were up by 37%, while deliveries in Europe declined by 1%. The strong development in Asia is largely based on considerable increases in Iran.

Renault Trucks’ deliveries during 2003 amounted to 61,686 vehicles, 4% below the year-earlier period. Deliveries to Eastern Europe increased by 11% due to favorable development in Poland, Romania, Croatia and Slovenia. In Western Europe deliveries of Renault trucks decreased by 8%, mainly due to a weaker market in France. In markets outside Europe, deliveries increased by 16%, with high deliveries to Turkey and Iran. Deliveries of Renault Midlum was up 6% from last year due to a steady interest for this range in Europe and a strong increase of CKD deliveries, mainly to Iran.

Mack deliveries amounted to 18,991 trucks in 2003, down 18% compared with 2002. The year-to-year deliveries comparison improved from the end of the third quarter, when 2003 deliveries were 27% behind the same period a year earlier. Due to supply chain issues, the South line in the New River Valley plant took nine unscheduled non-production days during the fourth quarter, and announced an additional down week to be taken in January.

Order situation
Volvo Trucks’ total order intake was up by 78%, compared with the fourth quarter in 2002. Volvo’s order intake in Europe for the fourth quarter was up by 80% over the year-earlier period, the increase was related to both Eastern and Western Europe. In North America, order intake rose by 95% compared with the year-earlier period, largely an effect of the pre-buy effect during the first six months of 2002. Volvo’s order intake in Asia was up 62%, mainly due to a positive development in Iran.

As the year-end came closer, Renault Trucks’ order situation improved to reach a satisfactory level, even if lessening somewhat. At year-end 2003, compared with year-end 2002, Renault Midlum and Renault Magnum have collected a higher order volume, when on the other hand, the Light Commercial Vehicles, notably the Renault Mascott, showed signs of expectation for the next renewal.

Mack's order intake in the fourth quarter was up 45% from the third quarter, and more than double the level seen in the fourth quarter of 2002, also a result of the introduction of EPA02 in 2002. For the full year, Mack orders were at the same level as last year.

Market shares

The combined market share for heavy trucks in Western Europe for the truck operations of the Volvo Group was 26.6% compared with 27.0% in the year-earlier period. Volvo Trucks' share of the market increased to 15.2% (14.1) in the heavy class as a result of the successful new product range. Renault Trucks' share of the market declined to 11.4% in the heavy-duty segment, down 1.5 points compared with the year-earlier period.

In North America, the combined market share of heavy trucks (class 8) declined to 19.8% (20.7). Volvo Trucks' market shares through December amounted to 9.4% (7.8). This increase was due to a high demand for the new Volvo VN. In the fourth quarter, the key Mack segment of construction began to show signs of recovery, which helped raise the overall Mack share of the US heavy-duty truck market to 10.7% from 10.2% in the third quarter. Mack's US Class 8 market share for 2003 was down from 13.4 percent in 2002 – but Mack did retain its leadership in the key segments of construction and refuse amid sharply lower volumes in 2003.

In Brazil, Volvo's market share for 2003 declined to 24.6% (30.4). The decline was a result of strong demand for smaller trucks in the heavy segment. The new Volvo VM is a response to this demand. The production changeover to Volvo's new truck models had a temporary negative effect on deliveries.

Financial performance

Net sales for the fourth quarter amounted to SEK 33,238 M, compared with SEK 31,133 M in the year-earlier period. Adjusted for currency effects sales increased by 12% compared with 2002. Operating income for the fourth quarter of 2003 was SEK 1,457 M (507). The improvement across the three truck brands, Mack, Renault and Volvo, is largely related to increased margins due to price realization and cost rationalization. The strong customer values in the new Volvo range, increased market shares and increased efficiency has contributed to the improved earnings in 2003. These positive effects were partly offset by negative currency effects, higher costs for research and development and provisions of SEK 140 M relating to Mack engines manufactured prior to Volvo's acquisition of the company. Earnings improved in North America, where profitability developed favorably for both Volvo and Mack despite adverse market conditions. In Europe, Volvo Trucks' strong performance continued and both Renault Trucks and Volvo Trucks reported improved earnings.

New products and other events

The launch of the new product range in South America continued. The range comprises the Volvo VM, Volvo NH, Volvo FH and Volvo FM trucks. All products have been well received by customers as well as trade press. The first deliveries of the new Volvo FH 16 started in the fourth quarter.

The integration of the acquired Volvo distribution network in Europe from Bilia is proceeding very well. The new Volvo Truck distribution network is a cornerstone in a new European strategy aiming at building a new distribution network with much closer customer relations.

During fourth quarter, Renault Trucks started its own sales network in China, apart from the continuation of the contract for dCi 11 engine technology transfer with Dong Feng Motors. In November, a new, environmental friendly plant for refurbishing of engines and transmission was opened in the French town of Limoges. The announced period of product range renewal started in the fourth quarter with the launch of the new Renault Master at the RAI-Amsterdam show, with immediate reviving of the sales figures for this light commercial vehicle, in doing so, reaching the same level as last year. In the last quarter of 2003, the new contract of CKD deliveries of Renault Midlum to Saipa Diesel in Iran gathered momentum and thus significantly helped for the good sales results of international operations.

Buses

Net sales by market area SEK M	Fourth quarter 2003	2002	Year 2003	2002	Change in %
Europe	1 593	2 070	6 534	7 104	(8)
North America	692	923	2 984	3 838	(22)
South America	104	114	329	366	(10)
Asia	492	625	1 447	2 022	(28)
Other markets	220	120	684	705	(3)
Total	**3 101**	**3 852**	**11 978**	**14 035**	**(15)**

Total market
The global market trend continues to show major regional variations. The situation in Europe has stabilized, with continued strong market conditions in the Nordic region and the UK.

In Asia, positive trends are being noted in China, while Hong Kong and Singapore continue to show low demand.

The US and Canadian Coach markets are showing signs of a weak recovery from a record low level in 2003. In Mexico, the market situation is stable, while a recovery can be noted in South America, but with continued pressure on prices.

Order situation
Order bookings for the fourth quarter continued to show a slight increase compared with the preceding year, with 2,203 orders (1,837). Increases were noted mainly in Europe. Other regions showed only small changes.

At the end of the period, the order backlog was 3,383 orders, in line with the corresponding quarter of 2002.

Deliveries
During the fourth quarter, Volvo Buses delivered 2,343 buses (2,752). Higher volumes were noted for Mexico and China (city buses), while volumes in other regions declined.

Market shares
Volvo’s market share in Europe remained at about the same level as in 2002. In the Nordic region, the UK and Benelux, Volvo Buses is the market leader, while the market position in continental Europe remains weak. In the North American coach market, a downturn was noted, while the market shares in Mexico, where Volvo is market leader, showed a sharp increase. In China, Volvo Buses increased its share of the total market during 2003.

Financial performance
Net sales in the fourth quarter amounted to SEK 3,101 M (3,852), corresponding to a decline of 14%, adjusted for currency effects. The operating loss was SEK 96 M, compared with an operating income of SEK 33 M in 2002.

Earnings were negatively affected by lower volumes, continued price pressure and a lower rate for the USD. In December, the decision was taken to close the bus body plant in Aabenraa, Denmark. The cost for the closure amounts to SEK 42 M and was booked in the fourth quarter of 2003.

In focus
Volvo Buses is continuing to implement a comprehensive program to achieve profitability. The restructuring of the industrial and commercial operations in Europe is in progress and in 2003, it was decided to close down the plant in Aabenraa, Denmark. Restructuring work in Mexico and North America has generated the expected results. The product program is being reviewed to achieve a more uniform components standard. The focus remains on improving cash flow and capital utilization. The ambition to introduce Volvo Buses in Eastern Europe, with buses manufactured in Poland, resulted in a market breakthrough during the fourth quarter, particularly in Hungary.

Construction Equipment

Net sales by market area	Fourth quarter		Year		Change
SEK M	**2003**	**2002**	**2003**	**2002**	**in %**
Europe	3 568	2 920	12 348	10 837	+14
North America	1 251	1 062	5 428	5 667	(4)
South America	212	201	636	709	(10)
Asia	1 117	851	3 707	3 048	+22
Other markets	351	253	1 035	751	+38
Total	**6 499**	**5 287**	**23 154**	**21 012**	**+10**

Total market
The total world market for heavy and compact construction equipment, within Volvo CE´s product range, increased by 15% during the fourth quarter, compared with the corresponding period in the preceding year. In North America the market was up 31%, Western Europe was down 2%, while other markets were up 21%, strongly driven by China, up 44%, and Eastern Europe, up 57%.

For the full year the combined total world market increased by 11%.

The increase in the total world market is mainly driven by heavy construction equipment that rose 19% during the fourth quarter compared with a year earlier. The North American and the International market for heavy equipment were both up 28%, while Europe was down 3%. The total market for heavy construction equipment was up 18% during 2003.

The world market for compact equipment increased 11% during the quarter. The North American market was up 33%, Europe was down 1% while other markets were up 14%. Year on year the compact equipment was up 5%.

Market share
Volvo CE continues to gain market shares. In most geographical and product areas the market shares were higher compared with the year earlier period, mainly due to recently launched products equipped with new fuel-efficient and environmentally friendly Volvo engines. Volvo CE has over the last two years launched around 40 new products to the market.

Order situation
The order situation remains strong. The value of the order backlog at December 31 was approximately 14% higher than at the same date 2002. Compared with end of third quarter 2003, the value of the order book was 29% lower mainly due to an unfavorable product mix and a negative currency effect.
Total sales in 2003 were all time high 24,354 units (19,827).

Financial performance
Volvo CE´s net sales increased by 23% and amounted to SEK 6,499 M (5,287) during the fourth quarter. Operating income was SEK 133 M (loss: 47) and operating margin was 2.0%. The improvements in sales and operating income were mainly due to higher volumes and price realization on new products, strongly offset by negative currency effects.

Product introductions and other events
At the end of 2003 Volvo CE appointed another six dealers in China, which means that Volvo CE now has 19 dealers covering most of China. The number of sold excavators in China tripled to more than 800 units during 2003. Volvo CE Rents opened another four stores during the quarter and has now 45 stores, most of them in the Unites States.

Volvo Penta

Net sales by market area	Fourth quarter		Year		Change
SEK M	**2003**	**2002**	**2003**	**2002**	**in %**
Europe	977	867	4 189	3 945	+6
North America	498	453	2 109	2 261	(7)
South America	47	45	146	127	+15
Asia	268	293	947	1 141	(17)
Other markets	61	65	205	195	+5
Total	**1 851**	**1 723**	**7 596**	**7 669**	**(1)**

Total market
Overall demand for marine and industrial engines remained relatively stable during the year, but rose slightly during the final quarter. This trend was particularly apparent in North America, where demand for both gasoline and diesel engines gradually strengthened during the second half of 2003. The strong demand for marine engines in Europe continued. In Asia, the demand for industrial engines is currently favorable, especially in China, where the very positive trend of recent years continued.

Order situation
Compared with the all-time high noted during the corresponding period of 2002, Volvo Penta's order backlog was higher during the fourth quarter of 2003. The improvement in the order situation applied to both marine engines (diesel and gasoline) and industrial engines. To meet the increased demand, Volvo Penta has gradually raised production capacity in all of its plants, namely the diesel engine plant in Vara, the diesel engine assembly plant in Wuxi, China, and the gasoline-engine plant in Lexington, Tennessee, US.

Market share
In recent years, Volvo Penta has steadily increased its market shares among boat builders especially in North America and this trend continued during 2003. During autumn 2003, in the company's largest product introduction program ever, Volvo Penta launched a completely new range of medium-weight diesel engines for leisure and workboat applications. The new products were given a very positive reception by the market. On the industrial engine front, a number of new customers were secured in Africa and the Middle East, among other regions.

Financial performance
Volvo Penta's net sales during the fourth quarter amounted to SEK 1,851 M, up 7% compared with the corresponding quarter of 2002. Excluding currency effects, sales during the period rose 18%. Sales distributed among Volvo Penta's business segments were as follows. Marine Leisure SEK 1,140 M (1,018), Marine Commercial SEK 225 M (233), and Industrial SEK 486 M (472).

The very strong earnings trend continued during 2003. Operating income for the fourth quarter amounted to SEK 171 M (159). Earnings for the full year rose to SEK 695 M (647), which was the highest ever posted in Volvo Penta's history. Earnings were negatively affected by unfavorable currency effects, particularly the weakened USD. The operating margin for 2003 was 9.1% (8.4).

New products
Deliveries of Volvo Penta's new D3-130 and D3-160 diesel engine commenced during the fourth quarter of 2003, at the same time as the rate of delivery for the D4-210 and D6-310 engines rose gradually. The international boat trade press gave the new Volvo Penta engines extensive coverage and reactions to date have been overwhelmingly positive.

Volvo Aero

Net sales by market area SEK M	Fourth quarter 2003	 2002	Year 2003	 2002	Change in %
Europe	1 059	720	4 000	3 450	+16
North America	862	1 126	3 301	4 573	(28)
South America	34	48	152	177	(14)
Asia	96	101	428	497	(14)
Other markets	43	58	149	140	+6
Total	**2 094**	**2 053**	**8 030**	**8 837**	**(9)**

Total market
In recent months, air traffic has a positive trend in all regions of the world. Accumulated, however, 2003 has declined compared with 2002, and it will be the third consecutive year of declining air traffic. During 2004 air traffic is expected to grow.

Substantial challenges remain for the airline industry. There are positive signs from the low-cost segment, which has shown tremendous growth in the US and Europe. It is also starting to become established in Asia. This segment continues to put pressure on the established airlines.

Aircraft deliveries decreased in 2003 for the second year in a row and the production of large commercial aircraft will most likely decrease further in 2004. The aircraft manufacturers gross orders were down 5% from 2002 year’s order intake. Since there is a time lag between airline profits and orders and deliveries of new aircraft, a recovery in deliveries is not expected before the end of 2005 or the beginning of 2006. A recovery in the aftermarket is expected during 2004.

Order situation
As a result of the crisis in the aviation industry, orders for components to new aircraft engines and spare parts continued to decline further during 2003. Volvo Aero’s order book declined by 24%, and the order intake was down 17%, compared with 2002.

Financial performance
The decline within the international aviation industry continued and Volvo Aero’s sales during the fourth quarter amounted to SEK 2,094 M (2,053). The operating loss was SEK 47 M, compared with a loss of SEK 41 M a year earlier. Operating margin was a negative 2.2% (neg. 2.0). Earnings were negatively affected by lower volumes, mainly within engine overhaul in combination with strong price pressure and the falling USD exchange rate. Earnings were also negatively affected by provisions for expected losses on contracts amounting to SEK 170 M.

For the full year, net sales amounted SEK 8,030 M (8,837), operating loss amounted to SEK 44 M (profit: 5) and operating margin was a negative 0.5% (positive: 0.1). Despite the severe crisis in the aviation industry, Volvo Aero’s manufacture of components for commercial aircraft engines and the military operations reported positive results for the full year.

New orders
Volvo Aero and General Electric have signed an agreement whereby Volvo Aero becomes a partner in the new LMS100 gas turbine. Volvo Aero will deliver a number of key components to the new environmentally friendly gas turbine, which is expected to gain a highly important role in the power generation industry. The value of the contract is estimated at SEK 7 billion over a 20-year period.

The government of the Czech Republic has confirmed the recommendation of its evaluation committee to select the Gripen aircraft as an interim air defense solution. The Czech Republic will lease 14 new Gripen aircraft from the Swedish Defense Material Administration for a period of up to ten years.

Volvo Aero has been selected as a major contributor to the General Electric F414M/MT engine for the EADS Mako Trainer. A Memorandum of Understanding has been signed between General Electric and Volvo Aero covering cooperation on development activities, hardware production, final assembly and testing, up to 30% of the total engine value.

Financial Services

New financing

The total volume of new retail financing in 2003 amounted to SEK 26.8 billion, which was SEK 0.5 billion higher than 2002. The fourth quarter volume accounted for SEK 8.0 billion, which was SEK 0.8 billion higher than in the year-earlier quarter. For the isolated quarter, Volvo Trucks accounted for 55% (54) of the volume, Volvo Construction Equipment for 16% (16), Renault Trucks for 15% (16), Buses for 4% (7) and Mack Trucks for 8% (6). The remaining 2% is mainly related to Volvo Aero.

In the markets where financial services are offered, the average penetration during the year was 33% for Volvo Trucks, 33% for Construction Equipment, 17% for Volvo Buses, 15% for Renault Trucks and 12% for Mack Trucks. Expressed as an average, Volvo Financial Services (VFS) financed 24% of the Group's products sold in the markets where financing is offered, an increase of 5% from 2002.

Total assets

Total assets as of December 31, 2003 amounted to SEK 67 billion (69), of which SEK 60 billion (61) was in the net credit portfolio. Adjusted for the effects of foreign exchange movements, the gross credit portfolio grew by 7% during the year, compared with a growth of 8% during 2002. The credit portfolio consists of 54% Volvo Trucks, 16% Construction Equipment, 10% Buses, 12% Renault Trucks and 6% Mack Trucks. The remaining 2% is mainly related to Volvo Aero and Volvo Penta. From a currency perspective, 39% of the portfolio was denominated in EUR, 33% in USD, 12% in GBP, and 5% CAD. The remaining 11% is a mix of other European and Latin American currencies.

Financial performance

Year-end operating income amounted to SEK 926 M (490) and operating income for the fourth quarter amounted to SEK 251 M (129). Return on equity for the full year was 9.8% (4.8) with an end-of-period equity ratio of 12.0% (10.8).

Write-offs continued the trend downward in the fourth quarter amounting to SEK 99 M (277). For the year, write-offs totaled SEK 848 M resulting in an annualized write-off ratio for the year of 1.37% (1.39). Total credit reserves amounted to SEK 1.3 billion at the end of December, and the credit reserve ratio ended the year at 2.14%.

During 2003, VFS has continued to build on its foundation of controlled growth and improved profitability. Emphasis on prudent underwriting and competitive pricing has led to a more stable portfolio. Delinquencies are trending downward and inventories are at their lowest level in nearly 3 years. Furthermore, the 2003 expenses and operational efficiency statistics demonstrate VFS was successful in streamlining daily operations.

Number of employees

As of December 31, 2003, the Volvo Group had 75,743 employees, compared with 71,156 at the end of 2002. The increase relates to the consolidation of the acquired operations from Bilia, Brazilian truck dealers, and to the proportionate consolidation of the Chinese joint ventures, Sunwin Bus and Xian Silverbus.

Parent Company, AB Volvo

Income from investments in Group companies includes dividends in the amount of SEK 4,368 M (770), net Group contributions delivered totaling SEK 406 M (3,835) and write-down of shares of SEK 1,579 M (531). Income from other investments includes a dividend of SEK 501 M (319) from Scania AB.

Parent Company, AB Volvo income statements

SEK M	**2003**	**2002**
Net sales	**458**	**441**
Gross income	**0**	**0**
Operating expenses	(446)	(544)
Income (loss) from investments in Group companies	1,812	(3,599)
Income from investments in associated companies	283	54
Income from other investments	508	326
Operating income (loss)	**2,157**	**(3,763)**
Interest income and expenses	(57)	242
Other financial income and expenses	(117)	(34)
Income (loss) after financial items	**1,983**	**(3,555)**
Allocations	-	-
Taxes	158	1,070
Net income (loss)	**2,141**	**(2,485)**

Proposed cash dividend and possible dividend of Ainax shares

The Board of Directors proposes that the Annual General Meeting approve a cash dividend of SEK 8.00 per share. If an agreement isn't reached with a buyer regarding the divestment of AB Volvo's holding in Scania AB, the Board of Directors further intends to propose to the Annual General Meeting to approve a dividend of shares in the newly formed company "Ainax". See also page 3.

Repurchase of shares

The Board of Directors further intends to propose to the Annual General Meeting that the Board be authorized to make decisions regarding the acquisition and transfer of Volvo's own shares principally in line with the approved proposal from last year. The decision on the detailed terms will be made and announced in connection with the notice for the Annual General Meeting.

New stock-based incentive program

The Board of Directors intends to propose to the Annual General Meeting to approve a new stock-based incentive program for senior executives within the Volvo Group that will replace the present stock option program. Under the program, a total of maximum 110,000 Volvo shares can be allotted to approximately 165 senior executives. The number of shares to be allotted is proposed to depend upon the fulfillment of certain financial goals during the financial year 2004. Assuming said goals are fulfilled in full and that the Volvo share price is SEK 243 at the time of allotment, Volvos cost for the program including social fees will be around SEK 35 M. The decision on the detailed terms will be made and announced in connection with the notice for the Annual General Meeting.

The Annual General Meeting of AB Volvo will be held on March 22, 2004.

Göteborg, February 3, 2004.

AB Volvo (publ)

The Board of Directors

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

Volvo's annual report 2003 is to be published on February 27, 2004 and will be available at www.volvo.com. Volvo's report on the first three months 2004 is to be published on April 23, 2004 and will be available at www.volvo.com. The reports can also be ordered from Celero Support AB, DDC, Dep 64620 ARUN, SE-405 08 Göteborg, Sweden. Telephone: +46 31-66 10 47. Fax: +46 31-66 20 20. E-mail: cs1.volvoinf@memo.volvo.se.

Quarterly figures

Volvo Group SEK M unless otherwise specified	4/2002	1/2003	2/2003	3/2003	4/2003
Net sales	**45 877**	**40 931**	**44 593**	**40 511**	**48 733**
Cost of sales	(37 598)	(33 314)	(35 998)	(32 528)	(39 416)
Gross income	**8 279**	**7 617**	**8 595**	**7 983**	**9 317**
Research and development expenses	(1 656)	(1 769)	(1 664)	(1 683)	(1 713)
Selling expenses	(4 197)	(3 597)	(3 789)	(3 960)	(4 545)
Administrative expenses	(1 258)	(1 304)	(1 282)	(1 285)	(1 388)
Other operating income and expenses	(559)	(258)	(325)	185	(142)
Income from Financial Services*	129	212	221	242	251
Income from investments in associated companies	98	2	3	163	(2)
Income from other investments	(13)	6	483	(28)	(12)
Operating income	**823**	**909**	**2 242**	**1 617**	**1 766**
Interest income and similar credits	359	284	382	255	272
Interest expenses and similar charges	(428)	(451)	(552)	(517)	(464)
Other financial income and expenses	(17)	15	(29)	(57)	15
Income after financial items	**737**	**757**	**2 043**	**1 298**	**1 589**
Taxes	(102)	(244)	(321)	(327)	(442)
Minority interests	3	(7)	0	(15)	(3)
Net income	**638**	**506**	**1 722**	**956**	**1 144**

Depreciation and amortization included above					
Volvo Group excl Financial Services	1 669	1 718	1 777	1 909	1 819
Financial Services	877	738	728	755	725
Total	**2 546**	**2 456**	**2 505**	**2 664**	**2 544**

Income per share, SEK	**1.50**	**1.20**	**4.10**	**2.30**	**2.70**
Average number of shares, million	419.4	419.4	419.4	419.4	419.4

** Financial Services reported in accordance with the equity method.*

Income per share is calculated as net income divided by the weighted average number of shares outstanding during the period.
Q4 R&D Capitalization, net of amortization (SEK M): Total 197, Trucks 108, Buses 12, Volvo CE –8, Volvo Penta 72, Volvo Aero –15, Financial Services –1 and other 29.

Key operating ratios %	4/2002	1/2003	2/2003	3/2003	4/2003
Gross margin	18.0	18.6	19.3	19.7	19.1
Research and development expenses in % of net sales	3.6	4.3	3.7	4.2	3.5
Selling expenses in % of net sales	9.1	8.8	8.5	9.8	9.3
Administrative expenses in % of net sales	2.7	3.2	2.9	3.2	2.8
Operating margin	1.8	2.2	5.0	4.0	3.6

Net sales **SEK M**	**4/2002**	**1/2003**	**2/2003**	**3/2003**	**4/2003**
Trucks	31 133	27 393	29 413	26 925	33 238
Buses	3 852	2 966	3 087	2 824	3 101
Construction Equipment	5 287	4 782	6 252	5 621	6 499
Volvo Penta	1 723	1 908	2 031	1 806	1 851
Volvo Aero	2 053	2 244	1 863	1 829	2 094
Other	1 829	1 638	1 947	1 506	1 950
Net sales	**45 877**	**40 931**	**44 593**	**40 511**	**48 733**

Operating income **SEK M**	**4/2002**	**1/2003**	**2/2003**	**3/2003**	**4/2003**
Trucks	507	527	1 023	944	1 457
Buses	33	(83)	(89)	(93)	(96)
Construction Equipment	(47)	140	425	210	133
Volvo Penta	159	159	212	153	171
Volvo Aero	(41)	(6)	11	(2)	(47)
Financial Services	129	212	221	242	251
Other	83	(40)	439	163	(103)
Operating income	**823**	**909**	**2 242**	**1 617**	**1 766**

Operating margins **%**	**4/2002**	**1/2003**	**2/2003**	**3/2003**	**4/2003**
Trucks	1.6	1.9	3.5	3.5	4.4
Buses	0.9	(2.8)	(2.9)	(3.3)	(3.1)
Construction Equipment	(0.9)	2.9	6.8	3.7	2.0
Volvo Penta	9.2	8.3	10.4	8.5	9.2
Volvo Aero	(2.0)	(0.3)	0.6	(0.1)	(2.2)
Operating margin	**1.8**	**2.2**	**5.0**	**4.0**	**3.6**

Accounting principles

With exception of accounting changes described below, Volvo has applied the accounting principles described in Note 1 of the Volvo Group's 2002 annual report in the preparation of this report.

Change of accounting principles in 2003

Effective in 2003, Volvo has adopted RR29 Employee benefits in its financial reporting. RR29 Employee benefits, which was issued by the Swedish Financial Accounting Standards Council in December 2002, conforms in all significant respects with IAS19 Employee benefits issued earlier by the International Accounting Standards Committee (IASC). By adoption of RR29, defined benefit plans for pensions and health-care benefits in all the Group's subsidiaries are accounted for with consistent principles. In Volvo's financial reporting up to 2002, such plans have been accounted for by applying the local rules and directives in each country. In accordance with the transition rules of the new standard, a transitional liability has been established as per January 1, 2003, determined in accordance with RR29. This transitional liability has been determined to exceed the liability recognized as per December 31, 2002, in accordance with earlier principles by SEK 2.3 billion. The excess liability has consequently been recognized as per January 1, 2003, as an increase of provisions for post employment benefits and a corresponding decrease of shareholders' equity. In accordance with the transition rules of the new standard, Volvo has not restated figures for earlier years in accordance with the new accounting standard. Because the Group's subsidiaries up to 2002 have been applying local rules in each country, the impact of adopting RR29 differs for different countries of operations. Compared with earlier accounting principles in Sweden, the adoption of RR29 has mainly had the effect that plan assets invested in Volvo's Swedish pension foundation as from 2003 are accounted for at a long-term expected return rather than being revalued on each closing date to fair value. For Volvo's subsidiaries in the United States, differences relate to accounting for past service costs and the fact that RR29 does not include rules about minimum liability adjustments.

Effective in 2003, Volvo has adopted RR27 Financial instrument: Disclosure and presentation, which conforms to a large extent with IAS32 issued by the International Accounting Standards Board (IASB). The adoption of RR27 has affected the balance sheet presentation of certain derivative instruments that are used to manage financial risks related to financial assets and liabilities. According to RR27, derivative instruments with unrealized gains should be presented as assets and derivative instruments with unrealized losses should be presented as liabilities. According to Volvo's earlier accounting principles, derivative instruments used for management of financial assets were reported as assets and derivative instruments used for management of financial liabilities were reported as liabilities. As a consequence of adoption of the presentation principles in RR27, the Volvo Group's assets increased by SEK 3.6 billion (included in "Short-term interest bearing receivables") and the Group's liabilities increased with the corresponding amounts (included in "Loans").

Options to senior executives in the Volvo Group

Allotment in the personnel stock options program for 2002

Allotment has been made with regard to the personnel stock options program for 2002 after fulfillment of financial targets set, and through which senior executives in the Volvo Group are allotted options on B shares in AB Volvo.

A total of about 1,125,000 options were allotted to 148 senior executives within the Volvo Group, of which CEO and President Leif Johansson received 50,000 options. The size of the allotment was determined by how well certain financial goals for 2002 were achieved. The options have an exercise price of SEK 163, corresponding to an average price for the Volvo B shares during the period April 28-30, 2003 and a theoretical value in accordance with the Black & Scholes options model amounting to SEK 32.

The lifetime of the options is five years and each option provides the executive the right from May 2, 2006 to May 1, 2008 to acquire a B share in Volvo for SEK 163, alternatively receive shares at the value corresponding to the difference between the actual market price and the established exercise price.

The senior executives do not make any payment for the options. The options are not transferable and are invalidated if the senior executive resigns from the company on his own accord during the lifetime of the options. The options program involves solely existing shares and accordingly does not result in any dilution for current shareholders. Volvo has not hedged its commitments for price increases and social fees.

Renewal of the personnel stock options program for 2003

The Board of AB Volvo decided to renew the personnel stock options program established in 2000, and renewed in 2001 and 2002, and through which senior executives in the Volvo Group are allotted options on B shares in AB Volvo. The renewed program involves approximately 150 senior executives. The allotment can be a maximum of 1,135,000 options, of which the CEO and President Leif Johansson may receive a maximum of 50,000 options. The size of the allotment is determined by how well certain financial goals for 2003 are achieved. It is expected that the options will be allotted in April or May 2004 if the financial targets are met.

Units invoiced Trucks	Fourth quarter 2003	Fourth quarter 2002	Full year 2003	Full year 2002	Change in %
Europe	26,981	28,203	92,083	96,289	(4)
Western Europe	24,116	25,351	82,672	87,486	(6)
Eastern Europe	2,865	2,852	9,411	8,803	7
North America	10,196	7,438	34,756	36,515	(5)
South America	2,030	1,406	5,976	5,358	12
Asia	6,832	2,960	16,286	9,144	78
Other markets	1,647	2,508	6,888	9,827	(30)
Total, Trucks	**47,686**	**42,515**	**155,989**	**157,133**	**(1)**

12 months moving order intake for Trucks through December: total +6%, Europe –2%, North America +13%.

Mack Trucks	Fourth quarter 2003	Fourth quarter 2002	Full year 2003	Full year 2002	Change in %
North America	4,803	4,072	17,244	21,615	(20)
South America	131	152	408	619	(34)
Asia	47	9	118	19	521
Other markets	321	277	1,221	992	23
Total	**5,302**	**4,510**	**18,991**	**23,245**	**(18)**

Renault Trucks	Fourth quarter 2003	Fourth quarter 2002	Full year 2003	Full year 2002	Change in %
Europe	15,997	16,066	53,961	57,717	(7)
Western Europe	14,634	14,725	49,634	53,817	(8)
Eastern Europe	1,363	1,341	4,327	3,900	11
North America	124		352		n/a
South America	150		261		n/a
Asia	2,578	144	4,246	416	921
Other markets	760	1,688	2,866	6,272	(54)
Total	**19,609**	**17,898**	**61,686**	**64,405**	**(4)**

Volvo Trucks	Fourth quarter 2003	Fourth quarter 2002	Full year 2003	Full year 2002	Change in %
Europe	10,984	12,136	38,121	38,570	(1)
Western Europe	9,482	10,625	33,037	33,667	(2)
Eastern Europe	1,502	1,511	5,084	4,903	4
North America	5,269	3,366	17,160	14,900	15
South America	1,749	1,254	5,307	4,739	12
Asia	4,207	2,807	11,922	8,709	37
Other markets	566	544	2,802	2,565	9
Total	**22,775**	**20,107**	**75,312**	**69,483**	**8**

Units invoiced, buses/bus chassis	Fourth quarter 2003	Fourth quarter 2002	Full year 2003	Full year 2002	Change in %
Europe	831	1,103	3,087	3,413	(10)
Western Europe	694	956	2,782	3,076	(10)
Eastern Europe	137	147	305	337	(9)
North America	408	505	1,553	1,945	(20)
South America	129	147	369	495	(25)
Asia	777	889	2,227	2,639	(16)
Other markets	198	108	581	567	2
Total, buses/bus chassis	**2,343**	**2,752**	**7,817**	**9,059**	**(14)**