AB Volvo

PRESS INFORMATION

This press release may not be distributed or released publicly in the U.S., Canada, Australia and Japan. The public offer for Scania shares will not be made in these countries. Nor is the offer being made to any such persons whose participation would require additional prospectus, registration or actions other than that required by Swedish law.

VOLVO ACQUIRES INVESTOR'S SHARES IN SCANIA AND MAKES OFFER FOR ALL REMAINING SHARES

Volvo today reached an agreement to acquire all of Investor's shares in Scania. Concurrently, the Volvo Board of Directors decided to make a public offer for all remaining shares in Scania. Scania shareholders are being offered either SEK 315 in cash for each Scania share or six Volvo shares for each five Scania shares held. The agreement will create a world-leading group with a strengthened offering to customers and with a strong base for focusing on growth and profitability.

The agreement between AB Volvo ("Volvo") and Investor AB ("Investor") involves Investor receiving payment either solely in cash or in a combination of cash and newly issued Volvo shares for Investor's holdings in Scania AB ("Scania").

Investor currently owns 54,061,380 Series A shares and 1,508,693 Series B shares in Scania. Investor will receive a cash payment of SEK 315 per share for 60% of its holdings. For the remaining 40%, Investor will receive, at its discretion, either SEK 315 in cash per share or newly issued shares in Volvo in the proportion of six Volvo shares for each multiple of five Scania shares. If Investor chooses to receive solely a cash payment, Investor has stated its intention to acquire Volvo shares on the market for an amount corresponding to 40% of the payment received.

Currently, Volvo owns 20,015,306 Series A shares and 23,030,970 Series B shares in Scania. After the acquisition of Investor’s shares in Scania, Volvo will hold a total of 74,076,686 A shares and 24,539,663 B shares corresponding to 49.3% of the capital and 69.6% of the voting rights in Scania.

Volvo’s acquisition of Investor’s shares in Scania is conditional upon receiving required approvals from the authorities.

Taking into account previous acquisitions of Scania shares carried out by Volvo, the average price paid by Volvo for its shares, assuming that the shares outstanding are acquired for SEK 315 per share, will be SEK 304 per share. This corresponds to a total value for Volvo’s acquisition of 100% of the shares in Scania amounting to about SEK 60.7 billion.

Public offer

The Volvo Board of Directors has also decided to make a public offer to other Scania shareholders. Under the terms of the offer, shareholders in Scania can choose to receive either:

• Six newly issued Series A or Series B Volvo shares for each five Series A Scania shares held;

• Six newly issued Series B Volvo shares for each five Series B Scania shares held,

or

• SEK 315 in cash for each Series A or Series B Scania share held.

The newly issued Volvo shares carry rights to dividends from and including fiscal year 1999.

No commission will be charged.

The public offer for Scania shares will not be made, directly or indirectly, in or into the United States, and it will not be permitted to be accepted in or from the United States. Accordingly, no public offer will be made for Scania’s American Depositary Receipts.

Background and motives

The global truck industry is characterized by increasingly intensive competition which has resulted in an extensive consolidation process in the industry. The key driving forces in this process are such factors as a changed customer structure, with larger and fewer customers, broadened demands placed on products and services to also include financing and after-sales service and, particularly, a transition from regional to global markets by customers as well as competitors.

This trend is placing increasingly higher demands on truck manufacturers for a larger critical mass in order to be able to implement necessary investments and to achieve sufficiently high production volumes. The recent mergers of large players in the industry accentuate this trend.

Competitiveness and profitability in traditional markets is also a requirement to be able to invest in expansion in new markets with higher long-term growth potential than in Western Europe and North America. Only the largest and financially strongest players will be able to afford to invest in the future to the extent required.

Volvo and Scania are currently two of the world's leading truck manufacturers, in terms of brand recognition, product quality, service and profitability. The acquisition creates one of the world's leading groups in the commercial vehicles field. In the heavy truck and bus sector, the company will become the largest in Europe and second largest worldwide. With this position, the company's competitiveness is strengthened in the European market and a very
strong base is created for expansion outside Europe. In addition to a strengthening of market positions, substantial efficiency gains are achieved through avoiding overlapping investments in the future.

A combination of Volvo and Scania creates the best possible conditions for the companies to secure a future with profitability and growth for the Swedish truck and bus industry.

"I am very pleased that an agreement with Investor has now been reached on mutually beneficial terms. The acquisition will create Europe's largest and the world's second largest manufacturer of heavy trucks, "says Leif Johansson, CEO of Volvo. "A competitive company with two of the industry's strongest brands is being created, with major development resources and volumes, particularly in the critical diesel engine segment. This provides us favorable possibilities to improve our product offering to our customers and significantly increase our global competitiveness. I view Scania's employees and management as an invaluable asset in this effort and we are looking forward to favorable cooperation."

Scania will comprise a separate unit in Volvo on equal standing with Volvo Trucks. The brands and distribution networks will remain separate. The President of Scania, Leif Östling, will be a member of the Volvo Group Executive Committee and report to Leif Johansson, CEO of Volvo.

"As CEO of Volvo and Board Chairman of both companies, I will place heavy emphasis on ensuring that each brand and company is developed in a spirit of cooperation and trust with the respective dealers and customers," says Leif Johansson.

The work to find profitable forms of cooperation between Volvo and Scania will be managed by a group comprising Leif Johansson, Leif Östling and Karl-Erling Trogen, President of Volvo Trucks.

Marcus Wallenberg, President and CEO of Investor, commenting on the agreement, says:

"Our faith in the agreement is demonstrated through our use of 40% of the payment we receive to acquire shares in Volvo. All along, our aim has been to find a long-term suitable solution for Scania and thus, for its shareholders, well ahead of the development of the next product generation.

During the spring we looked thoroughly into the different alternatives, everything from the company continuing to develop on its own to various forms of collaboration and mergers. Through huge efforts on the part of Scania's employees, during the first half of 1999 the company was able to start reaping the economic benefits of the new model program, which was important prior to merger discussions.

Investor will become one of the leading shareholders in the new Volvo, which fulfills the investment criteria that we set up for our core holdings. The company gains a market-leading position, with good prospects for growth and high returns."

Leif Östling, President of Scania commented:

"It is good that our two largest owners have now reached an agreement and that we are free of continued speculation regarding Scania's future. Scania is now experiencing a period of expanding sales and favorable profit trend. It is important to retain this focus within the organization to be able to further strengthen this positive development. Concurrently, all of us within Scania must join forces with Volvo and capitalize on the combined strength factors we have."

SYNERGY EFFECTS

A combination of Volvo and Scania will generate considerable synergy effects and strengthened competitiveness. Medium term (after three years), the combined effects are estimated to reach about SEK 4-5 billion annually, of which externally purchased components and systems account for a substantial amount. Other synergy areas include research and development, components such as engines and transmissions, as well as distribution and inventories of spare parts. In connection with the launch of the next generation of trucks and buses, the merger will result in an additional favorable impact, which substantially exceeds the medium-term effects. Restructuring costs arising from the acquisition will be included in the acquisition balance and consequently in the goodwill value.

The positive effects of the companies' further strengthened product offering to customers as a result of the combination are estimated to generate stronger market positions in some of the markets in which both companies traditionally hold weak positions. This should offset any potential short-term losses of market shares in certain other markets in which both companies hold strong positions.

Financial effects

The combined Volvo-Scania, excluding Volvo Cars, posted pro forma sales in 1998 totaling SEK 160,166 million. The total number of vehicles delivered amounted to 128,833 heavy and medium-heavy trucks and 14,317 heavy buses. Pro forma operating profit in 1998, excluding goodwill amortization, restructuring costs and synergy gains, totaled SEK 8,481 million. Pro forma 1998 operating cash flow, including investments and excluding sales financing, amounts to SEK 3.7 billion. The pro forma 1998 equity/assets ratio would have been 53% or 40% depending on whether the share or cash alternative is accepted by the shareholders to the full extent.

Based on the assumption that all shareholders choose only the share alternative in the public offer, the number of shares in Volvo will amount to about 590 million, compared with approximately 441.5 million shares prior to the acquisition of Scania.

Value of the offer

The cash offer of SEK 315 per share represents a premium of 29% based on the last paid price for the Scania share on August 5, 1999.

The offer of six Volvo shares for each five Scania shares represents a premium of 20% based on the last paid price for the B shares of each company on August 5, 1999.

Conditions for the offer

The public offer is conditional upon the required approval from regulatory authorities, on terms acceptable to Volvo.

Additionally, the alternative with payment in the form of Volvo shares is conditional upon an Extraordinary General Meeting (EGM) of Shareholders in Volvo making the required decision to issue new shares.

Overall time schedule

An EGM of Shareholders in Volvo will be held during the second half of September 1999 to consider the new issue. The prospectus pertaining to the public offer is expected be distributed at the end of September 1999. The acceptance period for the offer is expected to be effective during the entire month of October. Payment in cash and/or Volvo shares is intended to occur within two weeks after expiration of the acceptance period.

The public offer for Scania shares will not be made, directly or indirectly, in or into the United States, and it will not be permitted to be accepted in or from the United States. Accordingly, no public offer will be made for Scania's American Depositary Receipts.

Board of Directors

The Nominating Committee in Volvo has notified the Board of Directors that it intends to propose that one person selected by Investor shall be elected to Volvo's Board.

JP Morgan and Enskilda Securities are advisors to Volvo in connection with the transaction.

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This announcement is not an extension of the contemplated public offer, directly or indirectly, in or into the United States, Canada, Australia or Japan. The contemplated offer for Scania shares will not be permitted to be accepted in or from the United States, Canada, Australia or Japan. Any Volvo shares to be exchanged for Scania shares in the contemplated offer have not been, and will not be registered under the United States Securities Act of 1933 (as amended), nor under the laws of any state of the United States (and the relevant clearances have not been, and will not be obtained from the relevant authorities in Canada, Australia or Japan) and may not be offered, sold, resold or delivered, directly or indirectly, in or into the United States, Canada, Australia or Japan except pursuant to exemptions from the applicable requirements of such jurisdictions. Accordingly, copies of the documents relating to the contemplated offer will not and should not be mailed or otherwise forwarded or distributed or sent in or into the United States, Canada, Australia or Japan.