

VOLVO

First Quarter 2002

Phone Conference

April 22, 2002

Highlights

First Quarter

- Business conditions:
 - Recession in North America continues
 - Downward trend in Europe
- New products introduced
 - Volvo FH/FM
 - Wheel loaders E series
 - Excavators B series
- Changeover in production
- Strong order intake in Q1

In Focus Going Forward

Short Term

- Ramp-up of newly introduced products
- Manage the cyclical by Business Area

Long Term

- Capitalize on the strong product portfolio
- Build a competitive position
 - Powertrain and 3P
 - Integration of truck operations

Sales by Market Area

First Quarter 2002

SEK M	Split	First Quarter		
		2002	2001	Change
Western Europe	52%	21,097	23,697	-11%
Eastern Europe	3%	1,318	1,199	10%
North America	29%	11,738	13,441	-13%
South America	3%	1,211	1,379	-12%
Asia	7%	2,650	1,941	37%
Others	6%	2,371	2,093	13%
Total	100%	40,385	43,750	-8%

- Sales 11% lower when adjusted for currency effects and changes in the group structure
- Lower deliveries of trucks and construction equipment in Western Europe
- Recession in North America continues
- Strong demand in Asia and Eastern Europe

Sales by Business Area

First Quarter 2002

SEK M	Split	First Quarter		
		2002	2001	Change
Trucks	66%	26,558	29,121	-9%
Buses	8%	3,165	3,715	-15%
Construction Equipm.	11%	4,476	4,688	-5%
Penta	5%	1,962	1,736	13%
Aero	6%	2,485	2,607	-5%
Others & Eliminations	4%	1,739	1,883	-8%
Volvo Group	100%	40,385	43,750	-8%

- Trucks - Deliveries down both in Europe and North America
- Bus - Lower coach sales and North American bus J/V now consolidated with proportional method
- Construction Equipment - Continued soft market conditions (North America -9% and Western Europe -6%)
- Penta - Continued strong sales increase
- Aero - Still high volumes within Aerospace Components

Operating Income by Business Area

First Quarter 2002

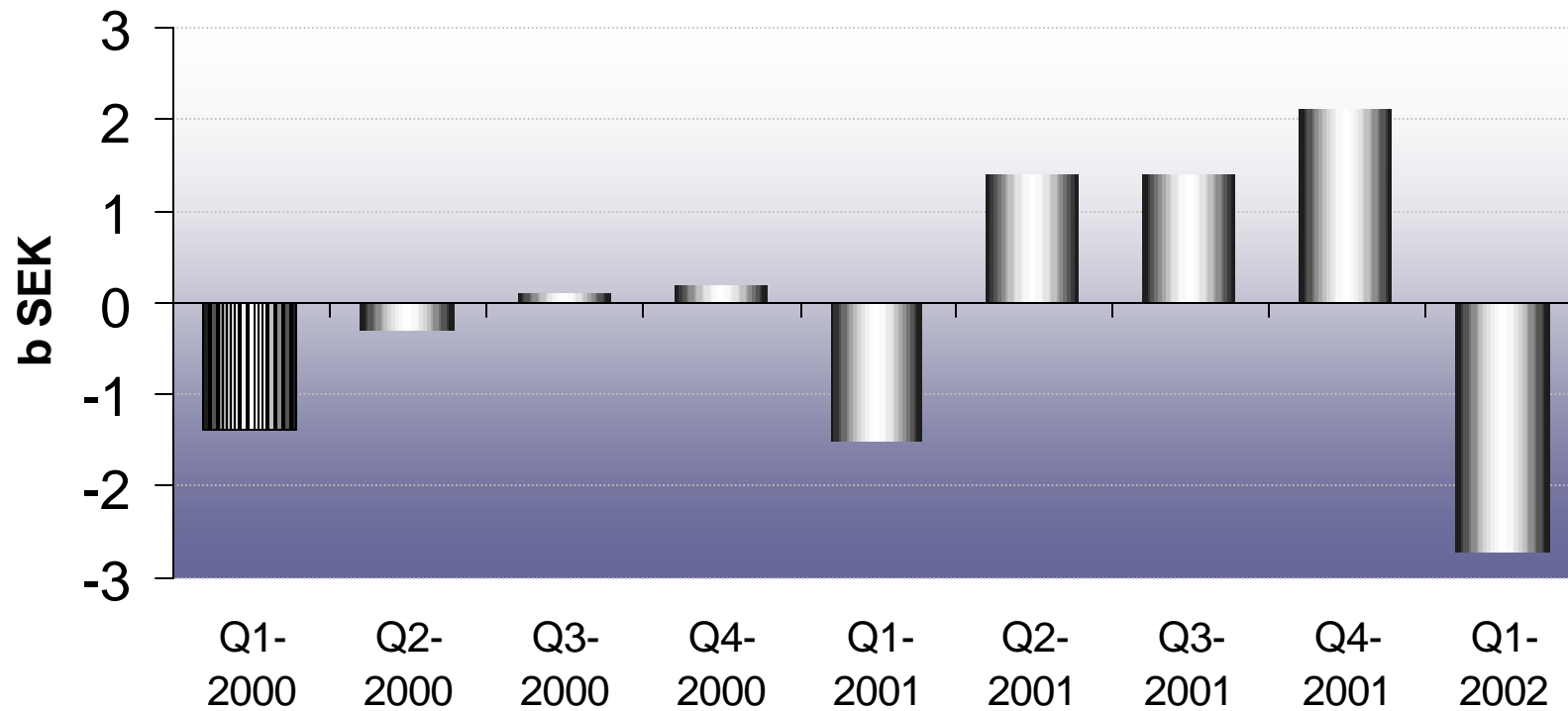
SEK M	First Quarter	
	2002	2001
Trucks	(474)	150
Buses	(94)	(83)
Construction Equipm.	(131)	81
Penta	146	167
Aero	78	160
Financial Services	115	113
Others & Eliminations	(2)	(86)
Restructuring costs	-	(1,319)
Volvo Group	(362)	(817)

- Trucks - Volvo FH/FM ramp-up in Europe and continued losses in North America
- Construction Equipment - unfavourable geographic mix combined with vendor supply and ramp-up issues
- Bus - Progress in turn around activities offset by negative development in South America and Mexico
- Penta - Continued strong performance
- Aero - Engine maintenance and spare parts sales suffering from market downturn
- Financial Services - Stable improvements in US

Cash-Flow Development

First Quarter 2002

Operating cash flow*



* Cash-flow after net investments excluding: Investments in shares, acquired & divested operations and Financial Services

Consolidated Results

First Quarter 2002

SEK M	First Quarter		
	2002	2001	Change
Net Sales	40,385	43,750	-8%
Gross income	7,180	7,514	-4%
R&D expenses	(1,505)	(1,394)	
Selling expenses	(3,797)	(3,378)	
Administrative expenses	(1,277)	(1,659)	
Other op. Income & expenses	(1,094)	(696)	
Income from Financial Services	115	113	
Income from investments in associated companies	16	(2)	
Income from other investments	-	4	
Items affecting comparability	-	(1,319)	
Operating income	(362)	(817)	
Financial Net	(256)	(434)	
Income after fin. Items	(618)	(1,251)	
Taxes	(118)	422	
Minority interest	(10)	28	
Net income	(746)	(801)	
EPS, SEK	(1.80)	(1.90)	
Operating margin	-0.9%	-1.9%	
Operating cash flow, excl. acq. & divest.	(2,700)	(1,500)	

Reconciliation of Profit and Loss statement

First Quarter 2002

SEK M	Reported		Adjustments		Normalized		Change
	2002	2001	2002	2001	2002	2001	
Sales	40,385	43,750			40,385	43,750	
Operating income	(362)	(817)	181	1,319	(181)	502	
Financial net	(256)	(434)			(256)	(434)	
Income after financial items	(618)	(1,251)			(437)	68	
Taxes	(118)	422		(396)	(118)	26	
Minority interest	(10)	28			(10)	28	
Net income	(746)	(801)			(565)	122	
EPS	(1.80)	(1.90)			(1.35)	0.28	
Operating margin, %	-0.9%	-1.9%			-0.4%	1.1%	

- 1) Restructuring of truck operations SEK (1,319) M
- 2) Deficit in Volvo's Swedish pension fund: SEK (181) M

Trucks

First Quarter

SEK M	First Quarter		
	2002	2001	Change
Volume (units)	33,322	42,139	-21%
Sales	26,558	29,121	-9%
Operating income	(474)	150	n.a.
Operating margin %	-1.8%	0.5%	(2.3)

Highlights

- Business Environment
 - North America showing signs of bottoming out
 - Europe coming down
- Improved order intake in all regions in Q1
- Production changeover Volvo FH/FM

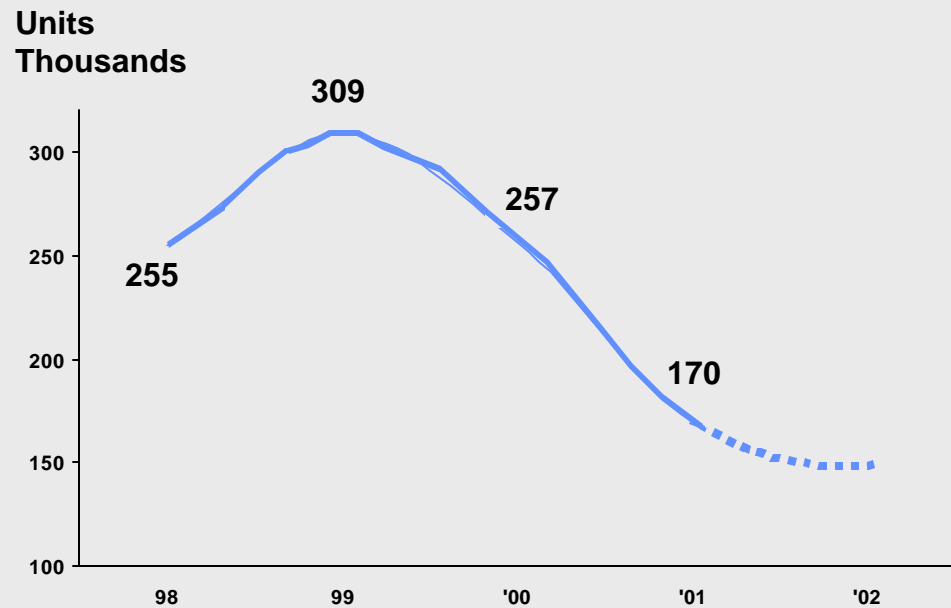
In Focus

- Secure ramp-up
- Manage US '02 implementation
 - Demand pattern
 - Engine certification
- Cash-flow

Note: Excluding restructuring costs

Total Market Heavy Trucks

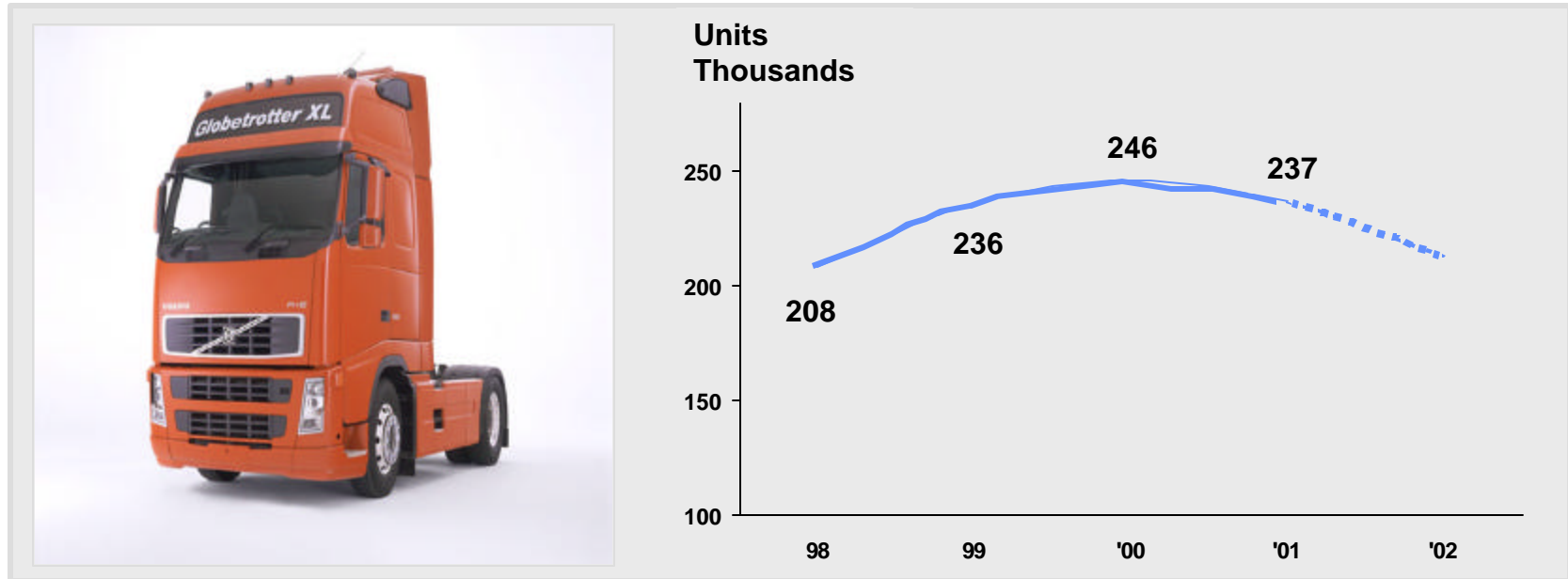
NAFTA Retail Sales Forecast



Source: Volvo Trucks; EUD, April 2, 2002

Total Market Heavy Trucks

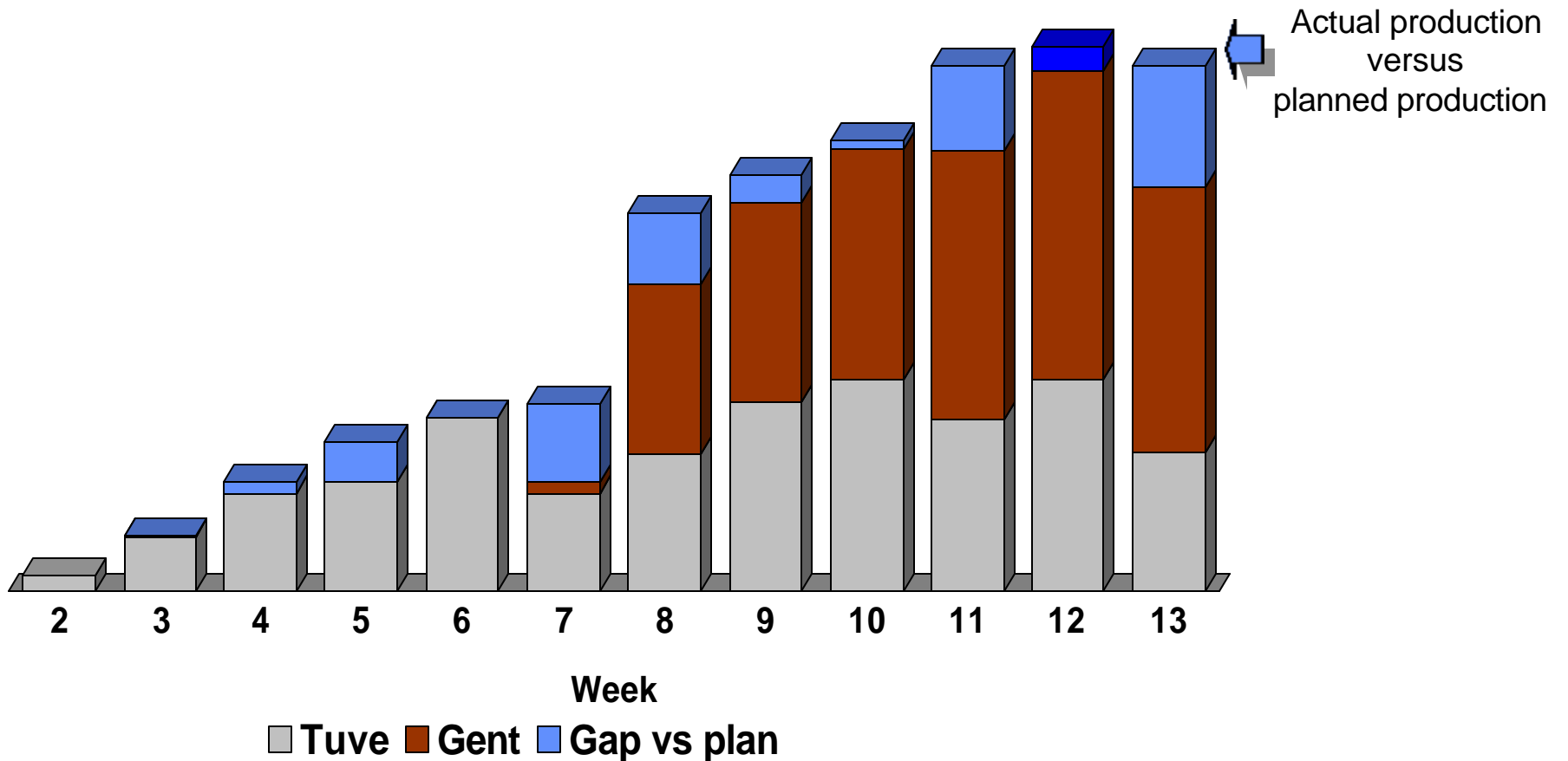
W. Europe Registration Forecast



Source: Volvo Trucks; EUD, April 2, 2002

Production Ramp-up of New Volvo FM and FH

First quarter 2002



Volvo Buses

First Quarter

SEK M	First Quarter		
	2002	2001	Change
Volume (units)	1,842	2,117	-13%
Sales	3,165	3,715	-15%
Operating income	(94)	(83)	n.a.
Operating margin %	-3.0%	-2.2%	(0.7)

Highlights

- Coach sales low due to unfavourable development of the tourism business
- Significant decline in South America and Mexico
- Progress in turn around activities
- High utilization in the Nordic body builders

In Focus

- Increase productivity in Europe
- Secure an improved price realization
- Manage the exit of the US transit market

Volvo Construction Equipment

First Quarter

SEK M	First Quarter		
	2002	2001	Change
Sales	4,476	4,688	-5%
Operating income	(131)	81	n.a.
Operating margin %	-2.9%	1.7%	(4.7)

Highlights

- Continued soft market conditions
- Ramp-up and vendor supply issues
- Acquisition of Compaction Equipment
- New Backhoe Loader introduced
- B-series Excavator and E-series Wheel Loader launched
- Agreement to produce cabs for Komatsu
- Establishment of production in China

In Focus

- Return to profitability
- Secure vendor supply and ramp-up
- Strong order book - make sure to deliver

Volvo Penta

First Quarter

SEK M	First Quarter		
	2002	2001	Change
Sales	1,962	1,736	13%
Operating income	146	167	n.a. 1)
Operating margin %	7.4%	9.6%	(2.2)

Highlights

- Continued strong sales and operating income
- Signs of recovery in the U.S.
- Positive cash-flow
- Business in order

In Focus

- Cash-flow
- Cost control
- Growth in Marine Commercial
- World market trends

1) changes in cost allocations

Volvo Aero

First Quarter

First Quarter				
SEK M	2002	2001	Change	
Sales	2,485	2,607	-5%	
Operating income	78	160	-51%	
Operating margin %	3.1%	6.1%	(3.0)	

Highlights

- Slow recovery in air traffic, but lower yield
- Aircraft excess situation stabilized on a high level
- Engine maintenance and spare part sales suffering from the market downturn
- Still high volumes in Aerospace Components

In Focus

- Adaptation to a declining new engine market
- Cash-flow
- Increase marketing activities within after market service

Volvo Financial Services

First Quarter

SEK M	First Quarter		
	2002	2001	Change
Operating income	115	113	1.8%
ROE %	4.1%	5.3%	-1.2%
Assets, MSEK	71,323	71,588	-0.4%
Equity ratio	10.3%	12.0%	(1.7)

Highlights

- Slower growth and improved diversification
- Stable improvements in US
 - Lower frequency of repossessions, but severity continues to remain high

In Focus

- Competitive alignment, pro forma pricing and portfolio control
- Higher volume through Mack Trucks, Renault Trucks and other Business Areas

Volvo Group Summary

- Business conditions
 - Recession in North America continues. Upturn?
 - Downward trend in Europe
- Product renewal in Construction Equipment
- Focus on ramp-up of new products
- Focus on Cash Flow