

VOLVO

**Fourth Quarter and Full Year 2002
Conference Call, February 7, 2003**

Highlights

Fourth Quarter and Full Year

- Business environment
 - Low demand in N. America
 - Continued downward trend in Europe
- Strengthening the N. American Truck business
 - Successful Mack production transfer
 - Stop days at Mack / Macungie
 - Dealer optimization
- Successful Volvo VN launch – 6000 orders
- Provisions in Volvo CE for dealer restructuring in North America
- Positive trend in Volvo Buses
- Strong positive Cash Flow – Proposed dividend, SEK 8.00
- Positive EPS development in a difficult year SEK 3.30 (SEK -3.50)

In Focus Going Forward

- Business Cycle Management
- Cash flow
- Continued truck integration
- Capitalize on the strong product portfolio

Sales by Market Area

Fourth Quarter 2002

SEK M	Fourth Quarter				Full Year		
	Split	2002	2001	Change	2002	2001	Change
Western Europe	55%	25,272	25,702	-2%	92,331	93,147	-1%
Eastern Europe	5%	2,382	2,429	-2%	7,437	6,383	17%
North America	24%	10,800	12,454	-13%	50,206	54,630	-8%
South America	3%	1,158	1,473	-21%	4,667	6,018	-22%
Asia	8%	3,712	3,632	2%	12,644	10,862	16%
Others	6%	2,553	2,943	-13%	9,795	9,575	2%
Total	100%	45,877	48,633	-6%	177,080	180,615	-2%

- Sales increased with 1,5% when adjusted for changes in exchange rates and group structure

Sales by Business Area

Fourth Quarter 2002

SEK M	Fourth Quarter				Full Year		
	Split	2002	2001	Change	2002	2001	Change
Trucks	68%	31,133	32,580	-4%	118,752	116,568	2%
Buses	8%	3,852	4,044	-5%	14,035	16,675	-16%
Construction Equipm.	12%	5,287	4,992	6%	21,012	21,135	-1%
Volvo Penta	4%	1,723	1,894	-9%	7,669	7,380	4%
Volvo Aero	4%	2,053	3,123	-34%	8,837	11,784	-25%
Others	4%	1,829	2,000	-9%	6,775	7,073	-4%
Volvo Group	100%	45,877	48,633	-6%	177,080	180,615	-2%

- Trucks - Deliveries on a high level in Europe
- Buses - Lower volumes in North America and Area International
- Construction Equipment - Sales up 6% due to increased market shares
- Volvo Penta - Launched products continued to generate good sales
- Volvo Aero - Sharp decline in sales for engine components and the after market

Operating Income by Business Area

Fourth Quarter 2002

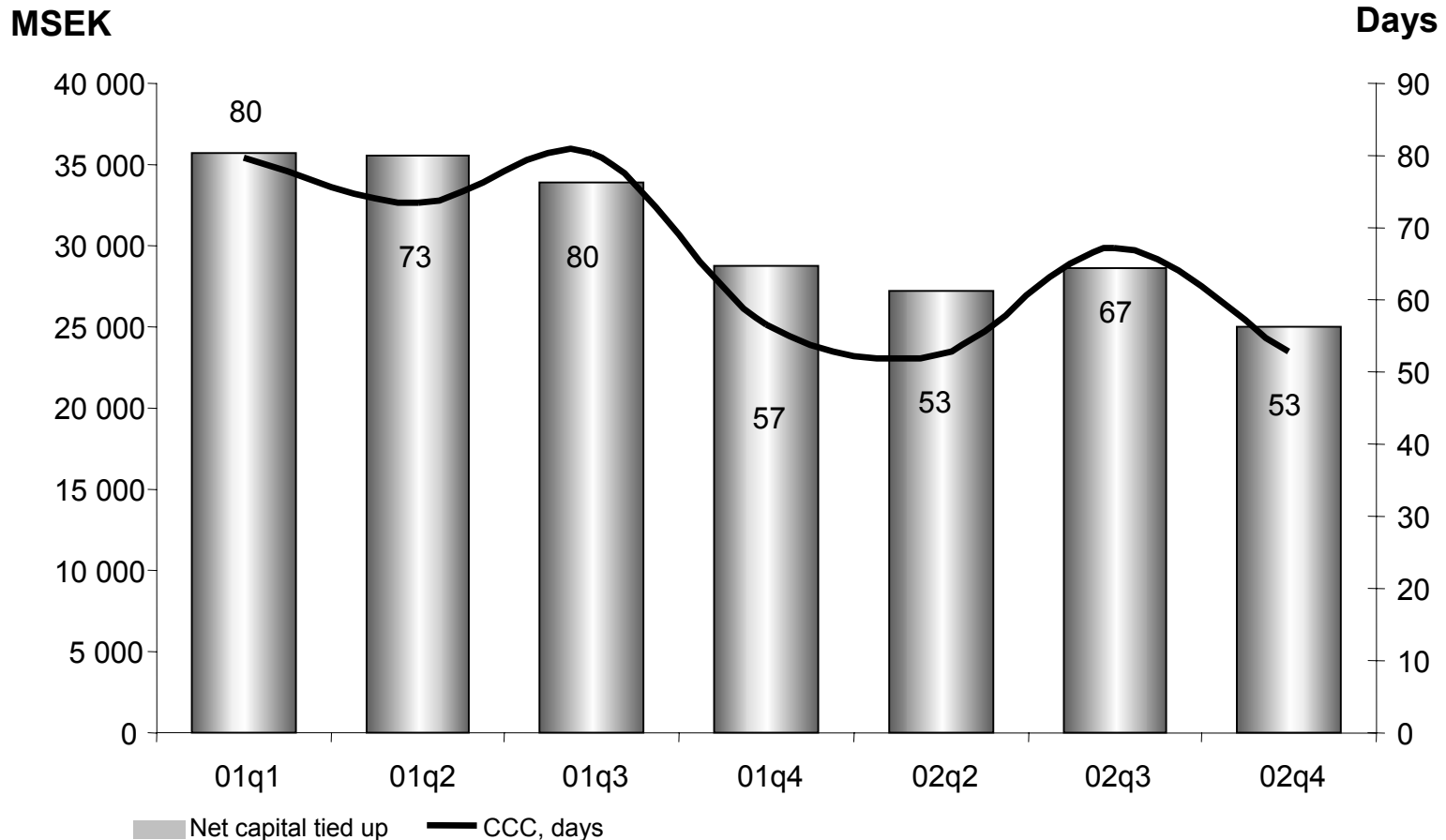
SEK M	Fourth Quarter		Full Year	
	2002	2001	2002	2001
Trucks	507	591	1,189	1,040 ¹⁾
Buses	33	(231)	(94)	(524)
Construction Equipm.	(47)	136	406	891
Volvo Penta	159	128	647	658
Volvo Aero	(41)	89	5	653
Financial Services	129	80	490	325
Others	83	(20)	194	143 ²⁾
Restructuring costs		(1,137)		(3,862)
Volvo Group	823	(364)	2,837	(676)

- Trucks – Good performance in Europe, production changeover in North America
- Buses - Continued improvements in a weak market
- Construction Equipment – Provisions related to dealer restructuring in N. American and wheeled excavators
- Volvo Penta – Continued strong profit and operating margin
- Volvo Aero - Downturn now affecting components, parts and maintenance
- Financial Services - Stable growth and steady returns

1) Including a capital gain of SEK 574 M from the divestiture of Mitsubishi holding

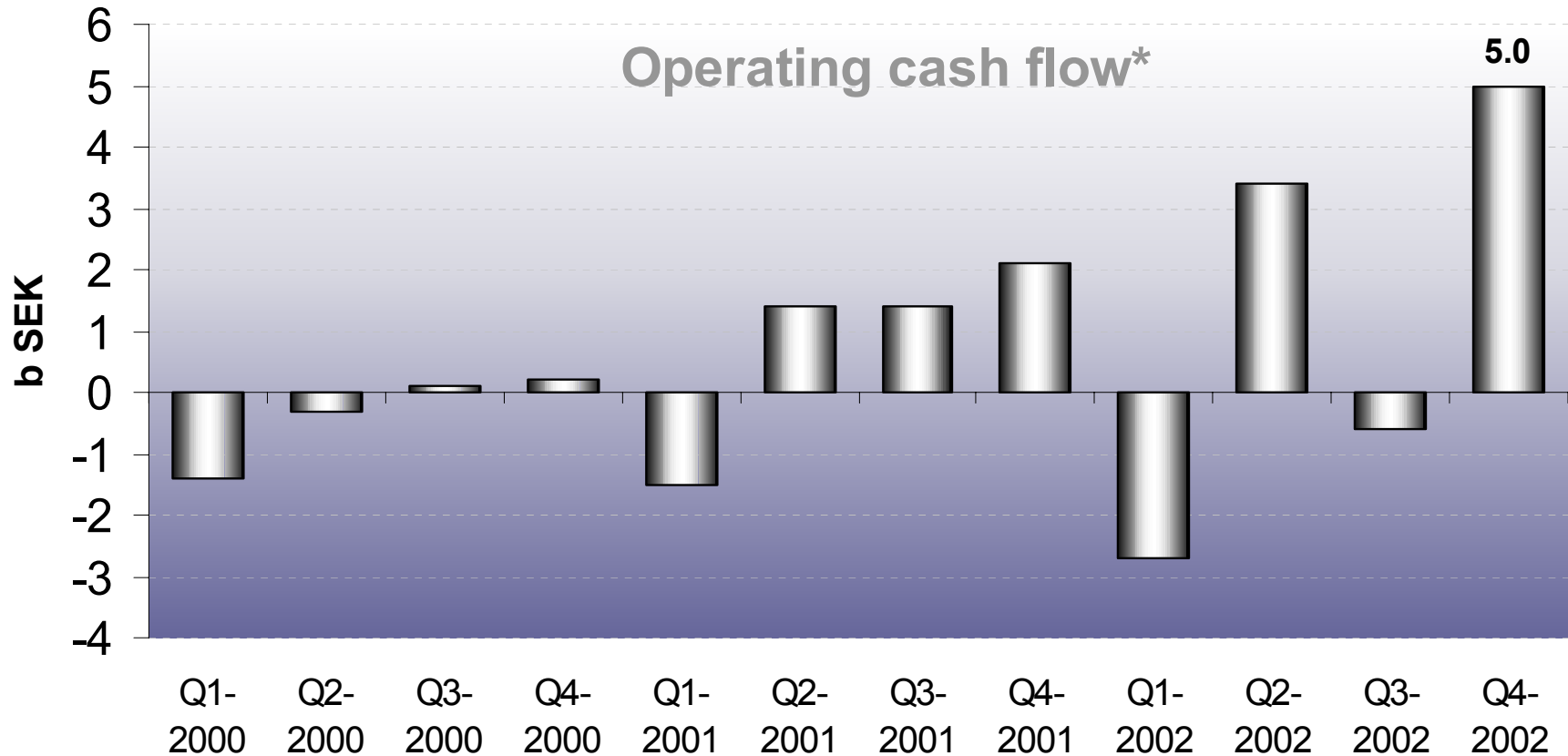
2) Scania dividend halved: 2001 SEK 637 M and 2002 SEK 318 M

Development of Cash Conversion Cycle 2001-2002, excl. Sales Finance



Cash Flow Development

Fourth Quarter 2002



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

Consolidated Results

Fourth Quarter 2002

SEK M	Fourth Quarter			Full Year		
	2002	2001	Change	2002	2001	Change
Net Sales	45,877	48,633	-6%	177,080	180,615	-2%
Gross income	8,279	8,312	0%	31,627	31,138	2%
R&D expenses	(1,656)	(1,361)		(5,869)	(5,391)	
Selling expenses	(4,197)	(4,242)		(15,393)	(14,663)	
Administrative expenses	(1,258)	(1,514)		(5,464)	(6,474)	
Other op. Income & expenses	(559)	(497)		(2,989)	(3,071)	
Inc. from Financial Services	129	80		490	325	
Inc. from investments in associated companies	98	9		126	(88)	
Inc. from other investments	(13)	(14)		309	1,410	
Items affecting comparability	-	(1,137)		-	(3,862)	
Operating income	823	(364)		2,837	(676)	
Financial Net	(86)	(183)		(824)	(1,190)	
Income after fin. Items	737	(547)		2,013	(1,866)	
Taxes	(102)	53		(590)	326	
Minority interest	3	7		(30)	73	
Net income	638	(487)		1,393	(1,467)	
EPS, SEK	1.50	(1.20)		3.30	(3.50)	
Operating margin	1.8%	-0.7%		1.6%	-0.4%	
Operating cash flow, excl. acq. & divest.	5,000	2,100		5,100	3,400	

Reconciliation of Profit and Loss statement

Fourth Quarter 2002

Fourth Quarter SEK M	Reported		Adjustments		Normalized		Change
	2002	2001	2002	2001	2002	2001	
Sales	45,877	48,633			45,877	48,633	-6%
Operating income	823	(364)	(13)¹⁾	957²⁾	810	593	37%
Financial net	(86)	(183)			(86)	(183)	
Income after financial items	737	(547)			724	410	
Taxes	(102)	53		(268)	(102)	(215)	
Minority interest	3	7			3	7	
Net income	638	(487)			625	202	
EPS	1.50	(1.20)			1.49	0.48	
Operating margin, %	1.8%	-0.7%			1.8%	1.2%	0.5

1) Increased value of assets in Volvo's Swedish pension fund of SEK 13 M

2) Increased value of assets in Volvo's Swedish pension fund of SEK 180 M and restructuring charges of SEK (1,137) M

Trucks

Fourth Quarter

SEK M	Fourth Quarter			Full Year	
	2002	2001	Change	2002	Change
Volume (units)	42,515	42,085	1%	157,133	1%
Sales	31,133	32,580	-4%	118,752	2%
Operating income	507	591	-14%	1189	14% ¹⁾
Operating margin %	1.6%	1.8%	(0.2)	1.0%	0.1

Highlights

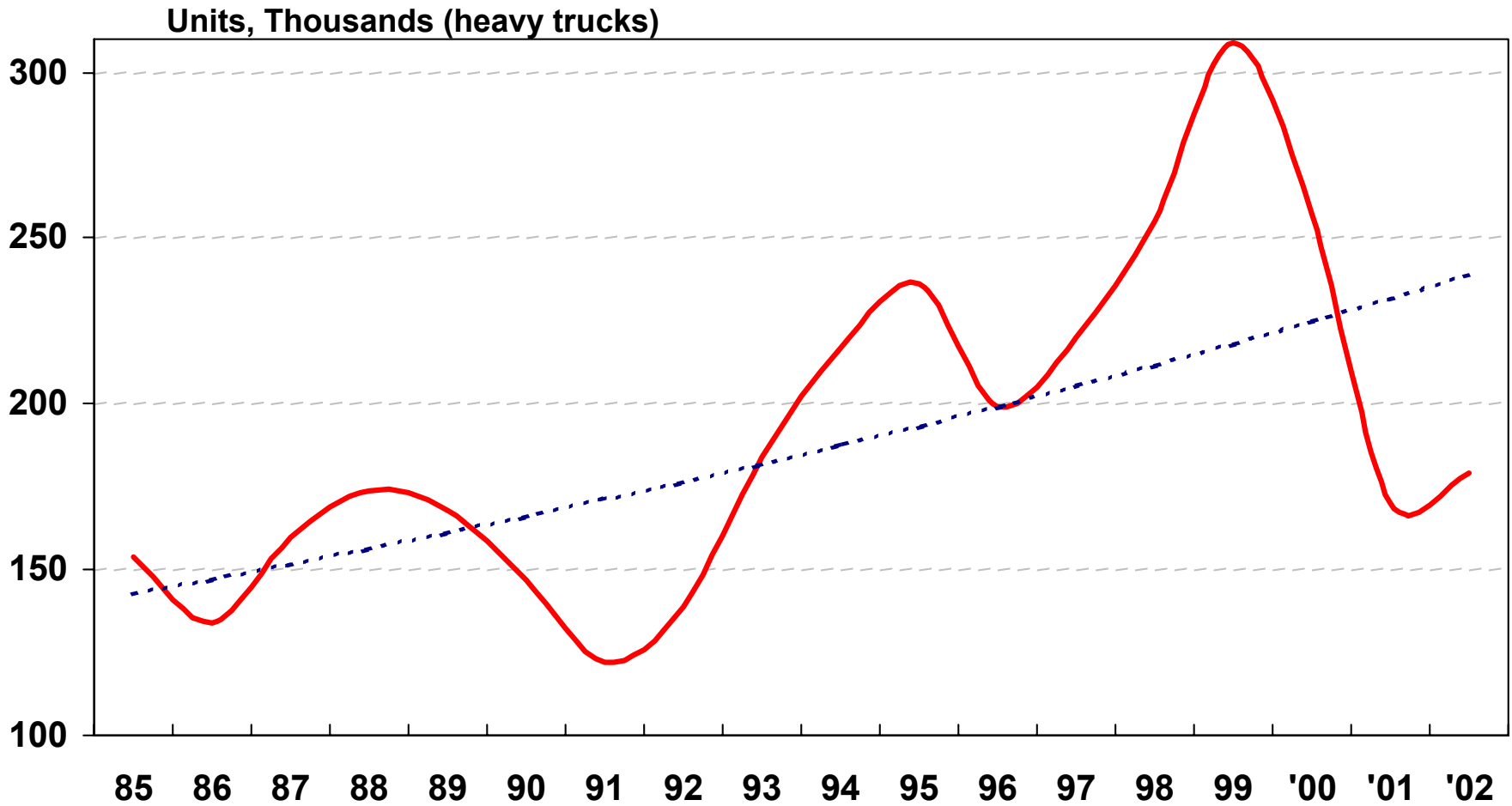
- High deliveries and good result in Europe
- Strengthening the North American business:
 - Winnsboro plant closed
 - Ramp-up at New River Valley
 - 5 stop weeks at Macungie
- Dong Feng engine agreement
- Strong cash flow

In Focus

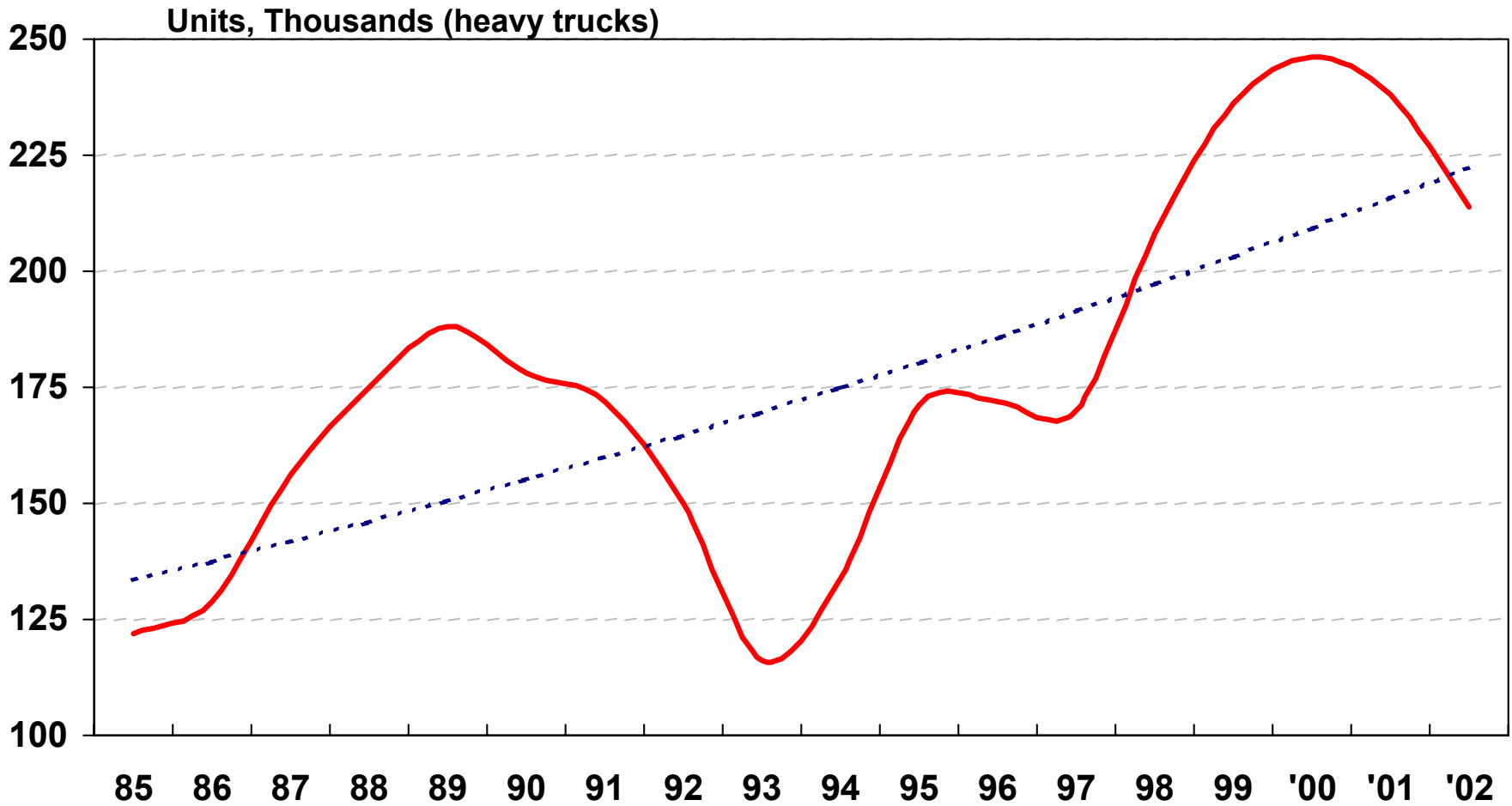
- North American integration
 - Dealer optimization
- Manage demand pattern
- Cash flow

1) Including a gain of SEK 574 M from divestiture of the Mitsubishi holding in 2001 Note: Excluding restructuring costs in 2001

Heavy Duty Truck Market North America



Heavy Duty Truck Market Western Europe



Volvo Buses

Fourth Quarter

SEK M	Fourth Quarter			Full Year	
	2002	2001	Change	2002	Change
Volume (units)	2,752	2,791	-1%	9,059	-9%
Sales	3,852	4,044	-5%	14,035	-16%
Operating income	33	(231)	n.a.	(94)	n.a.
Operating margin %	0.9%	-5.7%	6.6	-0.7%	2.4

Highlights

- Continued improvement of the operating result
- Restructuring in North America concluded
- The tourist coach market remains weak
- High delivery volumes in Nordic and Asia areas
- Improved performance in Mexico and China
- Continued deterioration of demand in the highly competitive Continental European markets

In Focus

- Continue the Turnaround program
- Cash flow
- Internal productivity- and cost management
- Performance based pricing

Volvo Construction Equipment

Fourth Quarter

SEK M	Fourth Quarter			Full Year	
	2002	2001	Change	2002	Change
Sales	5,287	4,992	6%	21,012	-1%
Operating income	(47)	136	n.a	406	-54%
Operating margin %	-0.9%	2.7%	(3.6)	1.9%	(2.3)

Highlights

- Sales up 6% due to increased market shares
- Mixed market development
 - NA: Down 14 consecutive quarters and continued price pressure
 - EU: Continued decline in most markets
- Start-up costs for new compact products
- Operating income affected by provisions for:
 - Dealer restructuring in North America
 - Rationalization of the production of Wheeled Excavators
- Good cash flow

In Focus

- Execute Articulated Hauler restructuring
- Capitalize on new products
- Distribution channel development

Volvo Penta

Fourth Quarter

SEK M	Fourth Quarter			Full Year	
	2002	2001	Change	2002	Change
Sales	1,723	1,894	-9%	7,669	4%
Operating income	159	128	na 1)	647	na 1)
Operating margin %	9.2%	6.8%	na 1)	8.4%	na 1)

Highlights

- Strengthened market shares
- Good operating margins
- Strong cash flow
- Good customer satisfaction in marine leisure confirmed by JD powers

In Focus

- Product renewal
- World market development
- Cost control
- Cash flow

1) Not applicable due to changes in cost allocations

Volvo Aero

Fourth Quarter

SEK M	Fourth Quarter			Full Year	
	2002	2001	Change	2002	Change
Sales	2,053	3,123	-34%	8,837	-25%
Operating income	(41)	89	n.a.	5	-99%
Operating margin %	-2.0%	2.8%	(4.8)	0.1%	(5.4)

Highlights

- Air traffic lower than 2000. No recovery in sight
- The threat of war in Iraq delays the recovery
- US airlines in deep financial difficulties
- Continued decrease in deliveries of new aircraft
- Still no upturn in engine maintenance and spare parts
- Full year breakeven and strong cash flow

In Focus

- Continued adaptation to a declining market
- Increased sales force and sales activities
- Cash flow

Volvo Financial Services

Fourth Quarter

SEK M	Fourth Quarter			Full Year	
	2002	2001	Change	2002	Change
Operating income	129	80	61%	490	51%
ROE % 1)	4.8%	4.2%	0.6%	4.8%	0.6
Assets, MSEK	69,364	73,528	-5.7%	69,364	-5.7%
Equity ratio	10.8%	10.3%	0.5	10.8%	0.5

Highlights

- 8% portfolio growth (currency adjusted) in 2002, mainly driven by Renault and Mack financing
- 6th consecutive quarter of operating income growth
- 4% productivity improvement in 2002

In Focus

- Emphasis on prudent underwriting with competitive pricing
- Management of Concentration risk
- Customer surveys and benchmarking

1) Calculated as a 12 month rolling average

Volvo Group

Summary

- 2002 - a challenging year
 - Difficult business climate
 - Major product launches / production changeovers
 - Structural changes
- Strong cash flow and EPS development
- Proposed dividend: SEK 8.00

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