

**VOLVO**

Third Quarter 2003  
Conference Call, October 23

# Highlights

## Third Quarter

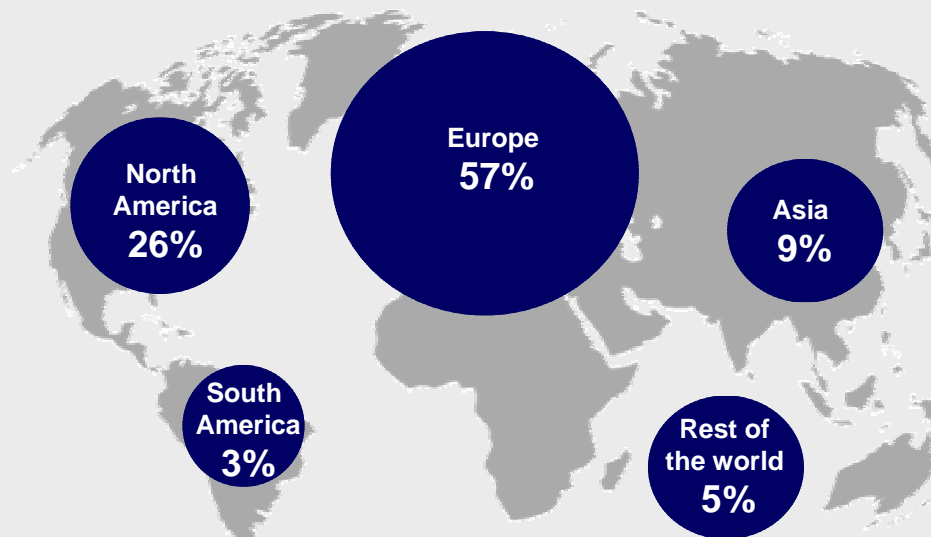
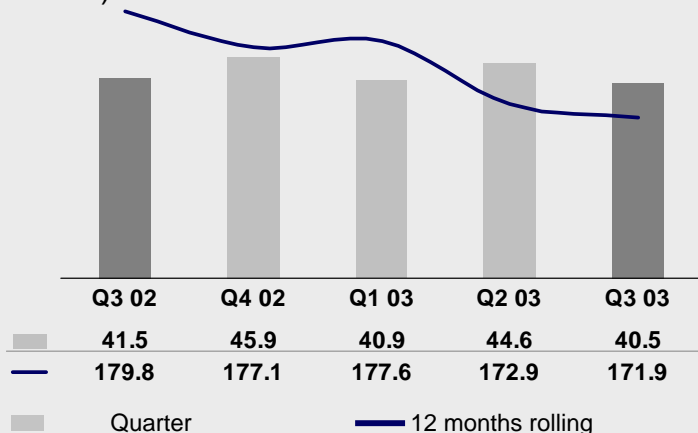
- Business environment improving slightly
- Performance improvement across the Group
  - Productivity and cost efficiency
  - Gross margin improvement
  - Stable earnings growth in Financial Services
- Product renewal
  - New range of Marine Diesels
  - Volvo NH
  - Volvo VM
  - Renault Master
- Strong EPS development SEK 2.30 (SEK 1.00)

## In Focus Going Forward

- Adapt to changes in demand
- Integration and optimization of dealer networks

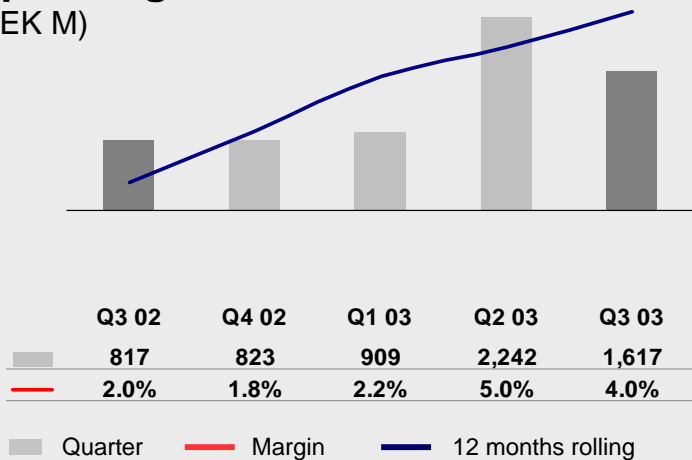
### Net sales

(SEK bn)



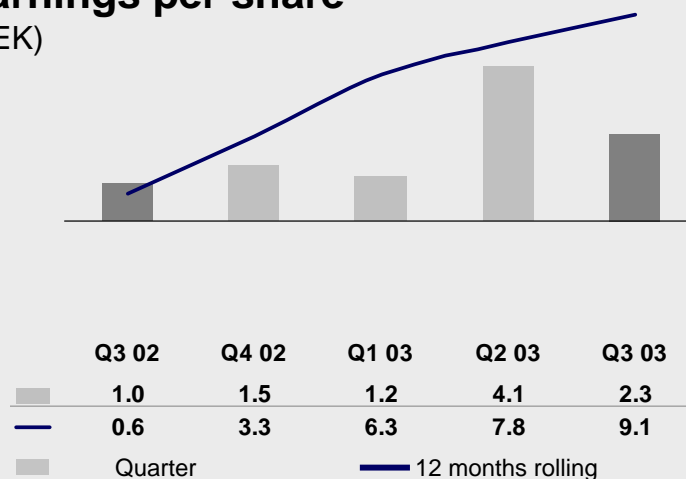
### Operating income

(SEK M)



### Earnings per share

(SEK)



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## Volvo Group

### Hedging policy

Month	Hedging ratio of projected net flows:
< 6	50% - 80%
7-12	30% - 60%
> 12	firm flows

# Consolidated Results

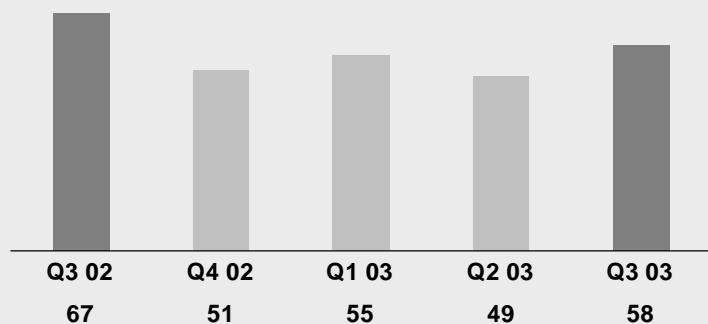
## Third Quarter 2003

SEK M	2002	2003	
<b>Net Sales</b>	<b>41,524</b>	<b>40,511</b>	<i>Currency impact, SEK bn 2.2</i>
<b>Gross income</b>	<b>7,434</b>	<b>7,983</b>	
	17.9%	19.7%	
<b>R&amp;D expenses</b>	<b>(1,335)</b>	<b>(1,683)</b>	<i>Lower capitalization, 272</i>
Selling expenses	(3,612)	(3,960)	
Administrative expenses	(1,474)	(1,285)	
<b>Other op. Income &amp; expenses</b>	<b>(378)</b>	<b>185</b>	<i>Forward contracts approx. +300</i>
Inc. from Financial Services	126	242	
Inc. from investments in associated companies	59	163	
Inc. from other investments	(3)	(28)	
<b>Operating income</b>	<b>817</b>	<b>1,617</b>	<i>Total currency impact approx. -300</i>
Financial Net	(233)	(319)	
<b>Income after fin. Items</b>	<b>584</b>	<b>1,298</b>	
Taxes	(158)	(327)	
Minority interest	(5)	(15)	
<b>Net income</b>	<b>421</b>	<b>956</b>	
EPS, SEK	1.00	2.30	
Operating margin	2.0%	4.0%	
Operating cash flow, excl. acq. & divest.	(800)	(700)	

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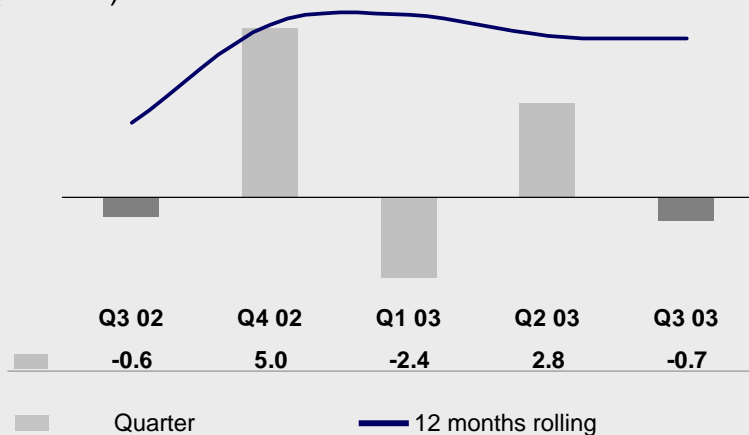
### Development of cash conversion cycle

(Days)



### Cash flow development

(SEK bn)



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

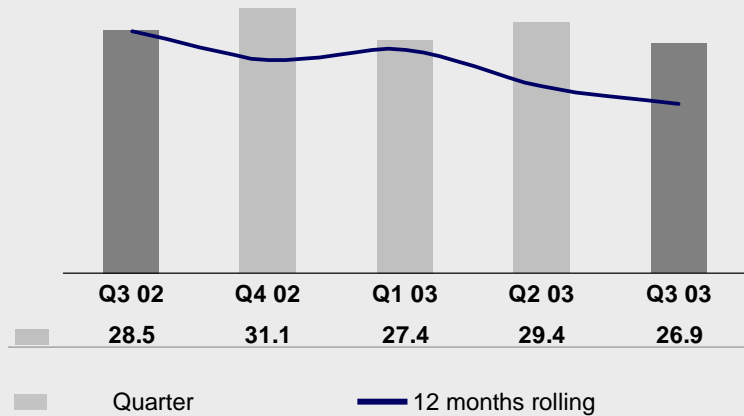
# Trucks

## Third Quarter



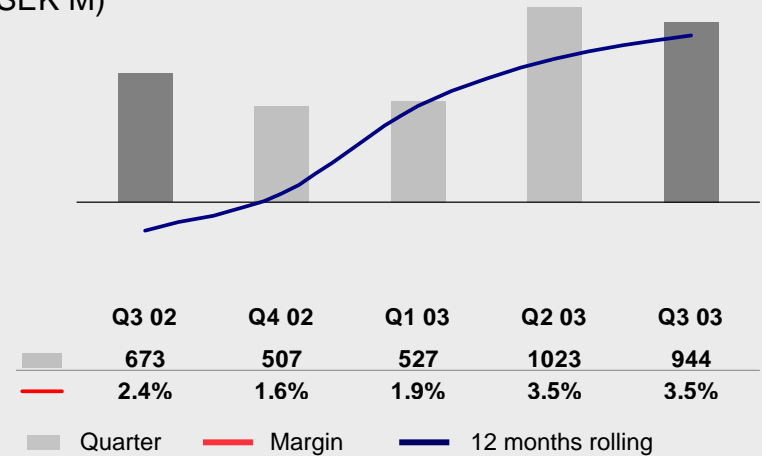
### Net sales

(SEK bn)



### Operating income

(SEK M)



### Highlights

- Strong earnings improvement
  - Improved result in North America, Mack and Volvo
  - Productivity and cost efficiency
  - Gross margin improvement
- Product renewal
- Improved dealer satisfaction in North America

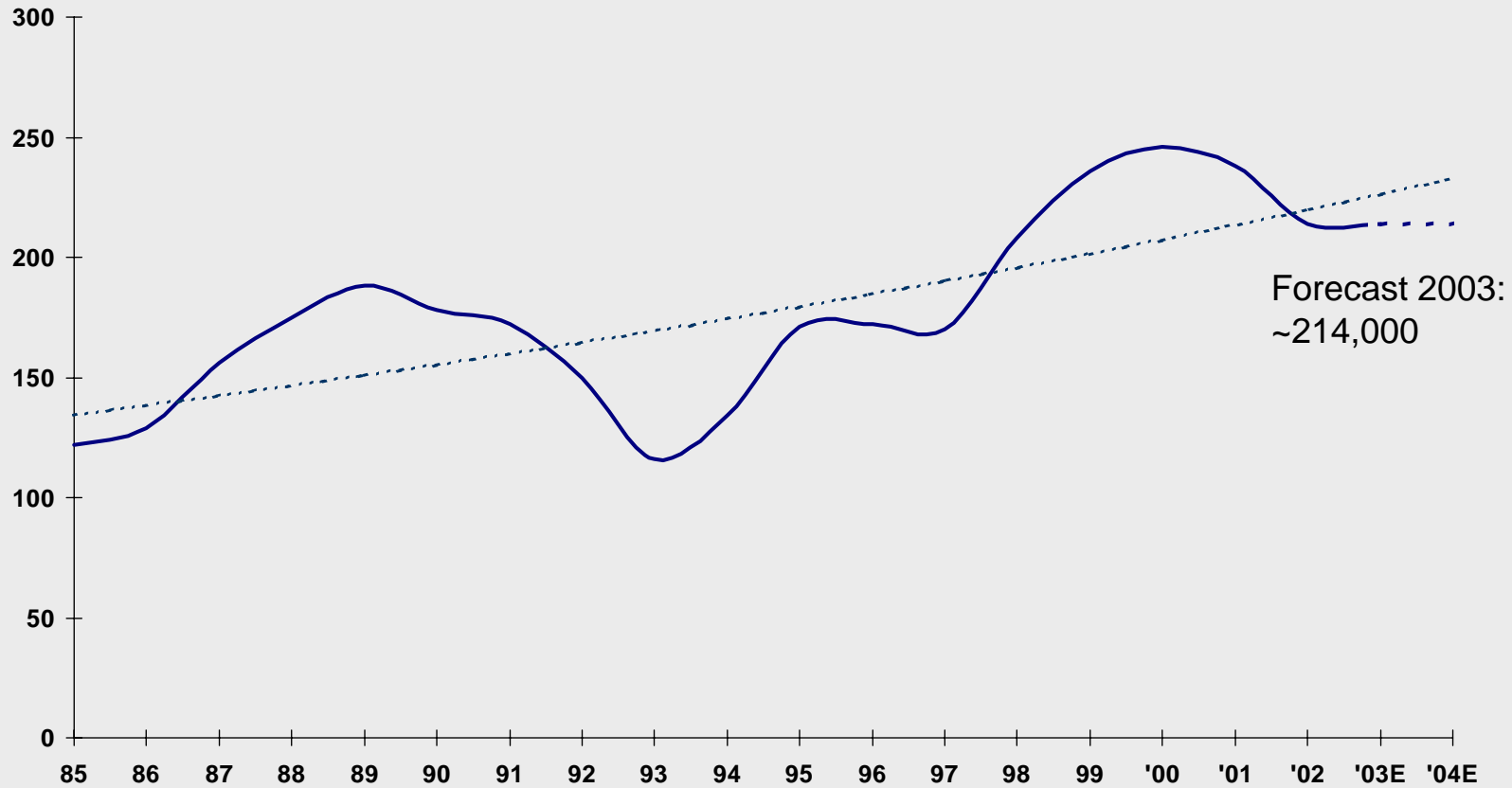
### In Focus

- Optimize distribution network
  - Europe / Bilia
  - North America / Mack & Volvo
- Adapt to changes in demand
- Cash Flow

# Heavy Duty Truck Market Western Europe



Units, Thousands (heavy trucks)

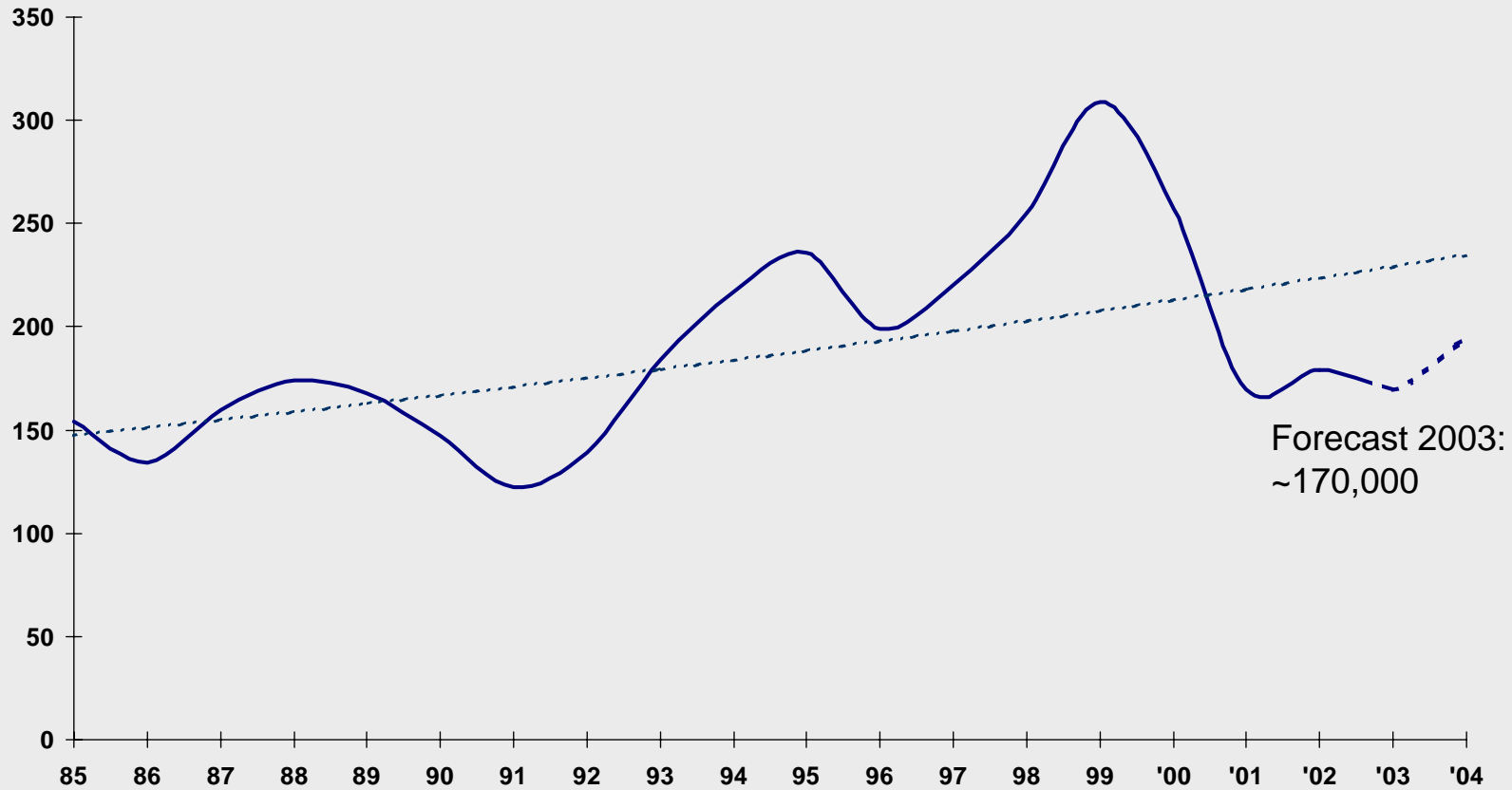




# Heavy Duty Truck Market North America



Units, Thousands (heavy trucks)

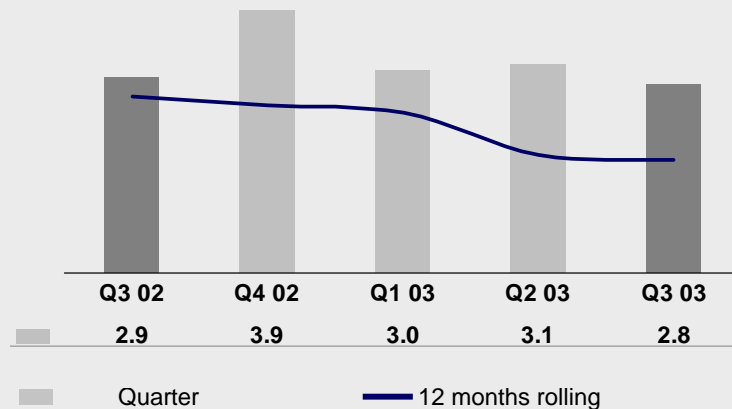


# Volvo Buses

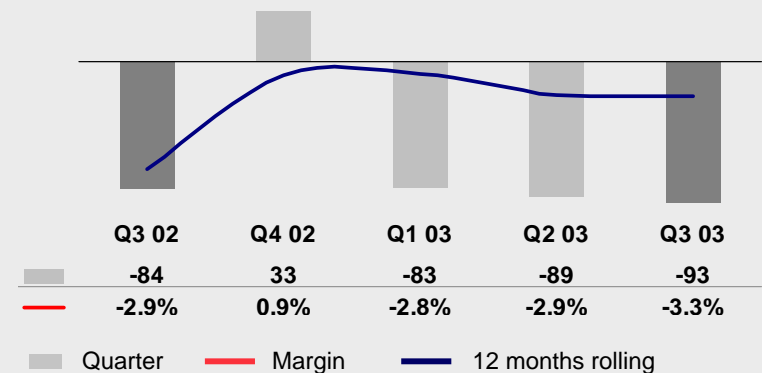
## Third Quarter



### Net sales (SEK bn)



### Operating income (SEK M)



### Highlights

- Continued low coach market
- Strong price competition in Europe
- Capacity adjustments in European plants
- Renault Trucks to sell Volvo buses in France

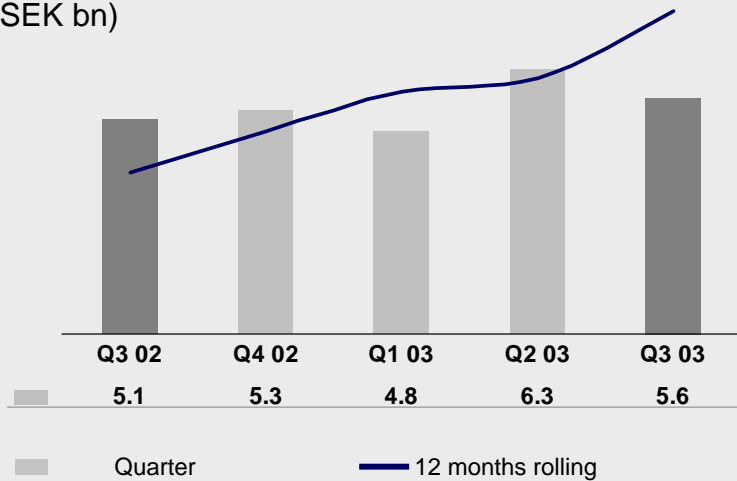
### In Focus

- Cash flow and profitability
- Key customers
- Introduction of TX platform globally

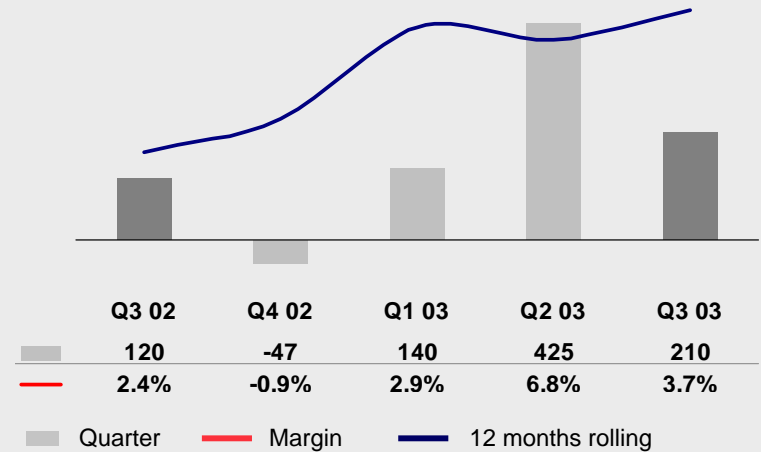
# Volvo Construction Equipment Third Quarter



**Net sales**  
(SEK bn)



**Operating income**  
(SEK M)



## Highlights

- Heavy Construction Equipment market
  - North America up 12%
  - Europe down 6%
- Strong organic growth
- Significant operating income improvement

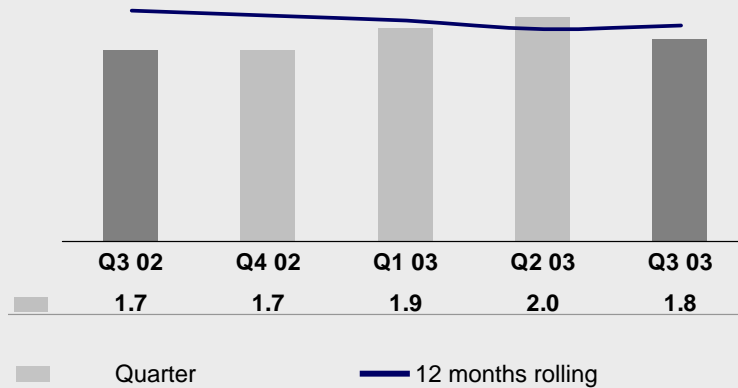
## In Focus

- Dealer development: LB Smith & Bilia
- Manage negative currency development
- Drive cash flow and operating income through more than 40 new products

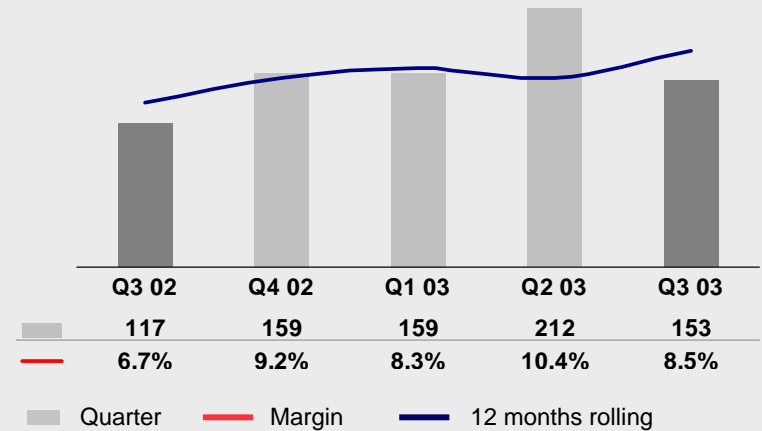
# Volvo Penta Third Quarter



## Net sales (SEK bn)



## Operating income (SEK M)



## Highlights

- Extensive product launches
- Continued strong sales development
- Improved operating income (+30%)

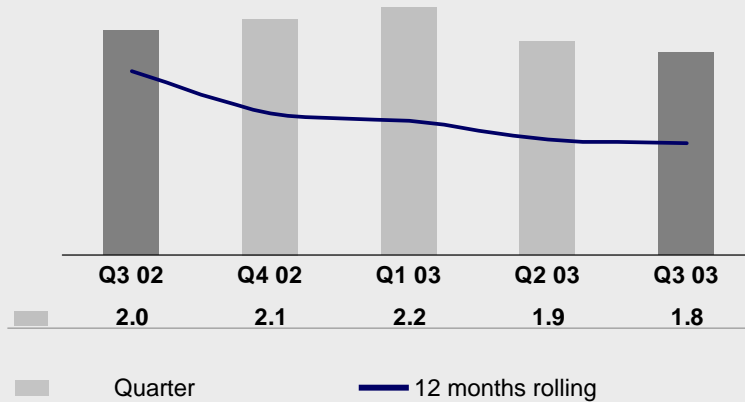
## In Focus

- Customer support for new products
- Growth of the Industrial and Marine Commercial segments
- Cost control and cash flow

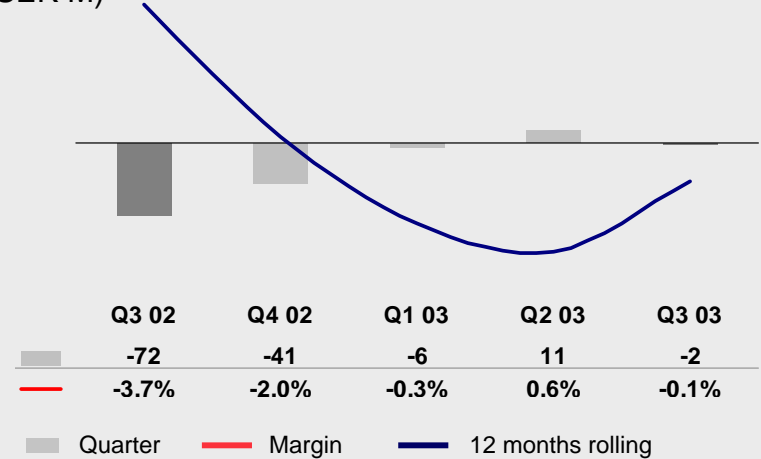
# Volvo Aero Third Quarter



## Net sales (SEK bn)



## Operating income (SEK M)



## Highlights

- World air traffic still declining, but some signs of recovery
- Still stretched for airlines, but reduced losses
- Still no improvement on the after market
- Component deliveries down by 20% in 2003, continued decrease expected in 2004 and 2005

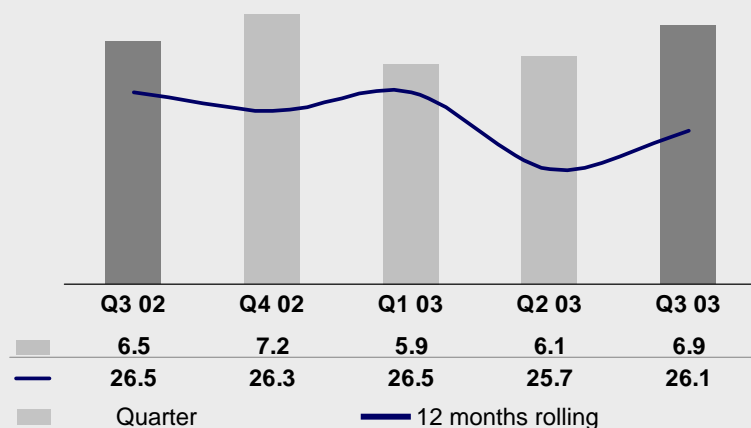
## In Focus

- Continued adaptation to a weak market
- Increased sales activities
- Space program to continue
- Cash flow

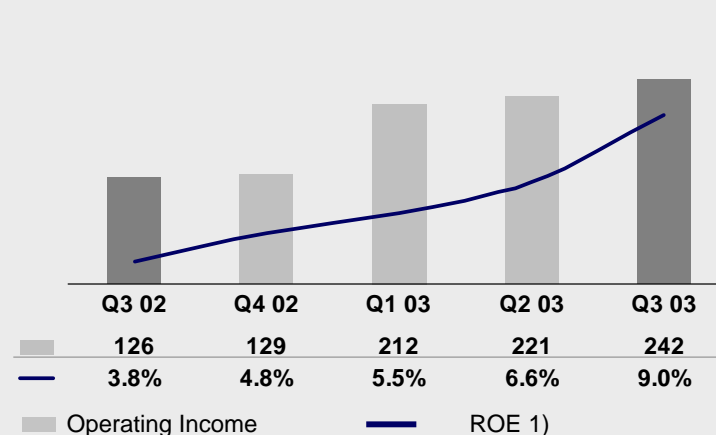
# Volvo Financial Services Third Quarter



## New retail financing (SEK bn)



## Operating income and Return on equity (SEK M)



### Highlights

- US market improving
- Europe strong and stable
- Improving retail penetration

### In Focus

- Further Mack and Renault Trucks business development
- Price management
- Emerging markets

1) Calculated as a 12 month rolling average

# Volvo Group

## Summary

- Business environment improving slightly
- Capitalize on product renewal
- Earnings improvement across the Group

**VOLVO**