

VOLVO

Second Quarter 2004

Conference Call, July 21, 2004

Highlights

Second Quarter

- Good business environment in all markets
- Continued sales growth +19%
- Strong improvement in operating income in all Business Areas:
 - High capacity utilization
 - New products
 - Continued cost rationalization
- Distribution of Ainax
- Improved cash flow
- Strong EPS improvement: SEK 6.20 (4.10)

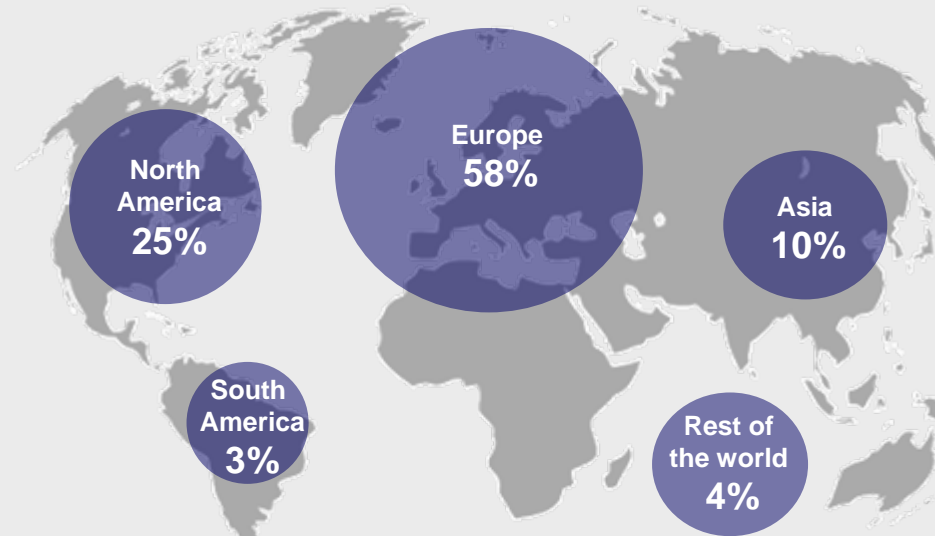
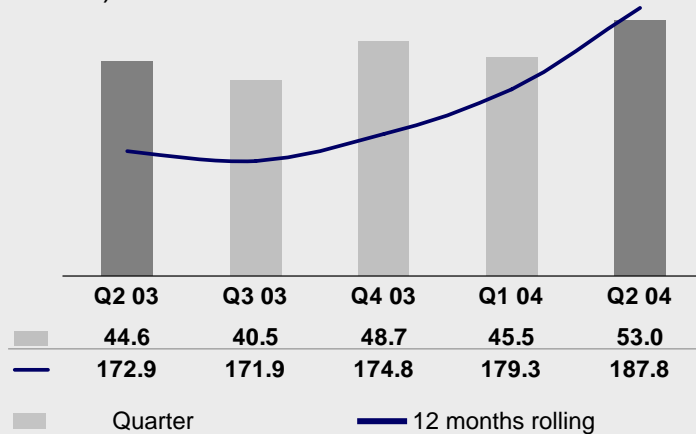
In Focus Going Forward

- Henlys Group
- Upturn management
- Continued focus on capital management
- Repurchase of own shares
- Product renewal

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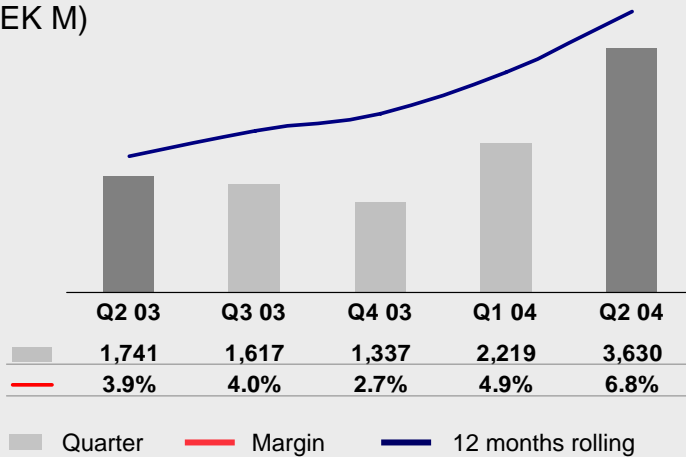
Net sales

(SEK bn)



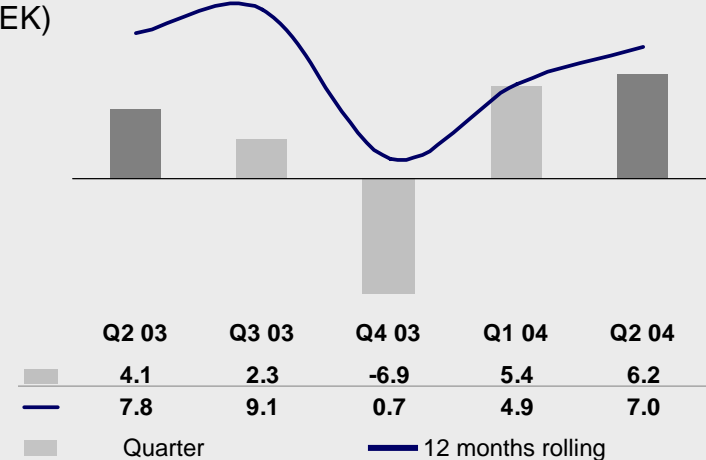
Operating income*

(SEK M)



Earnings per share

(SEK)



* Excluding effects from the holding in Scania AB

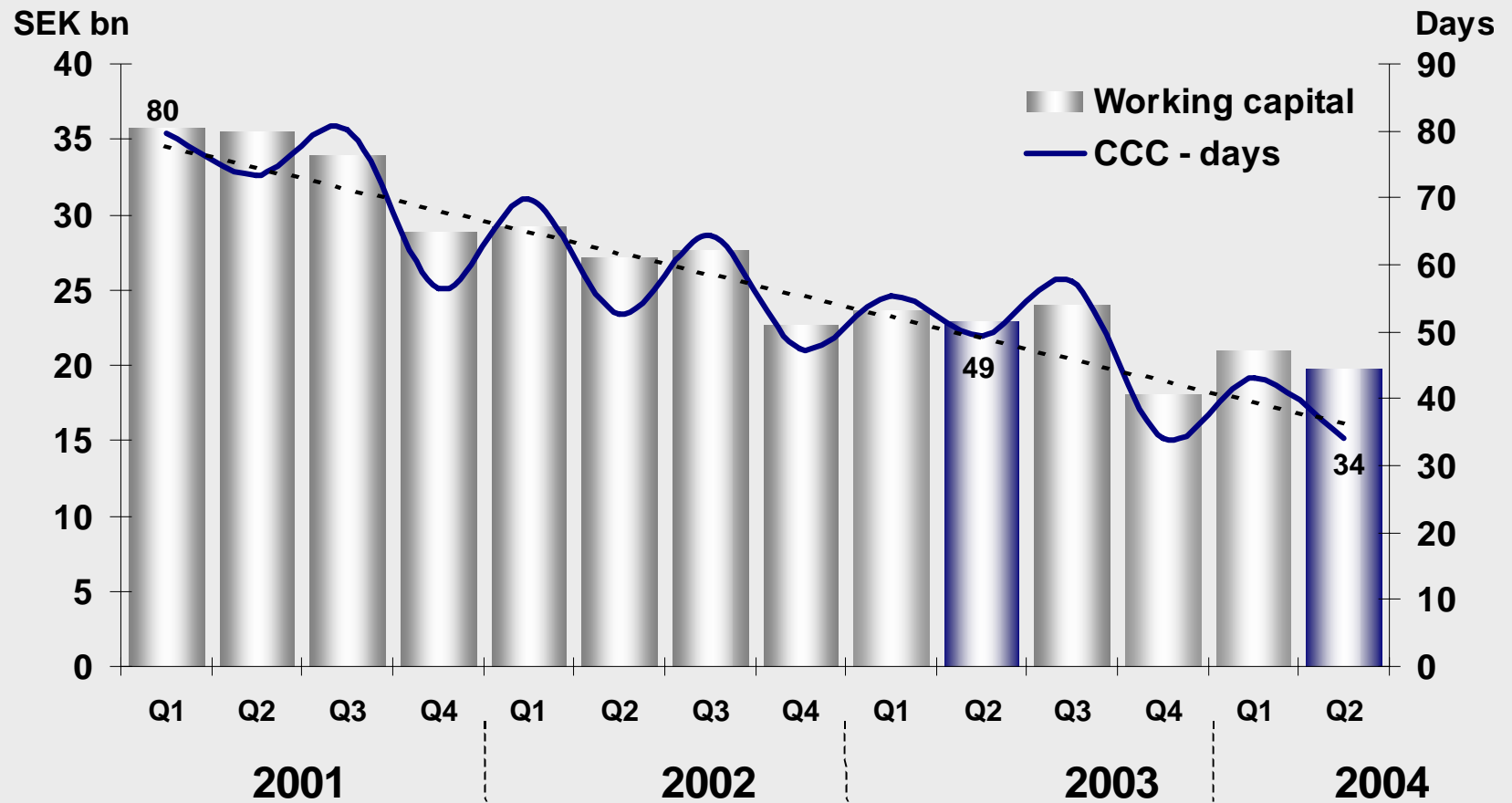
Consolidated Results

Second Quarter 2004

| SEK M | 2004 | 2003 | |
|---|----------------|----------------|--|
| Net Sales | 53,024 | 44,593 | <i>Adjusted for currency +21%</i> |
| Gross income | 11,534 | 8,595 | |
| | 21.8% | 19.3% | |
| R&D expenses | (1,867) | (1,664) | |
| Selling expenses | (4,518) | (3,789) | |
| Administrative expenses | (1,432) | (1,282) | |
| Other op. Income & expenses | (338) | (325) | |
| Inc. from Financial Services | 307 | 221 | |
| Inc. from investments in associated companies | 11 | 3 | |
| Inc. from other investments | 151 | 483 | <i>Revaluation of: Scania +218, Henlys -95</i> |
| Operating income | 3,848 | 2,242 | <i>Total currency impact approx. -400</i> |
| Financial Net | (116) | (199) | |
| Income after fin. Items | 3,732 | 2,043 | |
| Taxes | (1,101) | (321) | |
| Minority interest | (20) | - | |
| Net income | 2,611 | 1,722 | |
| EPS, SEK | 6.20 | 4.10 | |
| Operating margin | 7.3% | 5.0% | |
| Operating cash flow, excl. acq. & divest. | 5,300 | 2,800 | |

Volvo Group

Development of cash conversion cycle

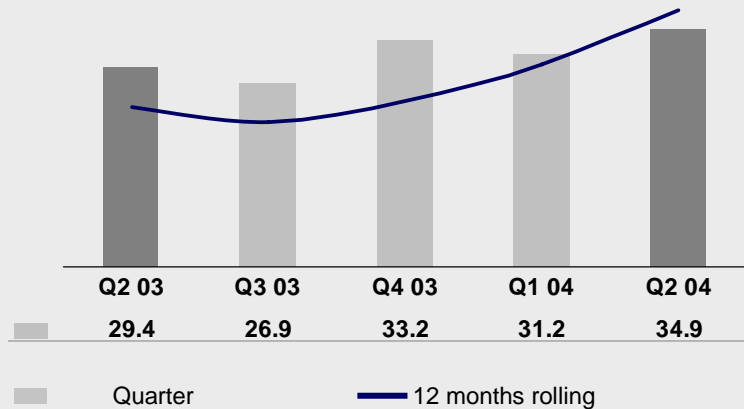


Trucks

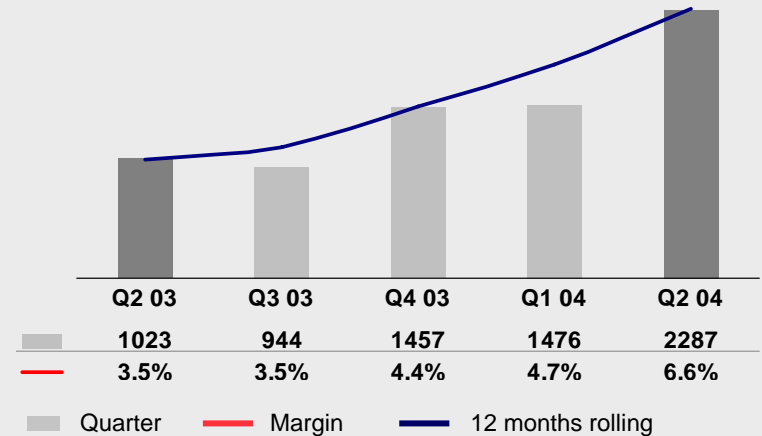
Second Quarter



Net sales (SEK bn)



Operating income (SEK M)



Highlights

- Strong performance in Volvo Trucks
- High capacity utilization
 - Production increase in NA
- Continued product renewal
 - New Advantage™ highway chassis for MACK
 - New Renault Mascott

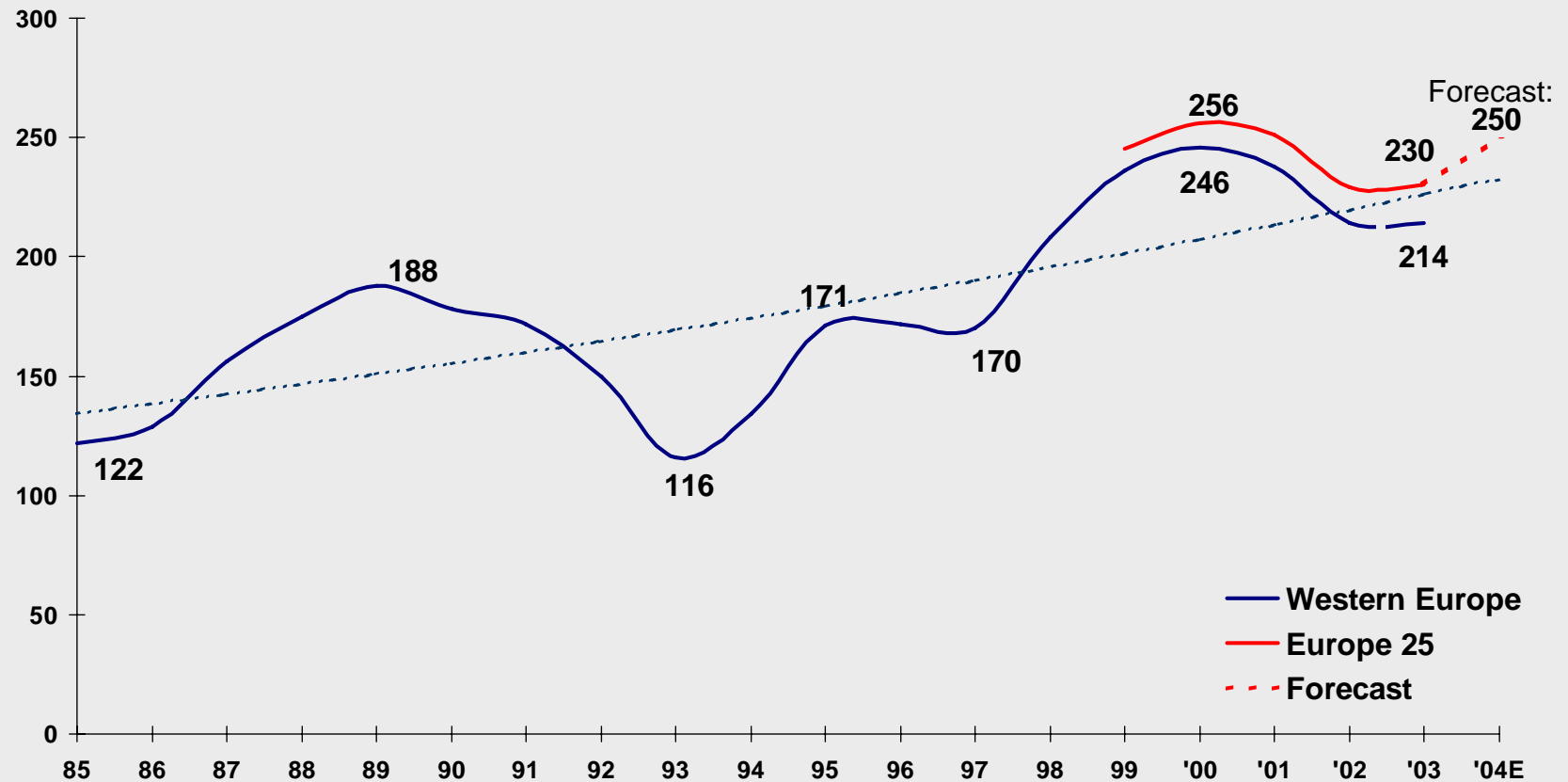
In Focus

- Upturn management
- Product renewal
- Cash flow

Heavy Duty Truck Market Europe 25



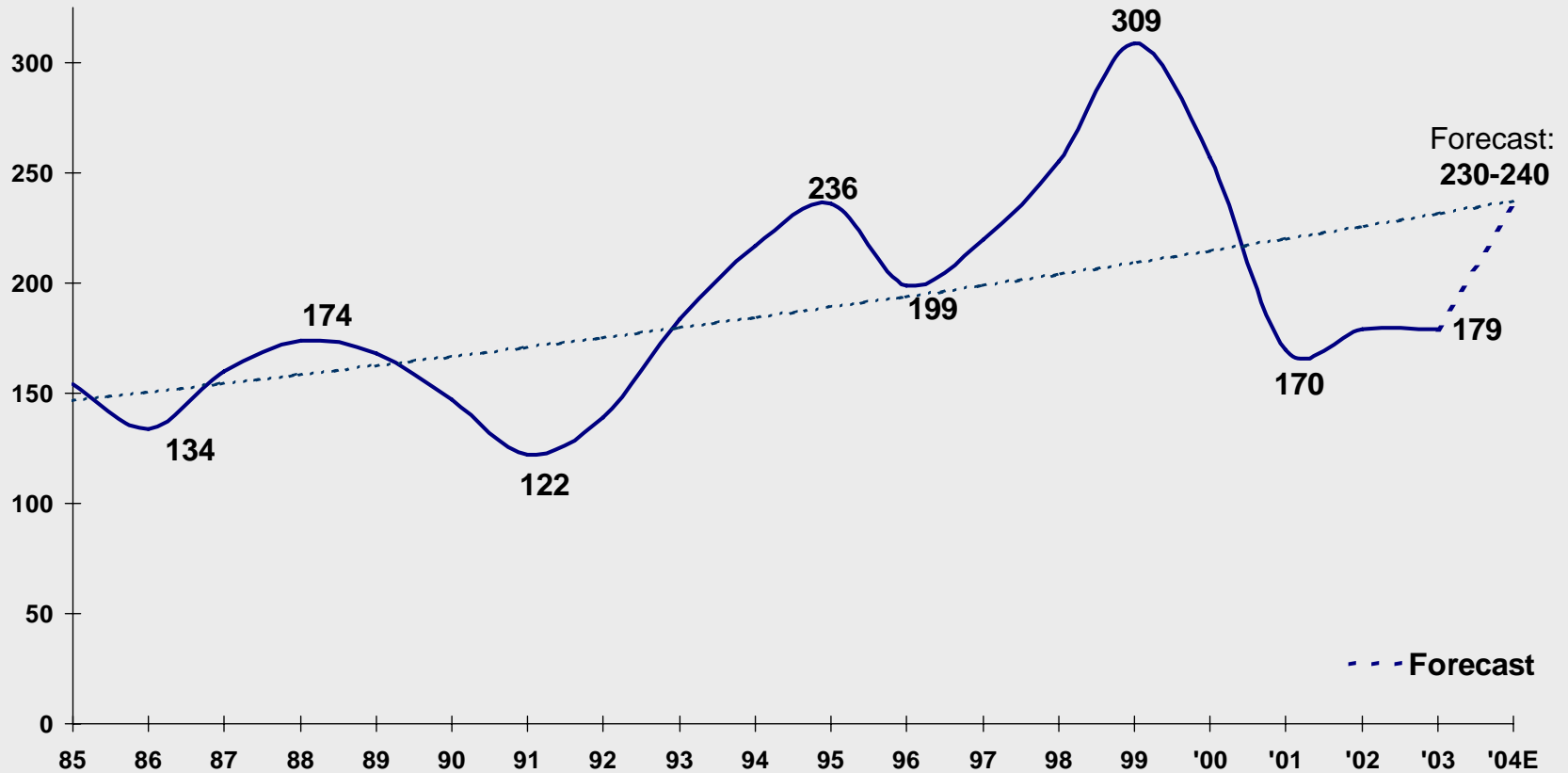
Units, Thousands (heavy trucks)



Heavy Duty Truck Market North America



Units, Thousands (heavy trucks)

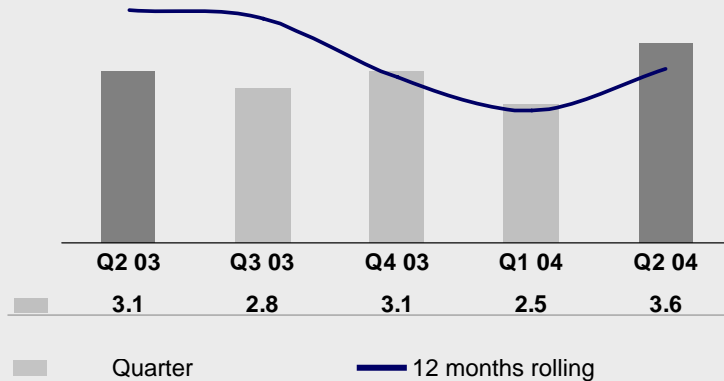


Volvo Buses

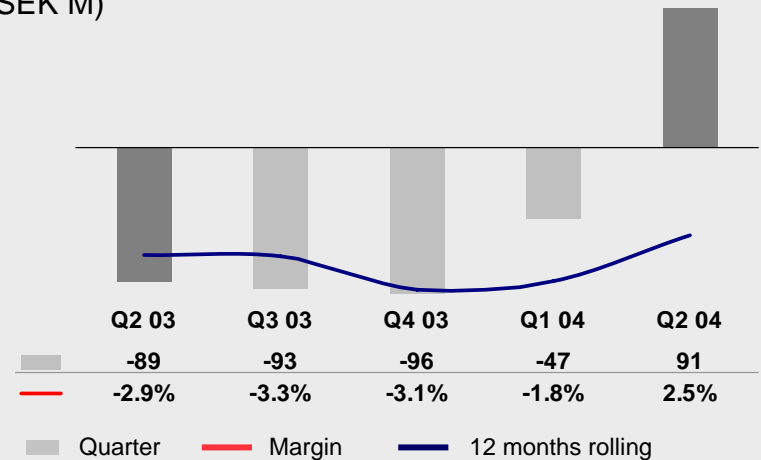
Second Quarter



Net sales (SEK bn)



Operating income* (SEK M)



Highlights

- Break-even management
- Better capacity utilization
- City buses delivered to Hungary

In Focus

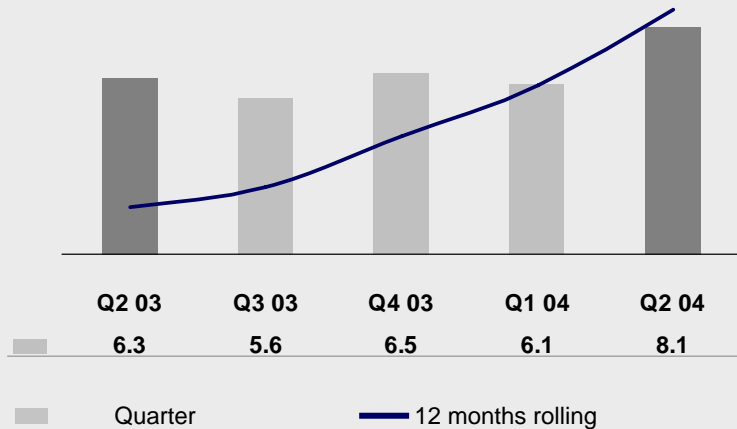
- Profitability and cash flow
- Mexico performance
- China development

* Excluding revaluation of shares in Henlys Group.

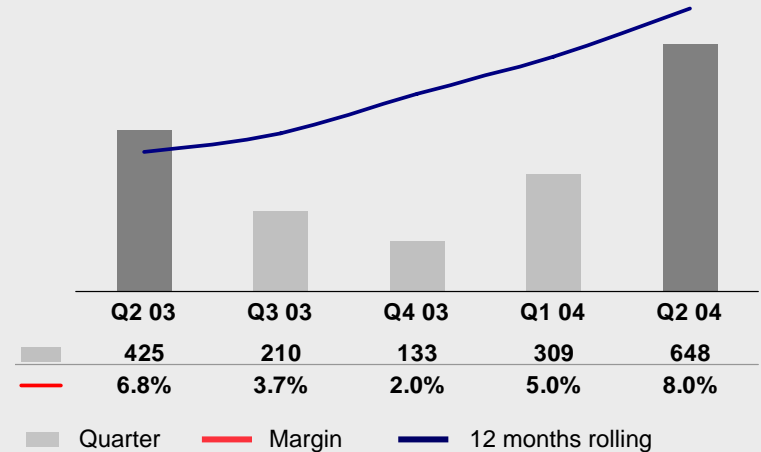
Volvo Construction Equipment Second Quarter



Net sales
(SEK bn)



Operating income
(SEK M)



Highlights

- Heavy construction equipment market up 17%
NA +37%, Eur. +6%, Int. +11%
- Volvo CE sales growth +30%
- Operating income up 50%
- Parts of LB Smith divested and US re-man business acquired

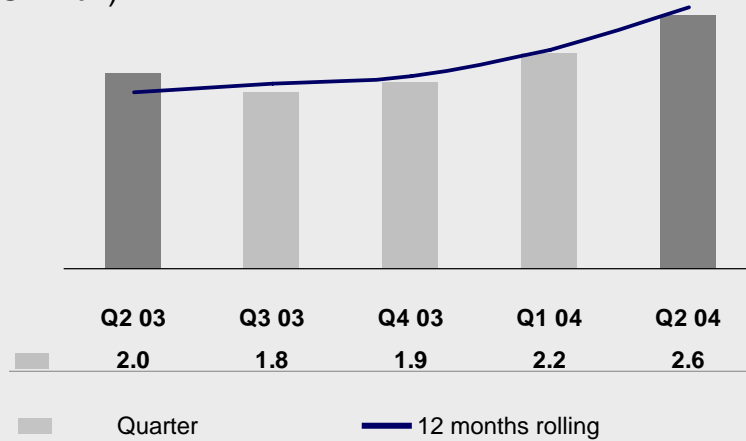
In Focus

- Improve operating margin
- Manage production capacity and material supply
- Seasonality management

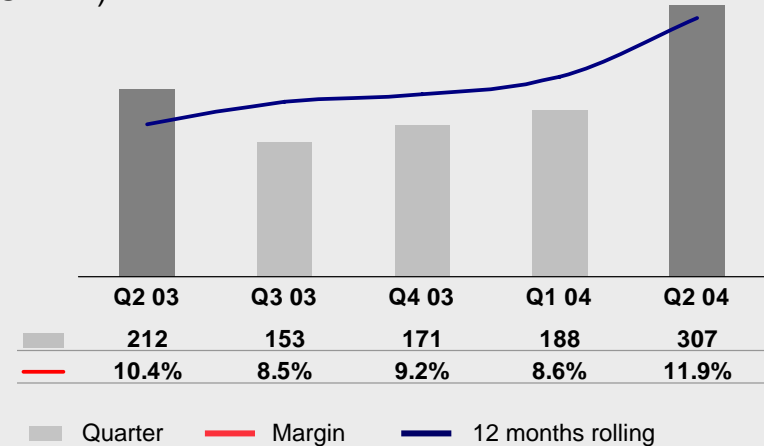
Volvo Penta Second Quarter



Net sales (SEK bn)



Operating income (SEK M)



Highlights

- High demand on new diesel range
- Strong development in all segments
- All time high in sales and op. income

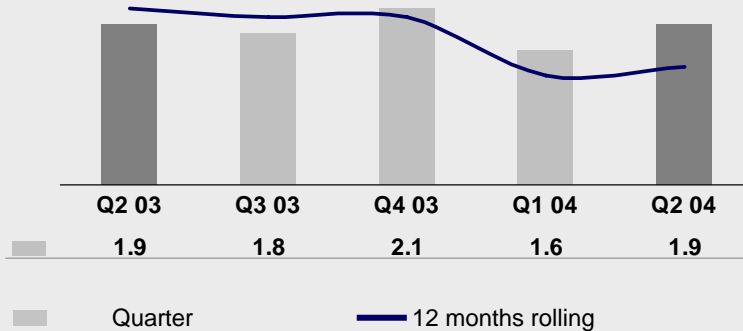
In Focus

- Quality
- Bottleneck issues
- Cost control

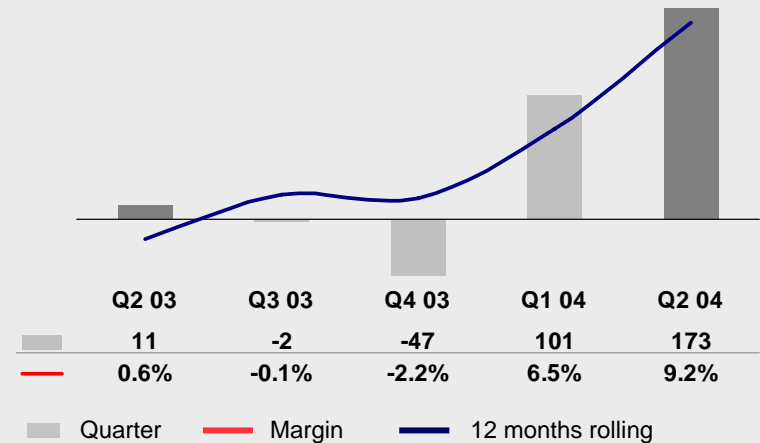
Volvo Aero Second Quarter



Net sales (SEK bn)



Operating income (SEK M)



Highlights

- Air traffic steadily growing
- Improved cost structure
- Higher volumes in component workshops
- Favorable sales mix
- Still weak aftermarket

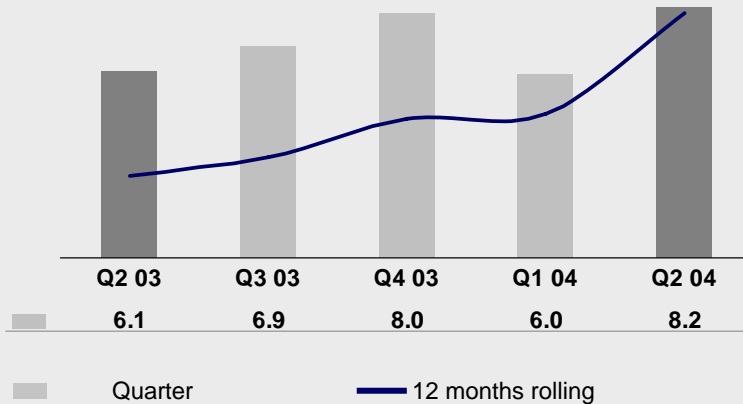
In Focus

- Decision on Swedish defense budget
- Participation in new engine programs
- Cost control in upturn
- Cash flow

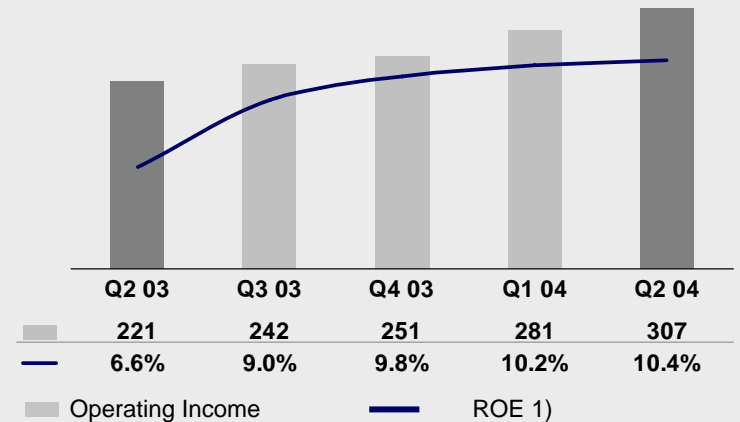
Volvo Financial Services Second Quarter



New retail financing (SEK bn)



Operating income and return on equity (SEK M)



Highlights

- Increasing financing volumes
- Strong profitability
- Stable market share

In Focus

- Customer satisfaction and retention
- Up-cycle management
- Price vs. risk and volume vs. market share

1) Calculated as a 12 month rolling average

Volvo Group

Summary

- **Efficiency, new products and scale pays off**
- **Improved cash flow**
- **Strong EPS development**
- **Good business environment in all markets**
- **Upturn management**

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