

VOLVO

Fourth Quarter and Full Year 2000

Telephone conference
February 1, 2001

Highlights

Fourth Quarter

- Continued downturn in North America
Slight sales increase in Europe
Substantial increase in all other markets
- Operating income down 21%
- flat, excl. Trucks
- Volvo Trucks Turnaround program
- ahead of plan
- Renault V.I. and Mack Trucks acquisition
- Acquisition Price approx. SEK 10.7 bln

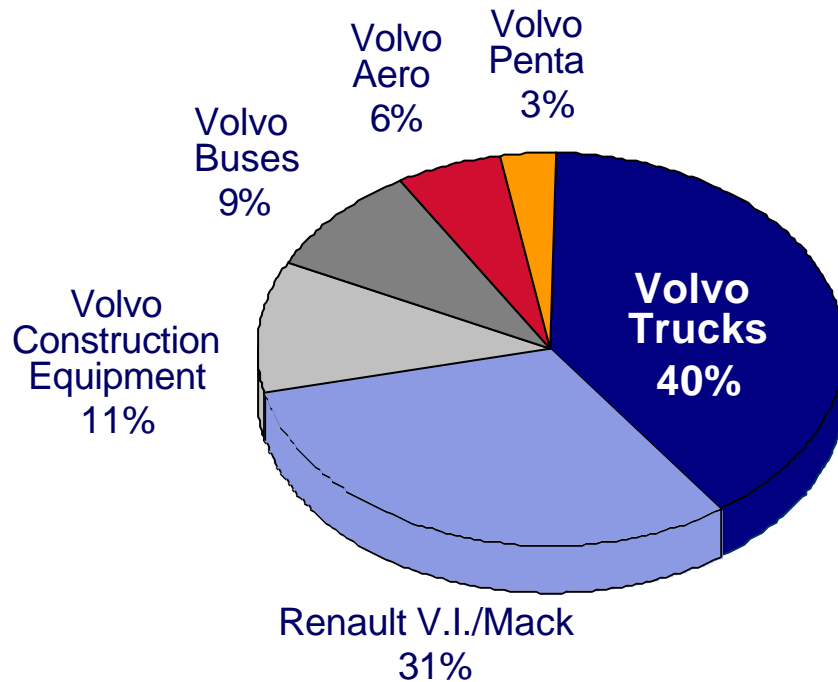
In Focus going forward

- Renault and Mack integration
- Capitalize on new products
- Quick adaptation to market changes

Volvo Group incl. Renault / Mack

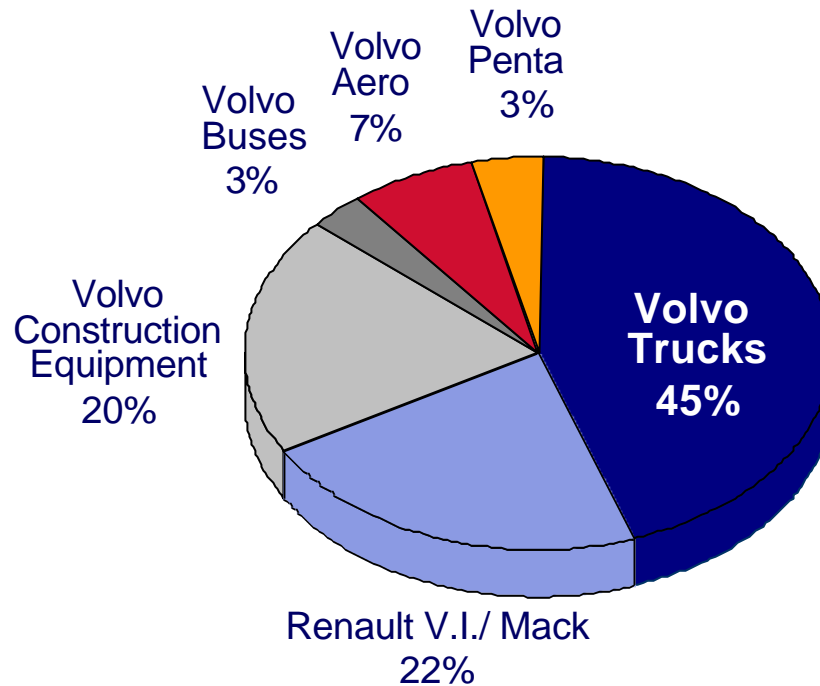
Pro forma 1999

Sales



Total: Euro 20.2 Bln
SEK 178 Bln

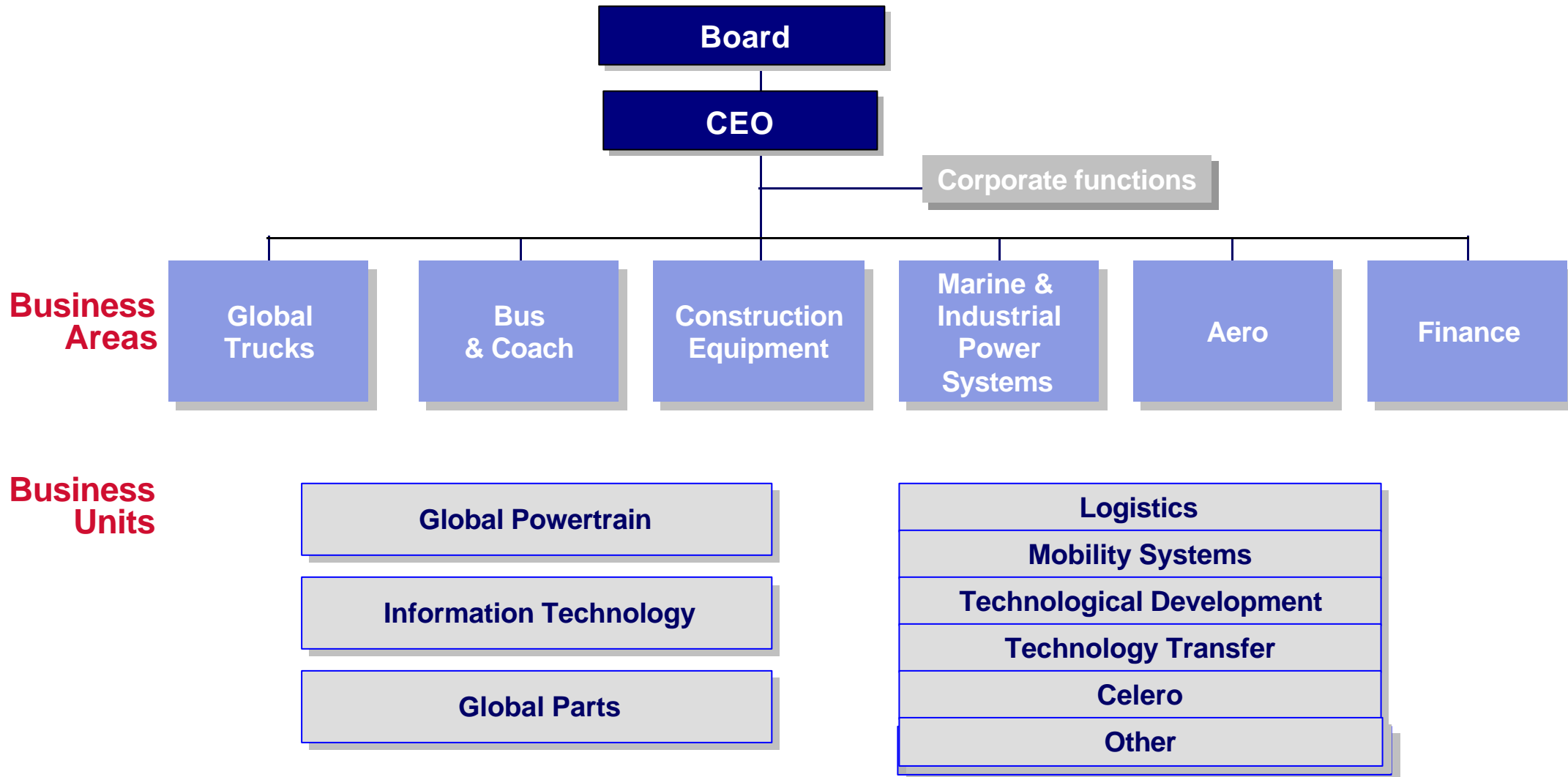
Operating income



Total: Euro 0.9 Bln
SEK 8.0 Bln

Average exchange rate 1999: 8.82 SEK/Euro

Volvo Group Organization



Global Powertrain



Global Powertrain
Lars-Göran Moberg

Powertrain Systems and Components
(Engines, Transmissions, Axles)

Sales by Market Area

2000

MSEK	Percent of Volvo's sales	Fourth Quarter			Full Year	
		2000	1999	Change %	2000	Change %
Western Europe	54	19,401	19,116	1	68,182	3
Eastern Europe	4	1,408	888	59	3,933	36
North America	28	10,046	11,333	(11)	40,655	(5)
South America	4	1,318	1,123	17	5,182	31
Asia	8	2,930	1,976	48	8,765	45
Others	2	829	777	7	3,353	12
Total		35,932	35,213	2	130,070	4

- Continued decline in North America, offset by growth in all other regions

Sales by Business Area

2000

SEK M	Percent of Total %	Fourth Quarter		Change %	Full Year	
		2000	1999		2000	Change %
Trucks	49	17,651	18,040	(2)	62,196	(1)
Buses	14	4,910	4,390	12	17,187	17
Construction Equipm.	14	5,102	4,788	7	19,993	6
Marine & Ind. Power Sys.	5	1,679	1,591	6	6,599	15
Aero	8	2,882	2,842	1	10,713	8
Finance	7	2,695	2,293	18	9,678	12
Other & Eliminations	3	1,013	1,269		3,704	
Volvo Group	100	35,932	35,213	2	130,070	4

- Trucks - Reduced sales in North America, offset by growth in all other regions
- Buses - Continued good increase of sales volume
- Construction Equipment - Strong increase in sales of compact equipment
- Marine and Industrial Power Systems - Continued strong sales development
- Aero - Aftermarket recovery from a low level

Operating Income by Business Area

2000

SEK M	Percent of Total	Fourth Quarter		Change	Full Year	Change
	%	2000	1999	%		2000
Trucks	41	685	1,116	(39)	1,414	(56)
Buses	10	162	156	4	440	96
Construction Equipm.	15	261	353	(26)	1,594	(7)
Marine & Ind. Power Sys.	4	63	49	29	484	54
Aero	9	161	190	(15)	621	6
Finance	7	127	335	(62)	1,396	43
Other & Eliminations	14	230	(74)		205	
Volvo Group	100	1,689	2,125	(21)	6,154	(9)

- Trucks - Turnaround program - ahead of plan, positive contribution in fourth quarter
- Buses - Positive momentum from a low level
- Volvo CE - Volume reductions and pipeline inventories taken down to match market conditions
- Cost for early retirements in Q4 (SEK 46M)
- Marine and Industrial Power Systems - Good profitability in the seasonally weak fourth quarter
- Aero - Strong profitability on engine components
- Finance - Increased credit losses from the US Truck financing. Q4 1999 includes one-time item of SEK 185M
- Other - Adjustment of the gain on the sale of Volvo Cars SEK 375 M - Q4 2000

Full Year 2000 Consolidated Results

SEK M	Fourth Quarter		Change %	Full Year		Change %
	2000	1999		2000	1999	
Sales	35,932	35,213	2	130,070	125,019	4
Operating income	1,689	2,125	(21)	6,154	33,421	(82)
Inc. ass. comp. & oth. inv.	(19)	61		514	737	
Interest net	(237)	138		(257)	307	
Other financial items	(46)	92		(165)	131	
Income after fin. items	1,387	2,416	(43)	6,246	34,596	(82)
Taxes	(194)	(715)		(1,510)	(2,270)	
Minority interest	(6)	(44)		(27)	(104)	
Net income	1,187	1,657		4,709	32,222	
EPS	3.00 ¹	3.80		11.20 ²	73.00	
Operating margin	4.7%	6.0%		4.7%	26.7%	

1) Average number of shares Q4 -00 =397,4 M

2) Average number of shares 2000 =421,7 M

Volvo Trucks

Fourth Quarter 2000

SEK M	Fourth Quarter			Full Year	
	2000	1999	Change	2000	Change
Volume (units)	23,139	23,981	(4%)	81,830	(4%)
Sales	17,651	18,040	(2%)	62,196	(1%)
Operating income	685	1,116	(39%)	1,414	(56%)
Operating margin	3.9%	6.2%	(2.3)	2.3%	(2.9)
ROC, 12M	9.7%	30.2%	(20.5)	9.7%	(20.5)

Major Factors

- Increased sales on all markets except North America
- Impact from Turnaround program
- Market situation in North America
- Renault V.I./Mack Trucks Inc. acquisition approved by Department of Justice

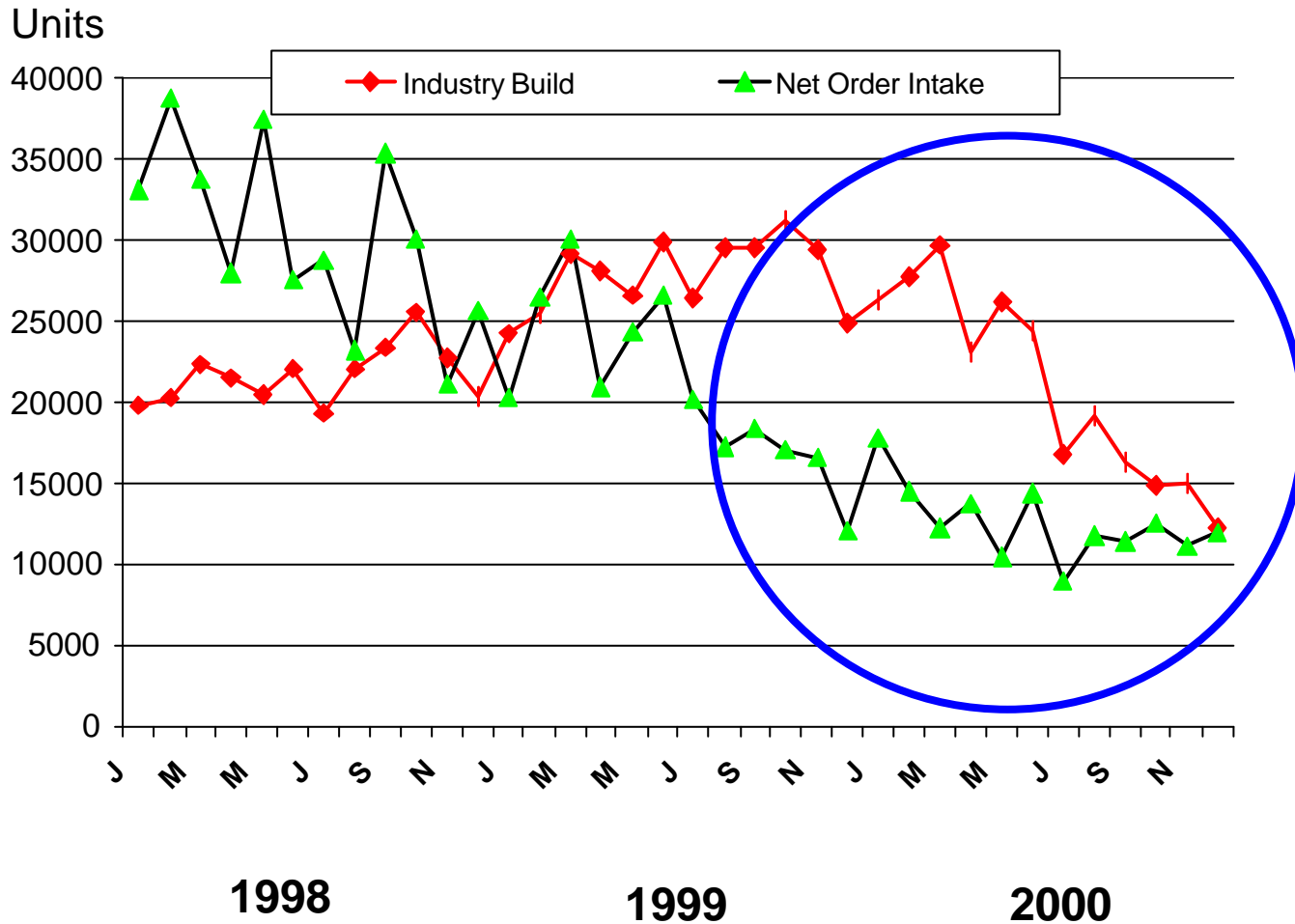
Fourth Quarter Constraints

- Market situation in North America

In Focus

- Managing North American downturn
- Continued expansion in emerging markets
- Turnaround program

Monthly Order Intake vs. Build Rate in North America



- Volvo has been quick to respond to market decline
- Industry build rate in line with demand in Q1?
- Market expected to decrease further in Q1

Deliveries



Units

	January-December		Change
	1999	2000	%
Total Europe	42 527	46 143	+9
of which:			
Western Europe	39 625	42 054	+6
Eastern Europe	2 902	4 089	+41
North America	34 303	23 610	(31)
South America	3 901	4 534	+16
Asia	2 723	5 556	+104
Rest of the world	1 633	1 987	+22
Total	85 087	81 830	(4)

Volvo Global Trucks

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- **Secure Start-up** done
 - financial, legal and operational control
- **Implement Global Organization and Processes** done
 - global organization of 3P and Powertrain
 - brand organization of Volvo-, Renault- and Mack trucks
- **Establish Business Plan and Budgets** in process
 - strategic directions and growth plans
 - performance targets for each organization
- **Decide on Product Plans** in process
 - establish and decide upon common product plan
- **Capture Synergy Potentials** in process
 - share and transfer best practice

Summary - Trucks

- Volvo Trucks Turnaround program has contributed well in Q4
- Strong growth in all markets except North America. Deliveries in Europe all time high in Q4
- Volvo Global Trucks up and running

Volvo Construction Equipment

Fourth Quarter 2000

SEK M	Fourth Quarter			Full Year	
	2000	1999	Change	2000	Change
Sales	5,102	4,788	7%	19,993	6%
Operating income	261	353	(26%)	1,594	(7%)
Operating margin	5.1%	7.4%	(2.3)	8.0%	(1.1)
ROC, 12M	16.2%	19.1%	(2.9)	16.2%	(2.9)

Major Factors

- Pipeline inventories taken down to match market conditions
- Total market down 3%
- Excavators up 25% in full year
- All time high - 21,000 units full year
- Cost for early retirements in Q4 -00 (SEK 46 M)

Fourth Quarter Constraints In Focus

- Product Mix
- Geographical mix
 - Further decline in N. America
 - Flat in Europe
- Balance a weaker demand
- Capitalize on new product lines e.g. Articulated Haulers
- Continue to gain market shares
- Brand consolidation completed - all products branded Volvo

Volvo Buses

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Fourth Quarter 2000

SEK M	Fourth Quarter			Full Year	
	2000	1999	Change	2000	Change
Volume (units)	2,975	2,905	2%	11,015	16%
Sales	4,910	4,390	12%	17,187	17%
Operating income	162	156	4%	440	96%
Operating margin	3.3%	3.6%	(0.3)	2.6%	1.1
ROC, 12M	6.3%	3.9%	2.4	6.3%	2.4

Major Factors

- High level of capacity utilization
- Strong sales, improved market share in Europe
- Continued positive development in Mexico

Fourth Quarter Constraints

- Lower volume of coaches in North America
- Intensive phase of product development
- Nova strike in the US

In Focus

- TX-platform introduction continues
- Adapting to lower order intake in Europe and North America

Volvo Penta

Fourth Quarter 2000

SEK M	Fourth Quarter			Full Year	
	2000	1999	Change	2000	Change
Sales	1,679	1,591	6%	6,599	15%
Operating income	63	49	29%	484	54%
Operating margin	3.8%	3.1%	0.7	7.3%	1.8
ROC, 12M	43.3%	26.0%	17.3	43.3%	17.3

Major Factors

- Record year
- Strong sales development trend continues
- Strong order book
- Market share gains

Fourth Quarter Constraints

- Major US customer/supplier in chapter 11

In Focus

- Market development, specifically North America
- Product development program
- Successful product introductions - broadening product range

Volvo Aero

Fourth Quarter 2000

SEK M	Fourth Quarter			Full Year	
	2000	1999	Change	2000	Change
Sales	2,882	2,842	1%	10,713	8%
Operating income	161	190	(15%)	621	6%
Operating margin	5.6%	6.7%	(1.1)	5.8%	(0.1)
ROC, 12M, excl. AGES	25.2%	19.2%	6.0	25.2%	6.0

Major Factors

- All time high in Aerospace components
- Aftermarket recovery from a low level
- Successful capital management

Fourth Quarter Constraints In Focus

- Continued low activity within the aftermarket
- Full capacity utilization, within Aerospace components
- Improved profitability within aftermarket services
- Meeting delivery requirements
- Capital management

Volvo Finance

Fourth Quarter 2000

SEK M	Fourth Quarter			Full Year	
	2000	1999	Change	2000	Change
Operating income	127	335	(62%)	1,396*	43%
Op. Income (excl. non recurr.)	127	151	(16%)	748	1%
ROE (excl. non recurring)	14.1%	11.0%	3.1		
Assets, MSEK	66,522	56,477	18%		
Equity ratio	11.5%	12.1%	(0.6)		

Major Factors

- Operating Income
 - Increased credit losses in the US (SEK 411 M vs. SEK 277 M in 1999)
 - Increased provisions in 2000
 - Release of provisions during 1999 (SEK 240M)

Fourth Quarter Constraints In Focus

- Increased credit losses from US Truck financing.
- Developing an integrated financial offer for Renault and Mack customers
- Further development and growth of related services such as insurance, credit cards and consulting.

* Incl. Capital gain Volvia (610) and pension contribution from SPP (38),

Summary

- Renault and Mack deal approved
 - Volvo Global Trucks integration on track
- New organization implemented
- Continued downturn in North America and Europe is levelling out
- Volvo Trucks Turnaround program paying off
- Strong new product program