

VOLVO

Second Quarter 2002

Phone Conference

July 23, 2002

Highlights

Second Quarter

- Business Environment
 - Low demand in N. America
 - Downward trend in W. Europe, though from a high level
 - Strong development in Asia and E. Europe
- Successful product introduction in Volvo Trucks
 - Completed in Q2
 - Full production in Europe
- Significantly improved cash flow
- Progress in Buses turn around activities

In Focus Going Forward

Short Term

- Manage Winnsboro production transfer
- Introduction of new US truck program
- Adapt to a declining demand in Volvo Aero

Long Term

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

Sales by Market Area

Second Quarter 2002

SEK M	Second Quarter				First Six Months		
	Split	2002	2001	Change	2002	2001	Change
Western Europe	52%	25,670	23,624	9%	46,767	47,321	-1%
Eastern Europe	4%	1,946	1,427	36%	3,264	2,626	24%
North America	29%	14,491	15,354	-6%	26,229	28,795	-9%
South America	3%	1,239	1,727	-28%	2,450	3,106	-21%
Asia	7%	3,342	2,756	21%	5,992	4,697	28%
Others	5%	2,606	2,210	18%	4,977	4,303	16%
Total	100%	49,294	47,098	5%	89,679	90,848	-1%

- Sales increased with 8% when adjusted for changes in exchange rates and group structure
- Improved deliveries in Western Europe for all major Business Areas, despite weakening markets
- Demand in North America continues to be at a low level
- Continued strong performance in Asia and Eastern Europe

Sales by Business Area

Second Quarter 2002

SEK M	Second Quarter				First Six Months		
	Split	2002	2001	Change	2002	2001	Change
Trucks	66%	32,554	29,256	11%	59,112	58,377	1%
Buses	8%	4,142	4,915	-16%	7,307	8,630	-15%
Construction Equipm.	13%	6,188	6,067	2%	10,664	10,755	-1%
Volvo Penta	5%	2,249	1,976	14%	4,211	3,712	13%
Volvo Aero	5%	2,338	3,060	-24%	4,823	5,667	-15%
Others	4%	1,823	1,824	0%	3,562	3,707	-4%
Volvo Group	100%	49,294	47,098	5%	89,679	90,848	-1%

- Trucks - European demand still on a high level for Renault and Volvo
- Buses - Significantly lower deliveries in South America and North America
- Construction Equipment - Continued weak market conditions (North America & Europe -7%)
- Volvo Penta - Gained market shares and continued strong sales development
- Volvo Aero - Impact of market downturn

Operating Income by Business Area

Second Quarter 2002

SEK M	Second Quarter			First Six Months		
	2002	2001	Change	2002	2001	Change
Trucks	483	639 ¹⁾	-24%	9	789	-99%
Buses	51	(25)	n.a.	(43)	(108)	n.a.
Construction Equipm.	464	408	14%	333	489	-32%
Volvo Penta	225	222	na	371	389	na
Volvo Aero	40	286	-86%	118	446	-74%
Financial Services	120	63	90%	235	176	34%
Others	176	530	-67%	174	444	-61%
Restructuring costs					(1,319)	
Volvo Group	1,559	2,123	-27%	1,197	1,306	-8%

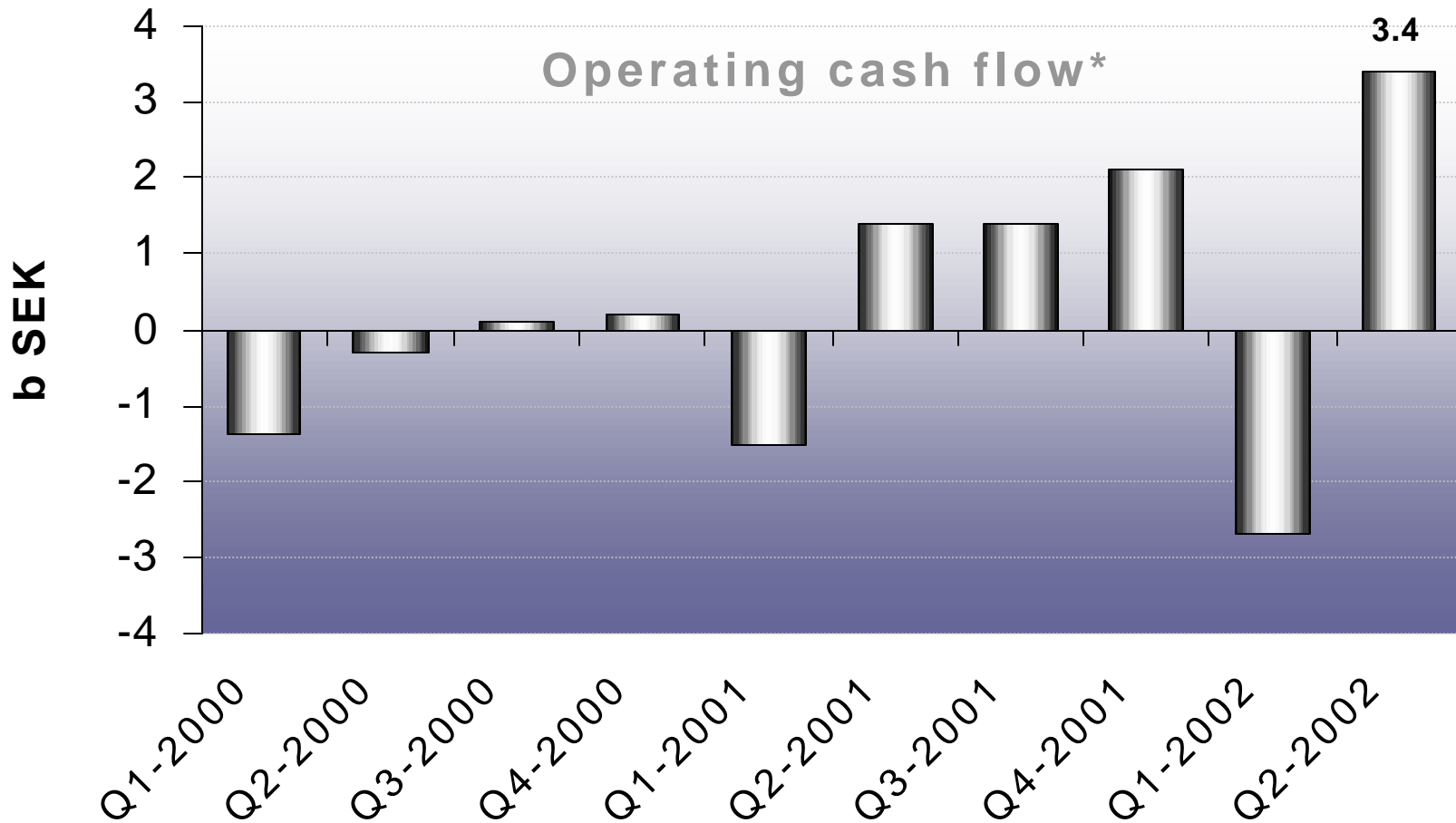
- Trucks - Increased delivery and production rates in Europe
- Buses - Progress achieved in turn-around. Significantly lower volumes in South America and Mexico affects result negatively.
- Construction Equipment - Product changeover issues from Q1 resolved
- Volvo Penta - Strong operating income and good operating margin
- Volvo Aero - Engine maintenance and spare parts sales continue to suffer from market downturn
- 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

Cash-Flow Development

Second Quarter 2002



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

Consolidated Results

Second Quarter 2002

SEK M	Second Quarter			First Six Months		
	2002	2001	Change	2002	2001	Change
Net Sales	49,294	47,098	5%	89,679	90,848	-1%
Gross income	8,734	8,211	6%	15,914	15,725	1%
R&D expenses	(1,373)	(1,357)		(2,878)	(2,751)	
Selling expenses	(3,787)	(3,599)		(7,584)	(6,977)	
Administrative expenses	(1,455)	(1,776)		(2,732)	(3,435)	
Other op. Income & expenses	(958)	(815)		(2,052)	(1,511)	
Inc. from Financial Services	120	63		235	176	
Inc. from investments in associated companies	(47)	(52)		(31)	(54)	
Inc. from other investments	325	1,448		325	1,452	
Items affecting comparability	-	-		-	(1,319)	
Operating income	1,559	2,123		1,197	1,306	
Financial Net	(249)	(311)		(505)	(745)	
Income after fin. Items	1,310	1,812		692	561	
Taxes	(212)	(465)		(330)	(43)	
Minority interest	(18)	9		(28)	37	
Net income	1,080	1,356		334	555	
EPS, SEK	2.60	3.20		2.60	3.20	
Operating margin	3.2%	4.5%		1.3%	1.4%	
Operating cash flow, excl. acq. & divest.	3,400	1,400		700	(100)	

Reconciliation of Profit and Loss statement

Second Quarter 2002

First Six Months SEK M	Reported		Adjustments		Normalized		Change
	2002	2001	2002	2001	2002	2001	
Sales	49,294	47,098			49,294	47,098	
Operating income	1,559	2,123	20 ¹⁾	(1,103) ²⁾	1,579	1,020	
Financial net	(249)	(311)			(249)	(311)	
Income after financial items	1,310	1,812			1,330	709	
Taxes	(212)	(465)		130	(212)	(335)	
Minority interest	(18)	9			(18)	9	
Net income	1,080	1,356			1,100	383	
EPS	2.60	3.20			2.62	0.90	
Operating margin, %	3.2%	4.5%			3.2%	2.2%	

1) Deficit in Volvo's Swedish pension fund of SEK (338) M and dividend from Scania shares of SEK 318 M

2) Gain on Mitsubishi and Volvia holdings of SEK 574 M and SEK 562 M respectively, increased reserve for credit losses of SEK (670) M and dividend from Scania shares of SEK 637 M

Trucks

Second Quarter

SEK M	Second Quarter			First Six Months	
	2002	2001	Change	2002	Change
Volume (units)	43,781	39,945	10%	77,103	-6%
Sales	32,554	29,256	11%	59,112	1%
Operating income	483	639 ¹⁾	-24%	9	-99%
Operating margin %	1.5%	2.2%	(0.7)	0.0	(1.4)

Highlights

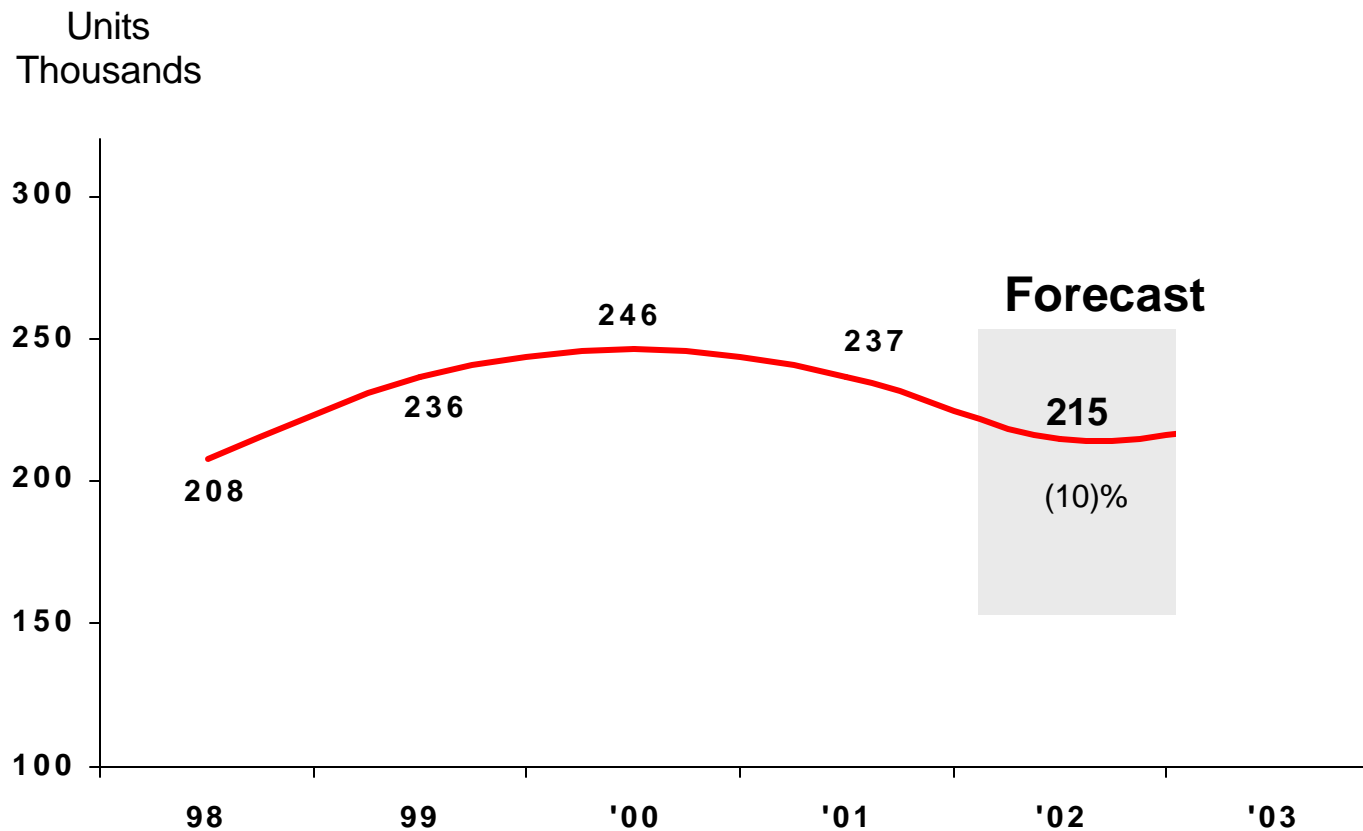
- Successful product introduction completed
- High and stable production levels in Europe
- focus on productivity development
- Significant volumes and continued growth in Asia

In Focus

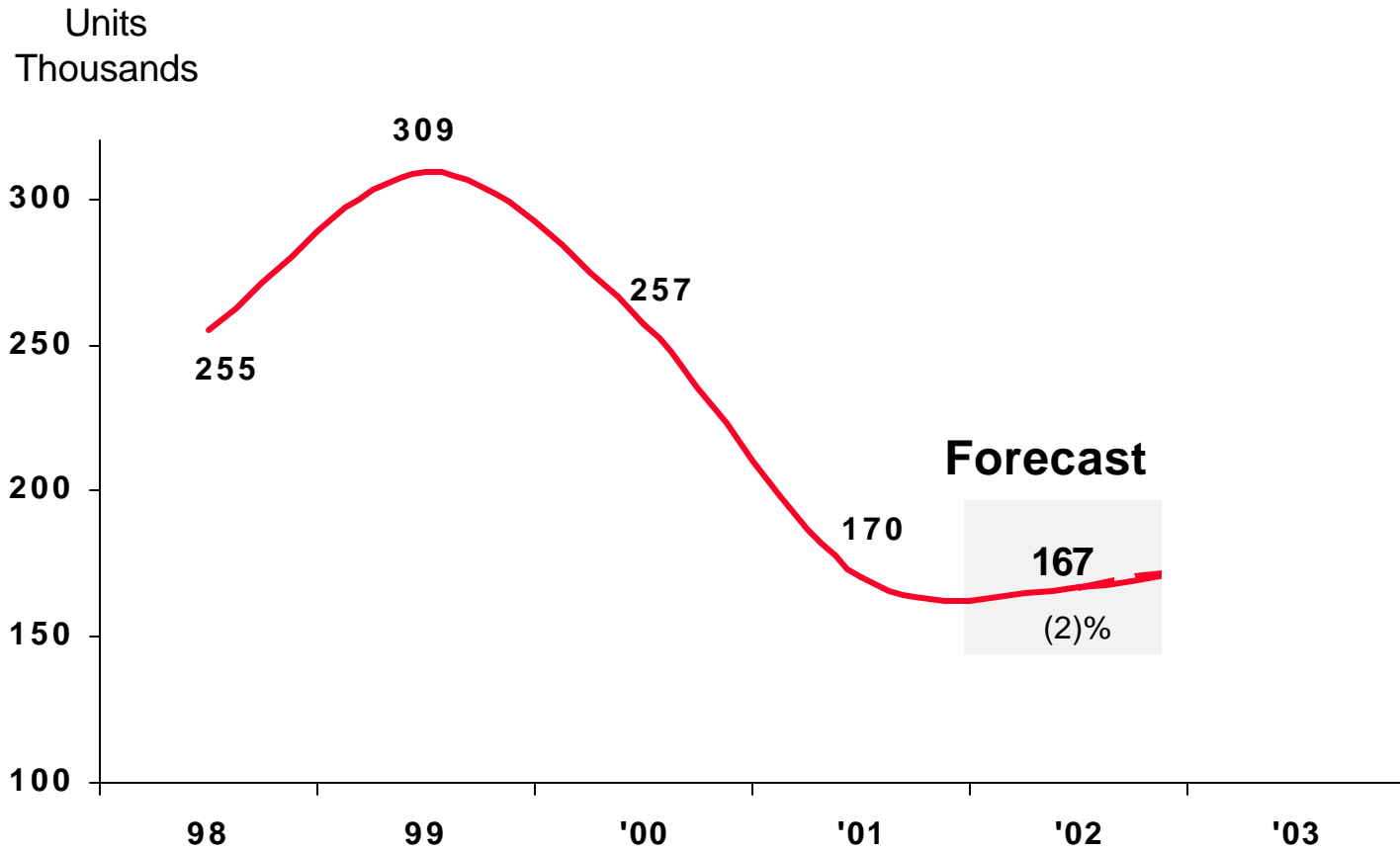
- Introduction of new US truck program
- Manage demand pattern in US
- Winnsboro production transfer

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

Total Market Heavy Trucks W. Europe Registration Forecast



Total Market Heavy Trucks NAFTA Retail Sales Forecast



Volvo Buses

Second Quarter

SEK M	Second Quarter			First Six Months	
	2002	2001	Change	2002	Change
Volume (units)	2,571	2,727	-6%	4,413	-9%
Sales	4,142	4,915	-16%	7,307	-15%
Operating income	51	(25)	n.a.	(43)	n.a.
Operating margin %	1.2%	-0.5%	1.7	(0.6)	0.7

Highlights

- Progress in turn-around activities
- Significant drop in sales in South America and Mexico
- Coach sales low in Europe and the US due to unfavorable touring business
- Major orders in Mexico to leading operators

In Focus

- Turn-around activities
- Secure an improved price realization
- Manage the exit of the US transit market

Volvo Construction Equipment

Second Quarter

SEK M	Second Quarter			First Six Months	
	2002	2001	Change	2002	Change
Sales	6,188	6,067	2%	10,664	-1%
Operating income	464	408	14%	333	-32%
Operating margin %	7.5%	6.7%	0.8	3.1	-1.4

Highlights

- Continued soft market
- Production changeover issues resolved
- New generation of motor graders

In Focus

- Manage launch of new compact products
- Continue to develop rental channel
- Product and production cost
- Deliver according to a continued strong order book

Volvo Penta

Second Quarter

SEK M	Second Quarter			First Six Months	
	2002	2001	Change	2002	Change
Sales	2,249	1,976	14%	4,211	13%
Operating income	225	222	na 1)	371	na 1)
Operating margin %	10.0%	11.2%	na 1)	8.8	na 1)

Highlights

- Business in order
- Strong sales development and operating income
- Positive cash-flow
- Market downturn has been offset by new customers
- New 5 - 7 litre diesel engines introduced

In Focus

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

1) Not meaningful due to changes in cost allocations

Volvo Aero

Second Quarter

SEK M	Second Quarter			First Six Months	
	2002	2001	Change	2002	Change
Sales	2,338	3,060	-24%	4,823	-15%
Operating income	40	286	-86%	118	-74%
Operating margin %	1.7%	9.3%	(7.6)	2.4	(5.5)

Highlights

- Slow recovery in air traffic, but lower yield
- More than 15% of all commercial aircraft not in traffic
- Engine maintenance and spare part sales suffering from the market downturn
- Still high but however decreasing volumes in Aerospace Components
- New long term agreements within after market services

In Focus

- Adaptation to a declining market
- Increased marketing activities within after market services
- Cash flow

Volvo Financial Services

Second Quarter

SEK M	Second Quarter			First Six Months	
	2002	2001	Change	2002	Change
Operating income	120	63	90.5%	235	34%
ROE % 1)				3.7%	(2.0)
Assets, MSEK	68,683	70,057	-2.0%	68,683	-2.0%
Equity ratio				10.7%	0.0

Highlights

- Increase in retail finance volume compared with last year, mainly due to Renault and Mack
 - Improves portfolio diversification
 - Increases long-term profitability
- New committed 5 year back up facility of 850 MUSD established

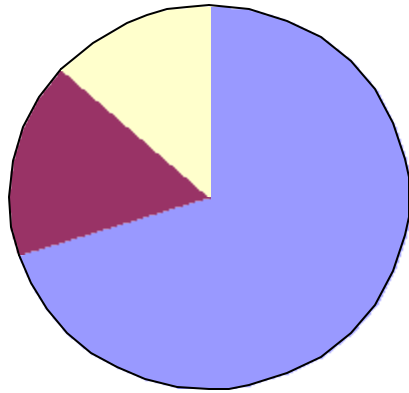
In Focus

- Syndication strategy
- Funding strategy

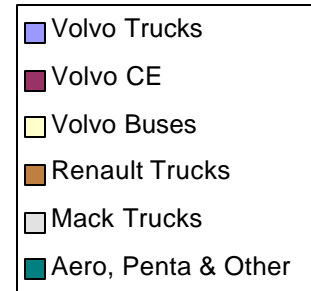
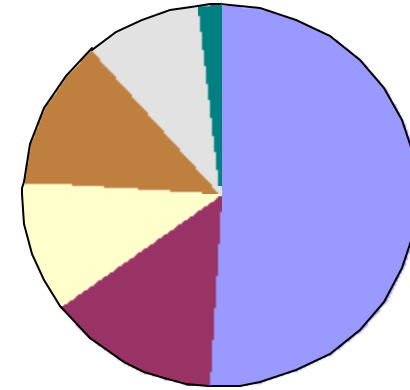
1) Calculated as a 12 month rolling average

Finance Volume and Penetration

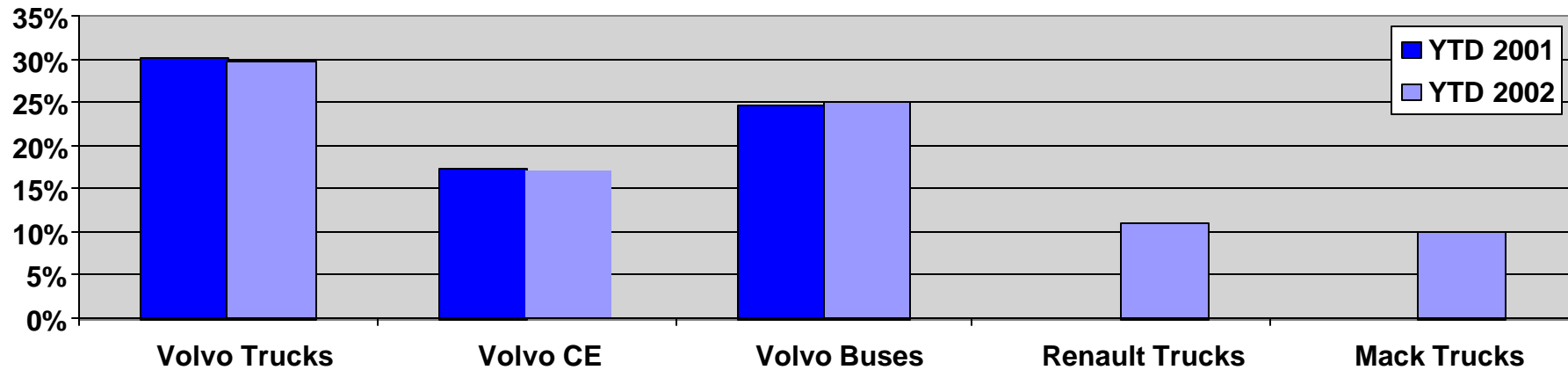
2001 Volume YTD



2002 Volume YTD



Finance penetration



Volvo Group

Summary

- Business Environment
 - Low demand in N. America
 - Downward trend in W. Europe
 - Strong development in Asia and E. Europe
- Successful product introduction
- Improved results in Trucks and Construction Equipment, progress in Buses
- Significantly improved cash flow
- Integration on plan
- Focus on US Truck operations
 - Production transfer
 - New product program
 - Demand pattern

VOLVO