

VOLVO

**Fourth Quarter and Full Year 2002
Press Conference, 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)

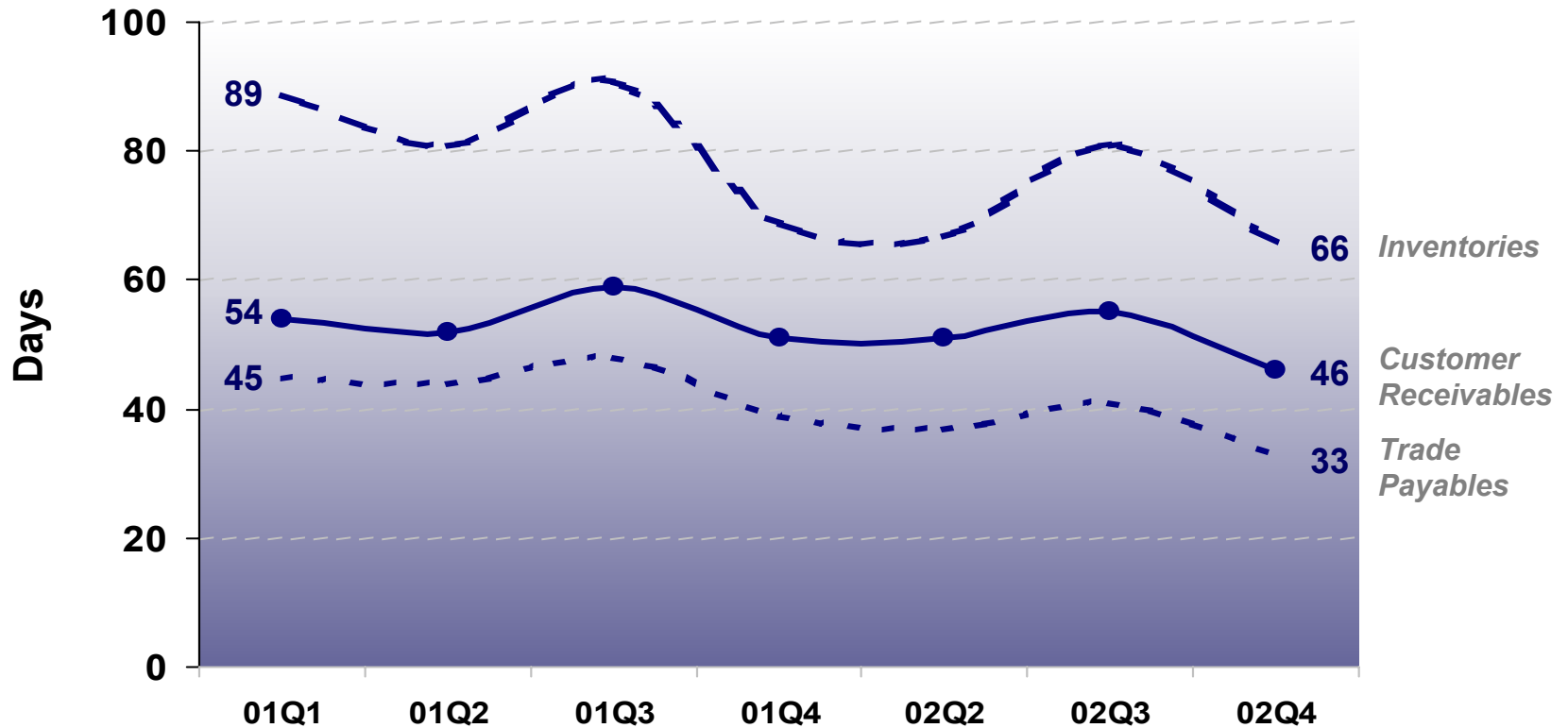
- Trucks – Good performance in Europe, production changeover in North America
- Buses - Continued improvements in a weak market
- Construction Equipment – Provisions related to dealer restructuring in N. American and wheeled excavators
- Volvo Penta – Continued strong profit and operating margin
- Volvo 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

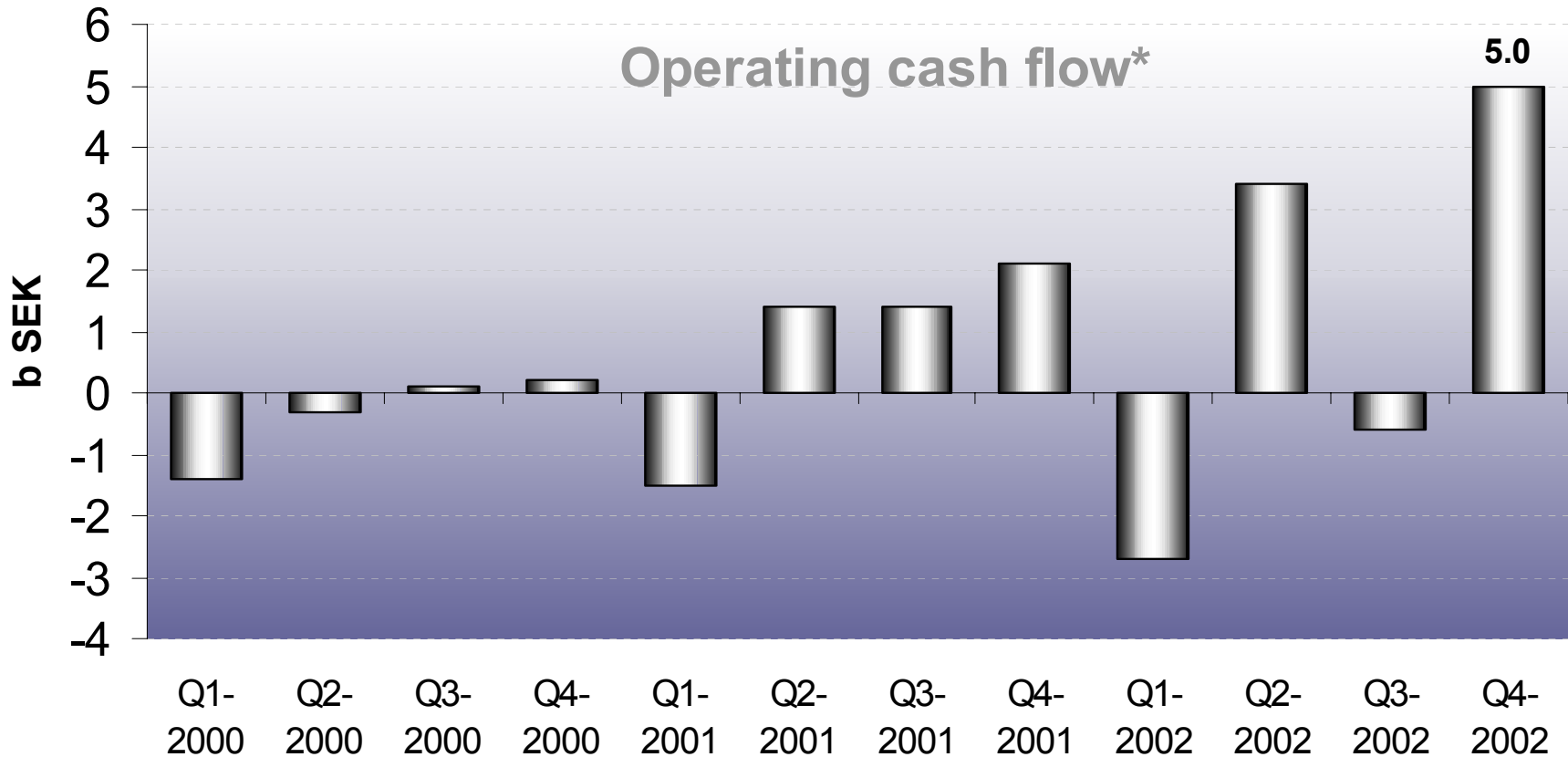
Development of Cash Conversion Cycle

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

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

Two Years of Truck Integration

Synergies on Plan



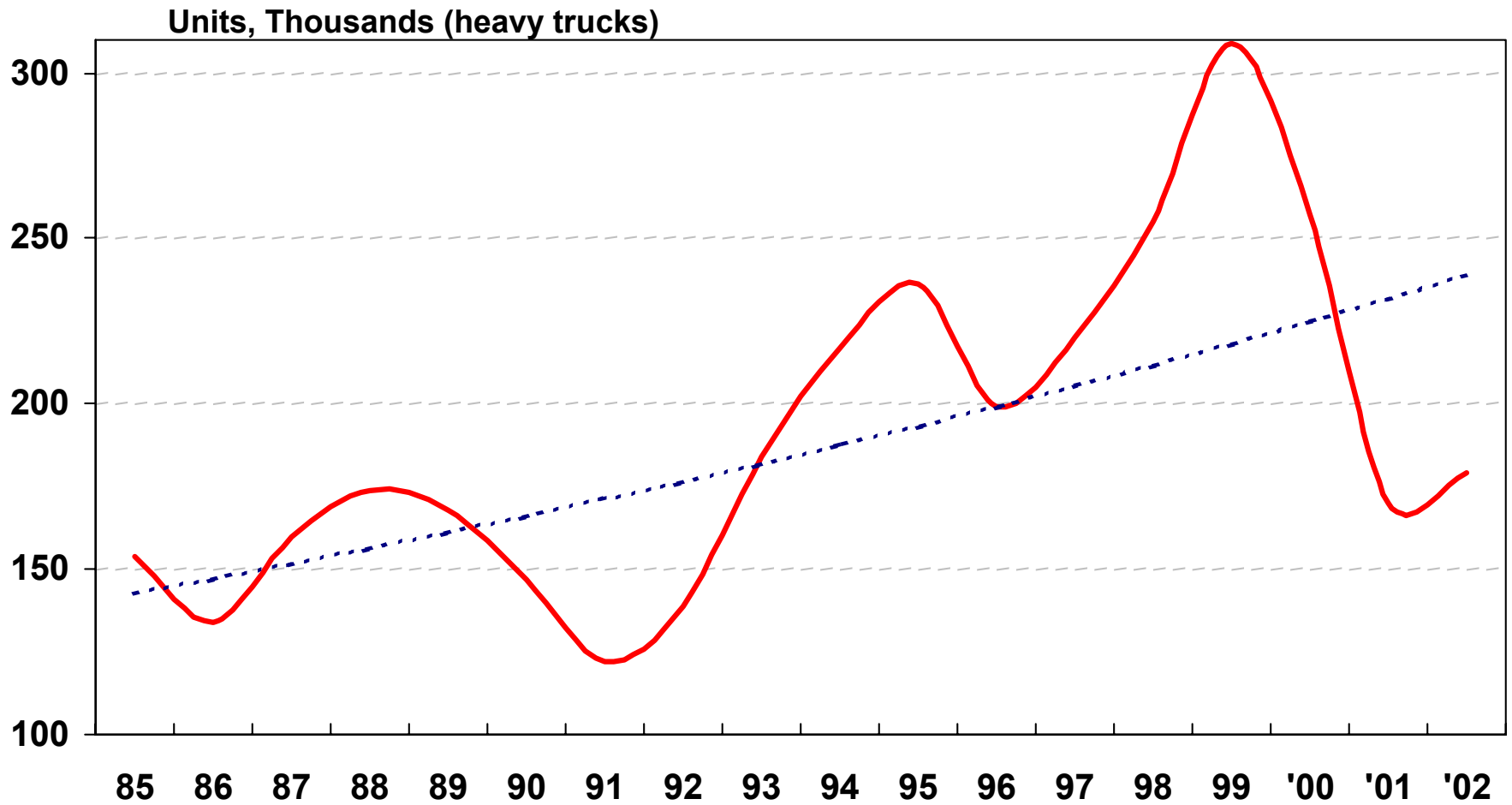
- Consolidation of diesel engine program
- Sharing of vehicle architecture
- Brand strategy in place
- Purchasing gains
- Expansion of Customer Finance
- Industrial restructuring
- Dealer optimization in North America

Volvo Trucks



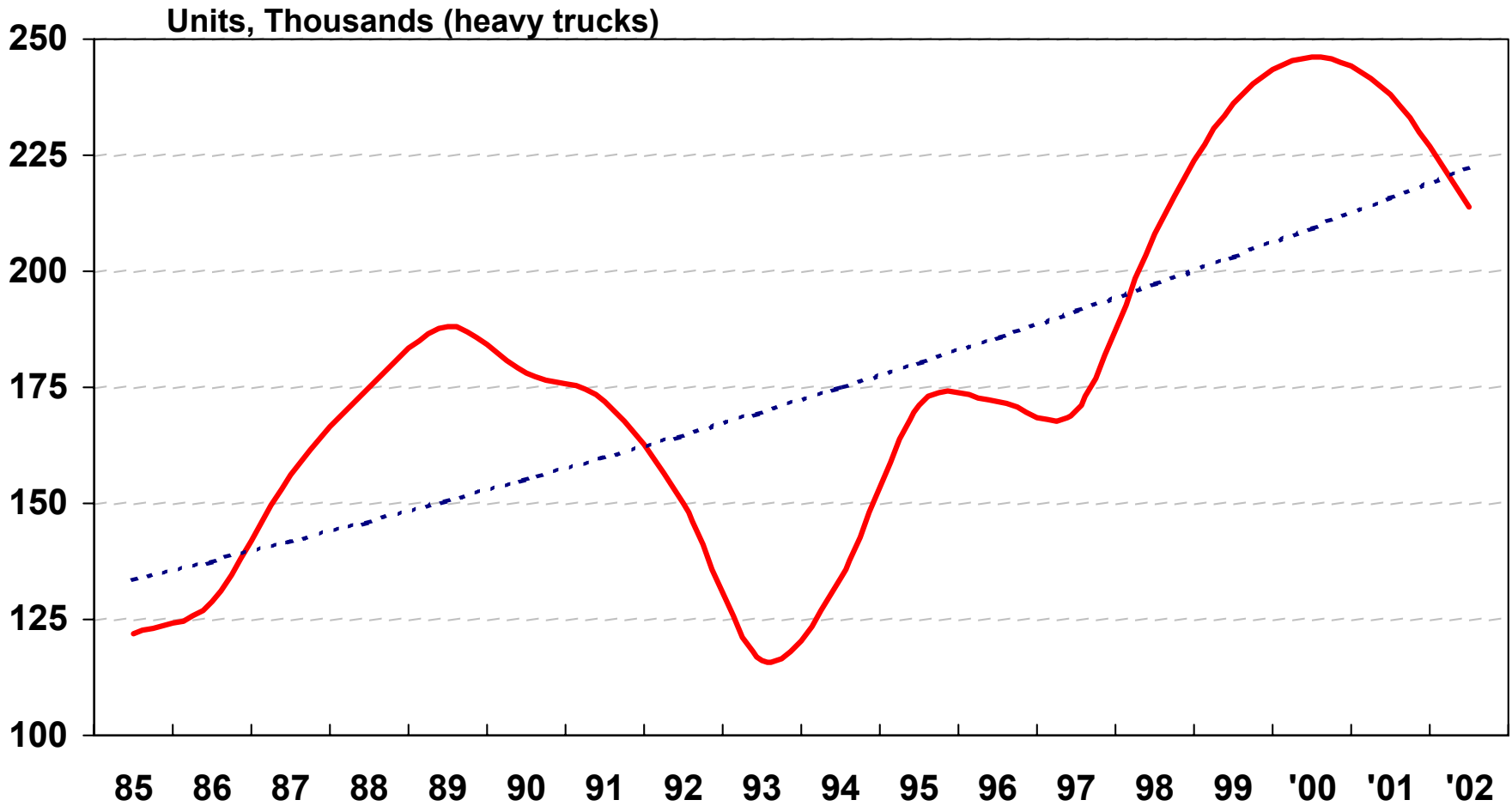
Heavy Duty Truck Market

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 Buses

Preferred supplier for two of the major intercity coach operators in Mexico



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 Construction Equipment Product Range



Articulated Hauler



Wheel Loader



Excavator



Motor Grader



Compact Wheel Loader



Skidsteer Loader



Compaction



Compact Excavator



Backhoe Loader



Telescopic Handler

The Volvo Skidsteer Loader



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

Four-blade Folding Propeller



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 Aero

Agreement with Corsair covering
overhaul of engines, worth more than
SEK 400 M



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

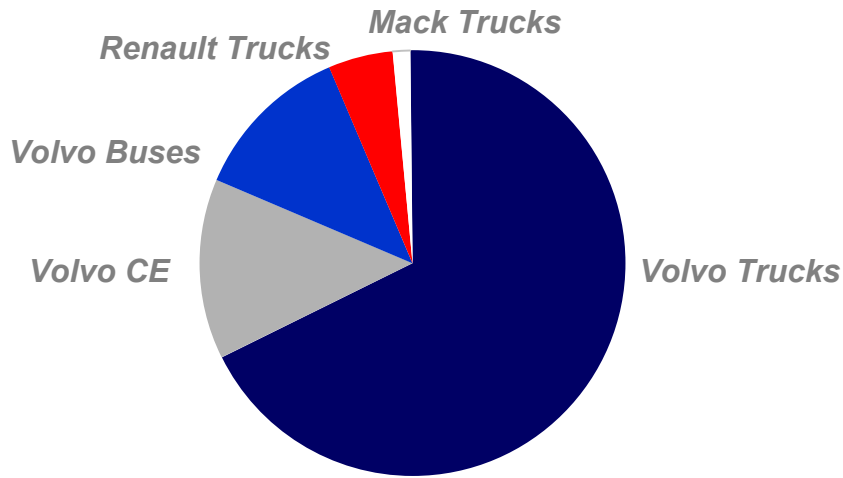
- Emphasis on prudent underwriting with competitive pricing
- Management of Concentration risk
- Customer surveys and benchmarking

1) Calculated as a 12 month rolling average

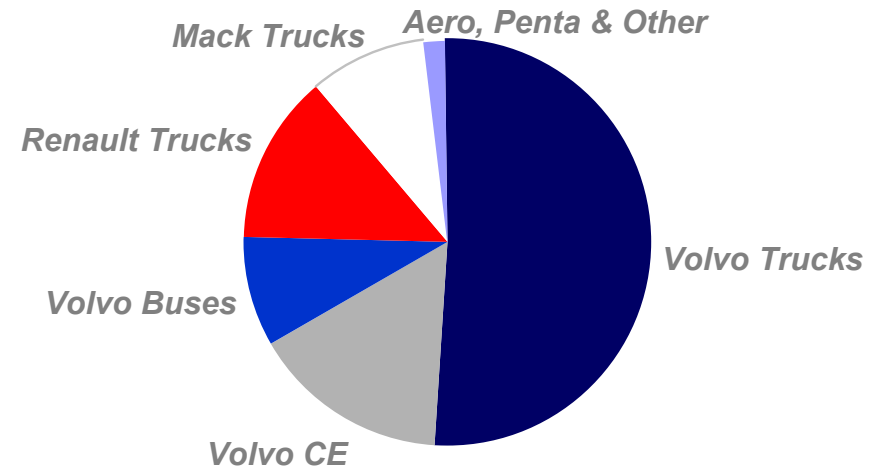
Increasing Diversification

Volvo Financial Services

Volume 2001



Volume 2002



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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