

**VOLVO**

**Fourth Quarter and Full Year 2002  
Conference Call, 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%         |
| <b>Total</b>   | <b>100%</b>    | <b>45,877</b> | <b>48,633</b> | <b>-6%</b> | <b>177,080</b> | <b>180,615</b> | <b>-2%</b> |

- 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%        |
| <b>Volvo Group</b>   | <b>100%</b>    | <b>45,877</b> | <b>48,633</b> | <b>-6%</b> | <b>177,080</b> | <b>180,615</b> | <b>-2%</b> |

- 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

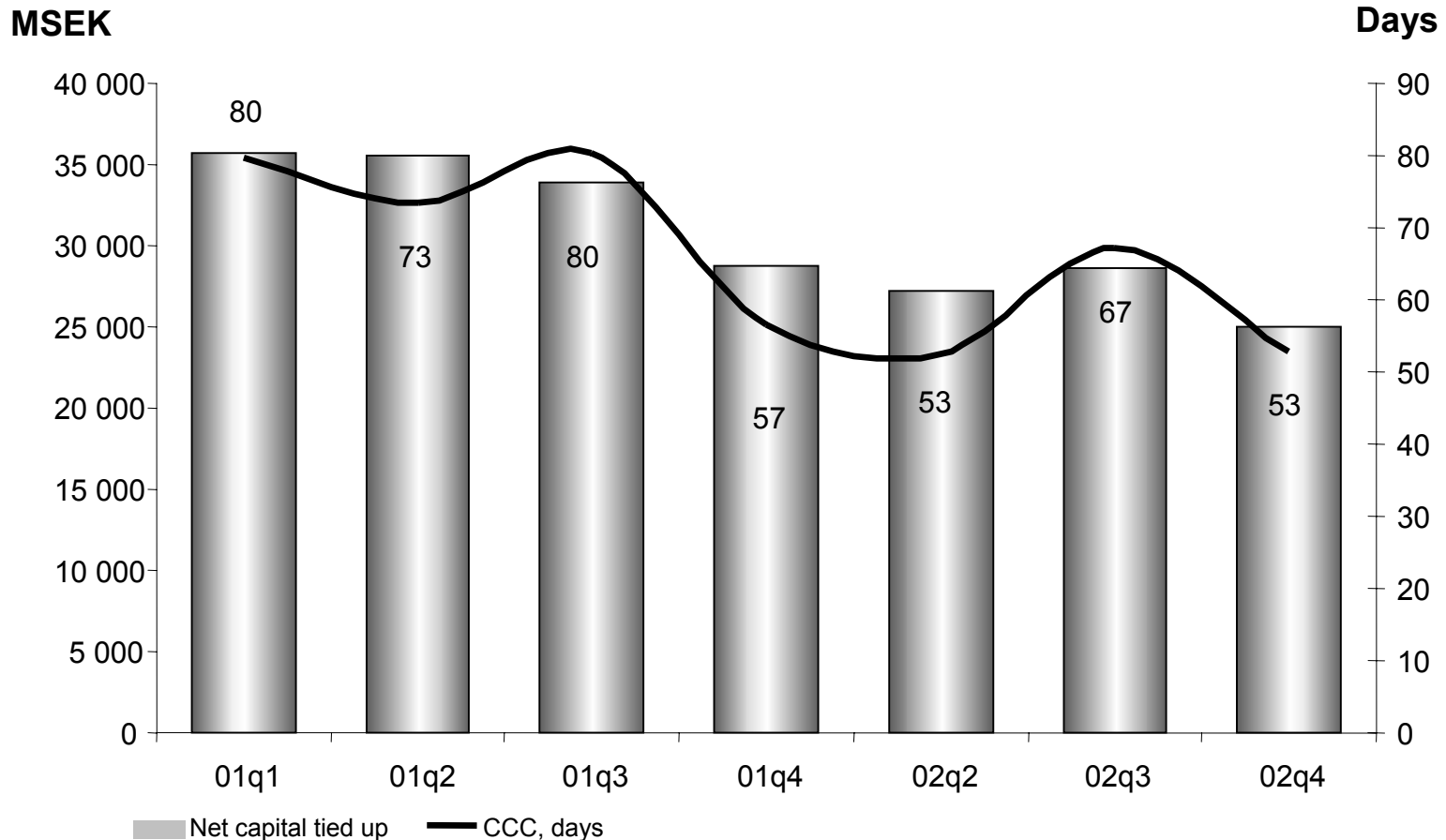
| SEK M                | Fourth Quarter |              | Full Year    |                     |
|----------------------|----------------|--------------|--------------|---------------------|
|                      | 2002           | 2001         | 2002         | 2001                |
| Trucks               | 507            | 591          | 1,189        | 1,040 <sup>1)</sup> |
| 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 <sup>2)</sup>   |
| Restructuring costs  |                | (1,137)      |              | (3,862)             |
| <b>Volvo Group</b>   | <b>823</b>     | <b>(364)</b> | <b>2,837</b> | <b>(676)</b>        |

- 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

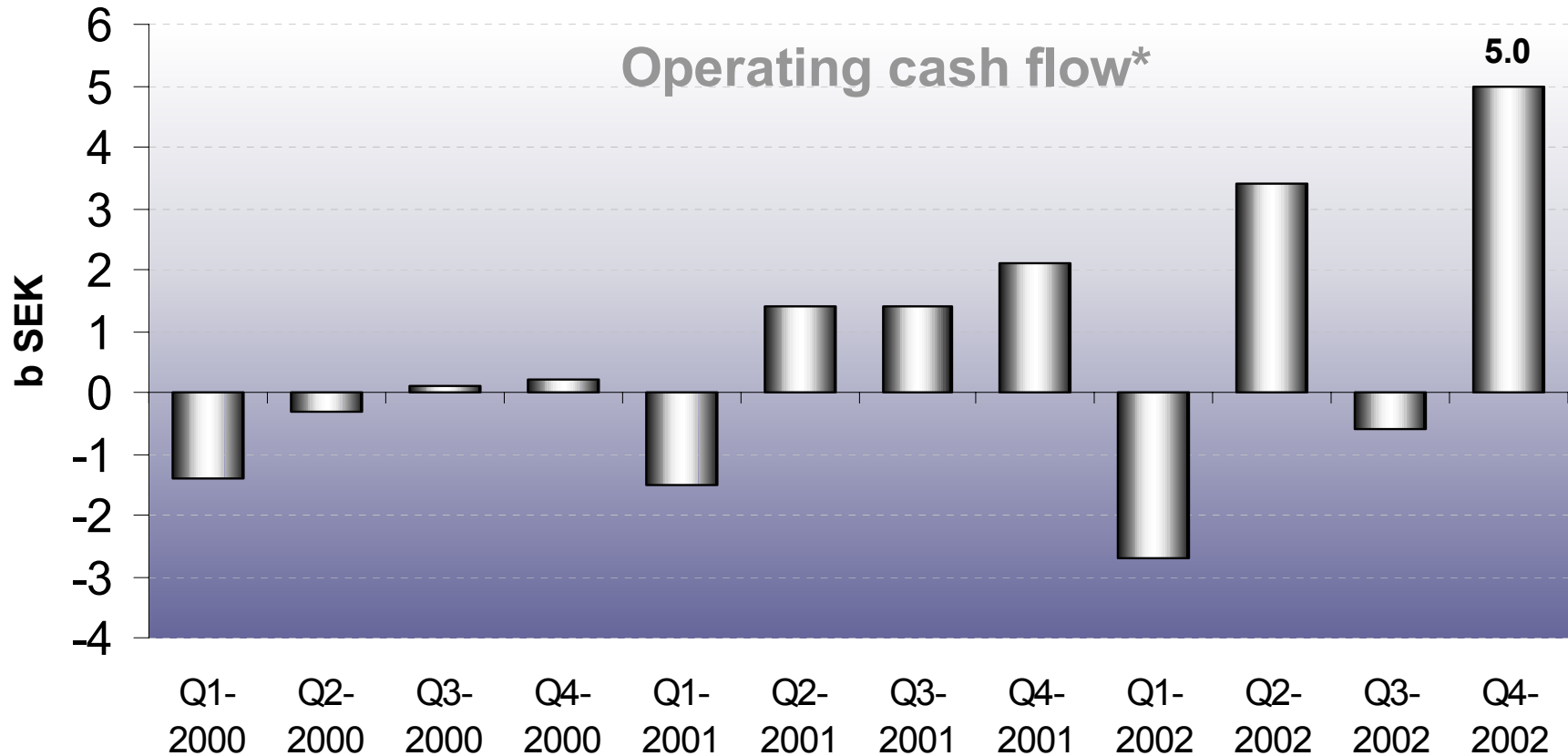
2) Scania dividend halved: 2001 SEK 637 M and 2002 SEK 318 M

# 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

# Consolidated Results

## Fourth Quarter 2002

| SEK M   | Fourth Quarter |         |        | Full Year |          |        |
|---|----------------|---------|--------|-----------|----------|--------|
|   | 2002           | 2001    | Change | 2002      | 2001     | Change |
| <b>Net Sales</b>                              | 45,877         | 48,633  | -6%    | 177,080   | 180,615  | -2%    |
| <b>Gross income</b>                           | 8,279          | 8,312   | 0%     | 31,627    | 31,138   | 2%     |
| R&D expenses                                  | (1,656)        | (1,361) |        | (5,869)   | (5,391)  |        |
| Selling expenses                              | (4,197)        | (4,242) |        | (15,393)  | (14,663) |        |
| Administrative expenses                       | (1,258)        | (1,514) |        | (5,464)   | (6,474)  |        |
| Other op. Income & expenses                   | (559)          | (497)   |        | (2,989)   | (3,071)  |        |
| Inc. from Financial Services                  | 129            | 80      |        | 490       | 325      |        |
| Inc. from investments in associated companies | 98             | 9       |        | 126       | (88)     |        |
| Inc. from other investments                   | (13)           | (14)    |        | 309       | 1,410    |        |
| Items affecting comparability                 | -              | (1,137) |        | -         | (3,862)  |        |
| <b>Operating income</b>                       | 823            | (364)   |        | 2,837     | (676)    |        |
| Financial Net                                 | (86)           | (183)   |        | (824)     | (1,190)  |        |
| <b>Income after fin. Items</b>                | 737            | (547)   |        | 2,013     | (1,866)  |        |
| Taxes   | (102)          | 53      |        | (590)     | 326      |        |
| Minority interest                             | 3              | 7       |        | (30)      | 73       |        |
| <b>Net income</b>                             | 638            | (487)   |        | 1,393     | (1,467)  |        |
| EPS, SEK                                      | 1.50           | (1.20)  |        | 3.30      | (3.50)   |        |
| Operating margin                              | 1.8%           | -0.7%   |        | 1.6%      | -0.4%    |        |
| Operating cash flow, excl. acq. & divest.     | 5,000          | 2,100   |        | 5,100     | 3,400    |        |



# Reconciliation of Profit and Loss statement

## Fourth Quarter 2002

| Fourth Quarter<br>SEK M             | Reported   |              | Adjustments              |                         | Normalized |            | Change     |
|-------------------------------------|------------|--------------|--------------------------|-------------------------|------------|------------|------------|
|                                     | 2002       | 2001         | 2002                     | 2001                    | 2002       | 2001       |            |
| Sales                               | 45,877     | 48,633       |                          |                         | 45,877     | 48,633     | -6%        |
| <b>Operating income</b>             | <b>823</b> | <b>(364)</b> | <b>(13)<sup>1)</sup></b> | <b>957<sup>2)</sup></b> | <b>810</b> | <b>593</b> | <b>37%</b> |
| Financial net                       | (86)       | (183)        |                          |                         | (86)       | (183)      |            |
| <b>Income after financial items</b> | <b>737</b> | <b>(547)</b> |                          |                         | <b>724</b> | <b>410</b> |            |
| Taxes                               | (102)      | 53           |                          | (268)                   | (102)      | (215)      |            |
| Minority interest                   | 3          | 7            |                          |                         | 3          | 7          |            |
| <b>Net income</b>                   | <b>638</b> | <b>(487)</b> |                          |                         | <b>625</b> | <b>202</b> |            |
| EPS                                 | 1.50       | (1.20)       |                          |                         | 1.49       | 0.48       |            |
| Operating margin, %                 | 1.8%       | -0.7%        |                          |                         | 1.8%       | 1.2%       | 0.5        |

1) Increased value of assets in Volvo's Swedish pension fund of SEK 13 M

2) Increased value of assets in Volvo's Swedish pension fund of SEK 180 M and restructuring charges of SEK (1,137) M

# 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% <sup>1)</sup> |
| 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

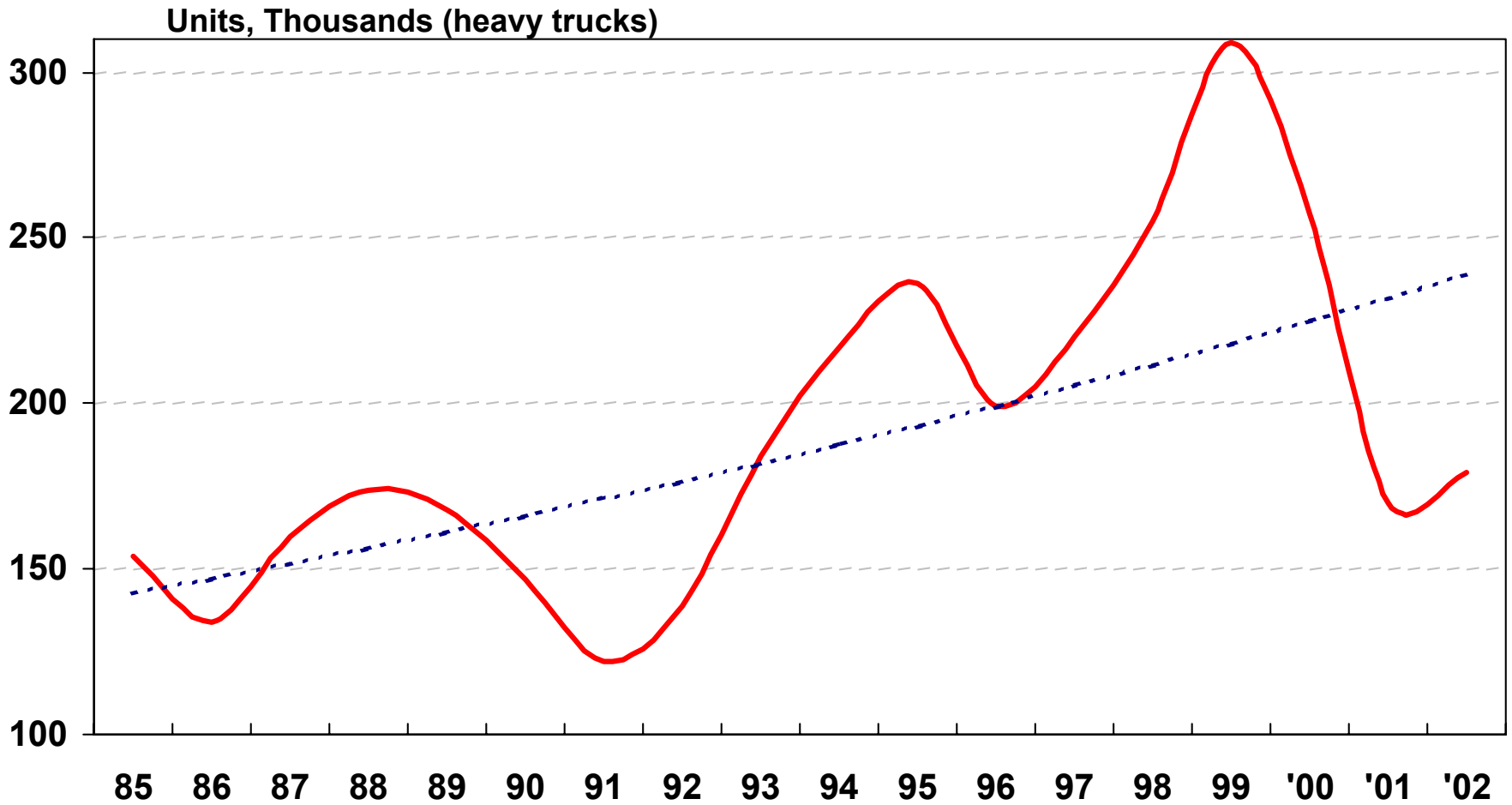
### In Focus

- North American integration
  - Dealer optimization
- Manage demand pattern
- Cash flow

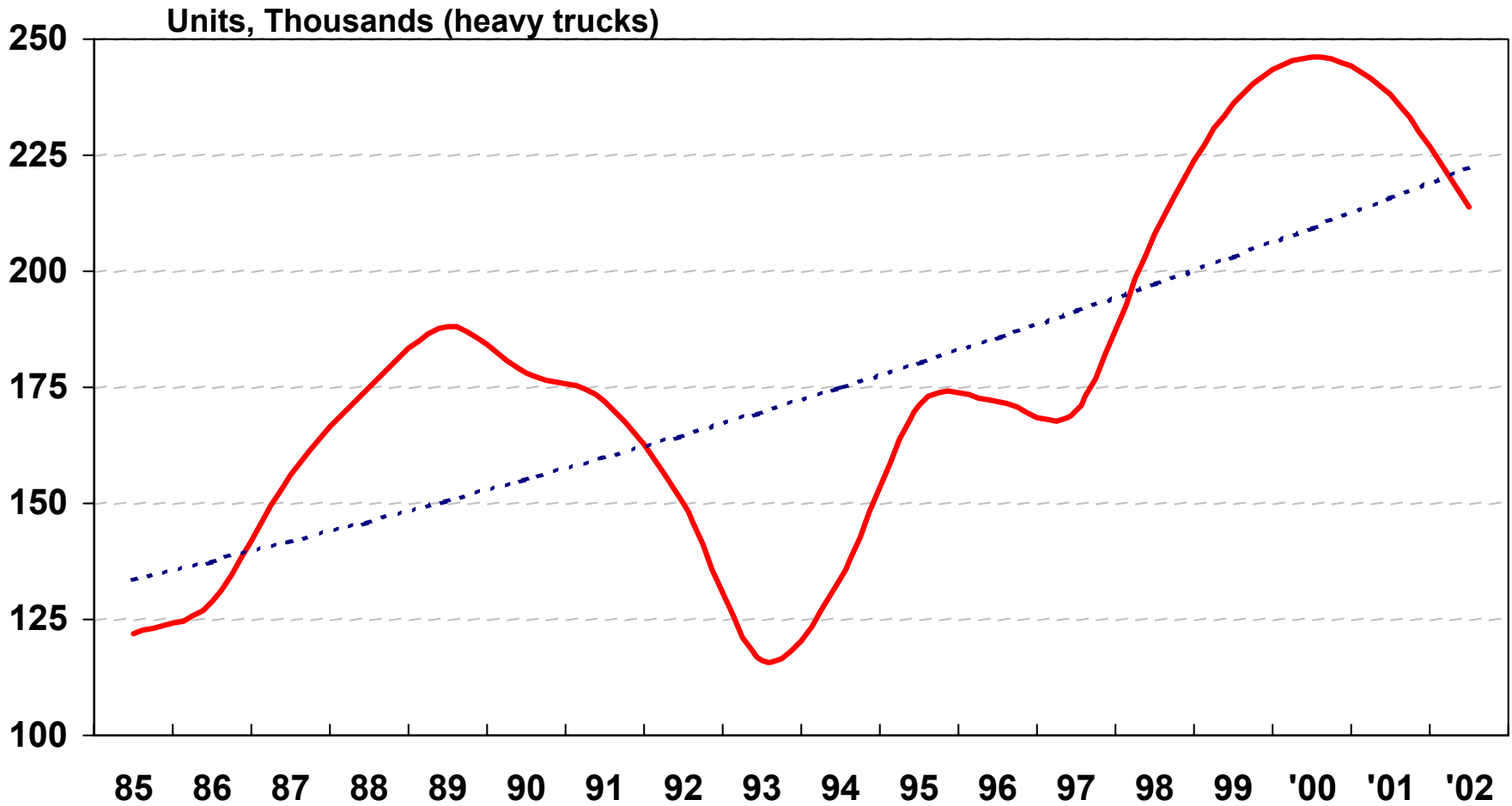
1) Including a gain of SEK 574 M from divestiture of the Mitsubishi holding in 2001      Note: Excluding restructuring costs in 2001

# 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 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 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

# 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 Financial Services

## Fourth Quarter

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| 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

# 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

**VOLVO**