

**VOLVO**

Fourth Quarter 2004

Conference Call, February 10, 2005

# Highlights

## Fourth Quarter

- Strong sales growth 17%
  - High capacity utilization
  - Record deliveries in Trucks and Penta
- Improvement in operating income
  - Strong development in Trucks, Penta, VFS
  - Buses contributes
- Good control of operating capital
  - Operating cash flow 9,2bn
- EPS Q4: SEK 8.40 (loss 6.88) FY: SEK 22.35 (0.71)  
RoE 13,2% ( 0,4%)
- Board proposals to AGM
  - Ordinary dividend of SEK 12.50 per share
  - Cancellation of treasury stocks above 5% of company shares
  - Renewed mandate for a buy-back program up to 10%

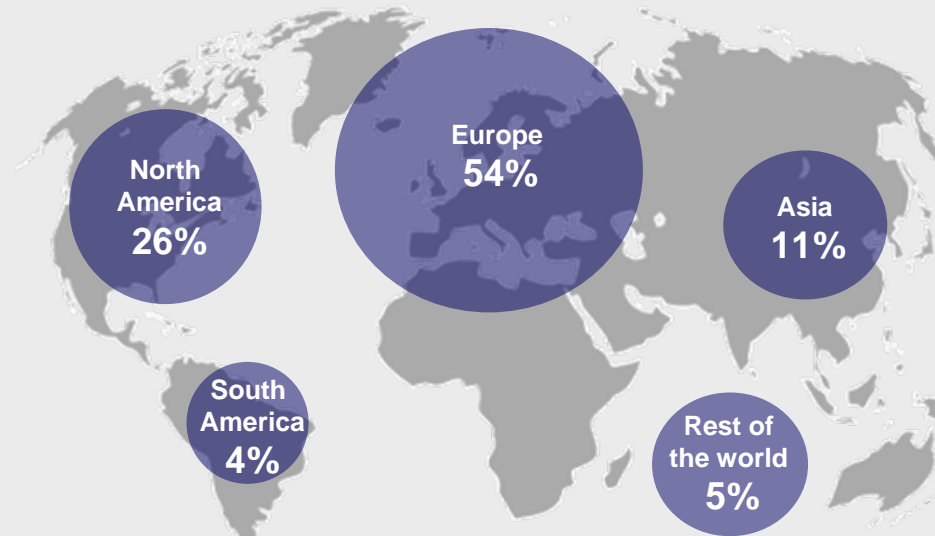
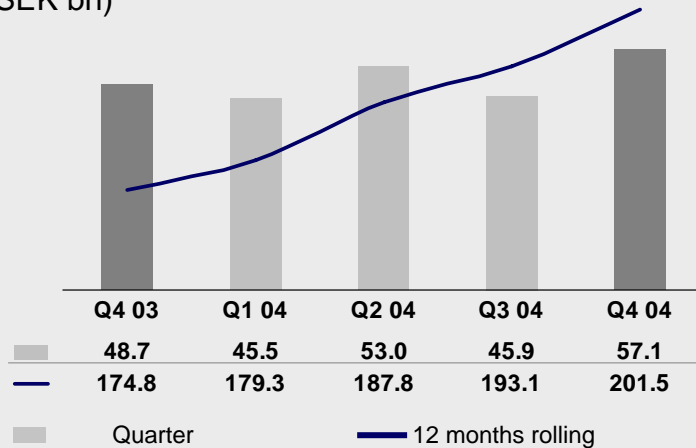
## In Focus Going Forward

- New product launches
  - Renault Magnum
  - Volvo VT 880
  - Volvo Penta IPS
  - and more
- Supply management
- Price management
- Cash flow

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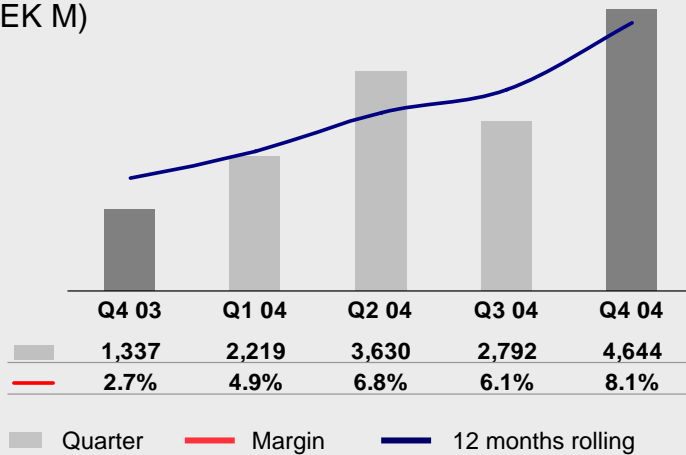
### Net sales

(SEK bn)



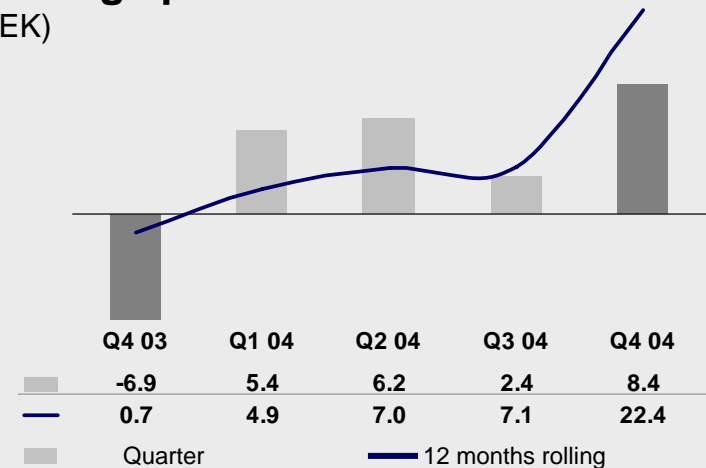
### Operating income\*

(SEK M)



### Earnings per share

(SEK)



\* Excluding effects from the holding in Scania AB

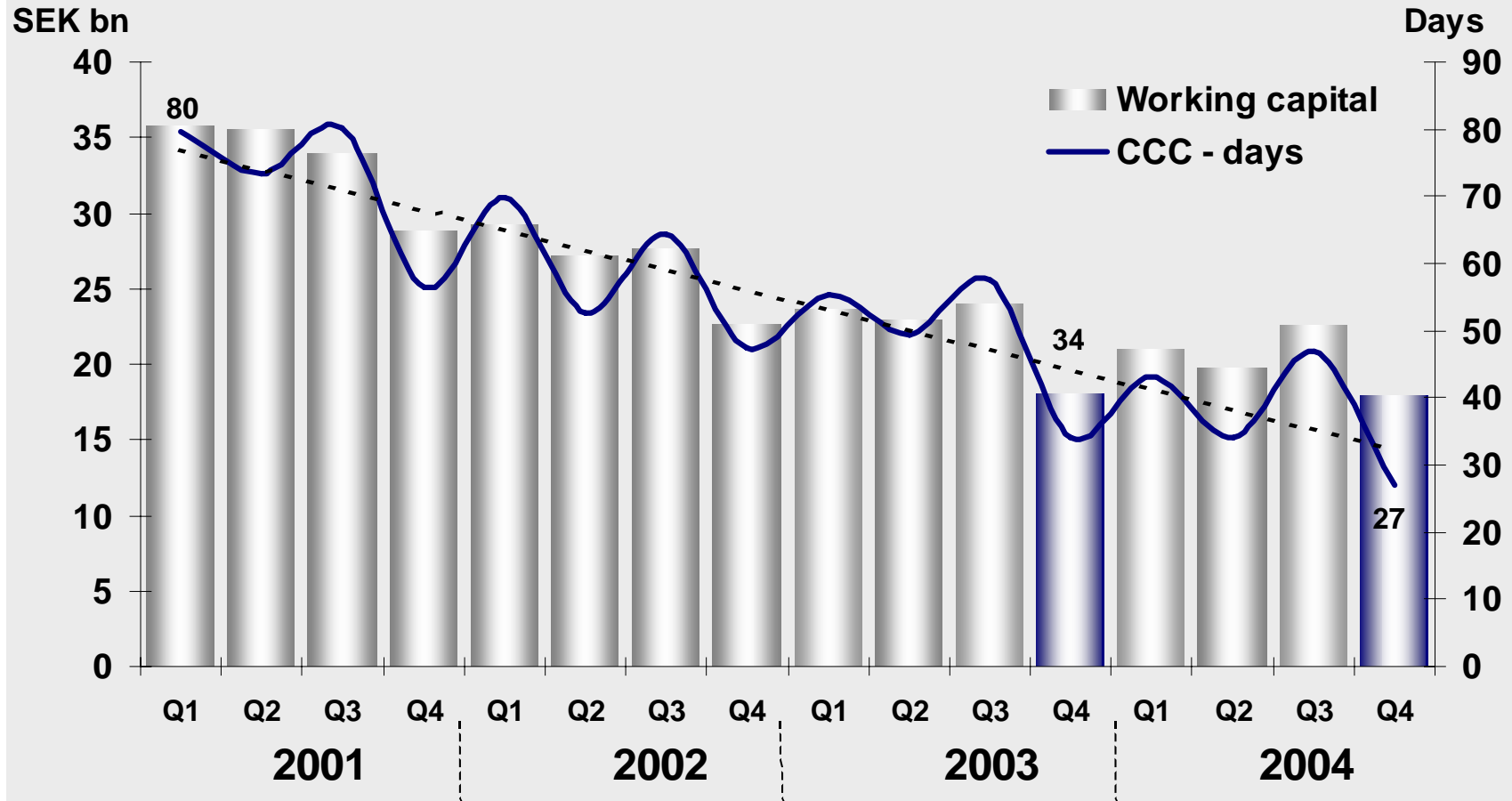
# Consolidated Results

## Fourth Quarter 2004

SEK M	Q42004	Q42003	
<b>Net Sales</b>	<b>57,113</b>	<b>48,733</b>	<i>Adjusted for currency and acquisitions +19%</i>
<b>Gross income</b>	<b>11,993</b>	<b>9,317</b>	
	<b>21.0%</b>	<b>19.1%</b>	
R&D expenses	(1,850)	(1,713)	
Selling expenses	(4,962)	(4,545)	
Administrative expenses	(1,359)	(1,388)	
Other op. Income & expenses	410	(142)	<i>Goodwill reversal 180, write-offs of 170 in Aero 2003</i>
Inc. from Financial Services	434	251	<i>Released reserve of 50</i>
Inc. from investments in ass. companies	-	(2)	
Inc. from other investments	(22)	(4,042)	<i>Write-down of Scania and Henlys in 2003</i>
<b>Operating income</b>	<b>4,644</b>	<b>(2,264)</b>	<i>Total currency impact approx. -700</i>
Interest income and similar credits	266	272	
Interest expenses and similar charges	(325)	(464)	
Other financial income and expenses	(26)	15	
<b>Financial Net</b>	<b>(85)</b>	<b>(177)</b>	
<b>Income after fin. Items</b>	<b>4,559</b>	<b>(2,441)</b>	
Taxes	(1,073)	(442)	<i>One time positive impact of 350</i>
Minority interest	8	(3)	
<b>Net income</b>	<b>3,494</b>	<b>(2,886)</b>	
EPS, SEK	8.40	(6.88)	
Operating margin	8.1%	-4.6%	
<b>Operating cash flow, excl. acq. &amp; divest.</b>	<b>9,200</b>	<b>7,900</b>	

# Volvo Group

## Development of cash conversion cycle

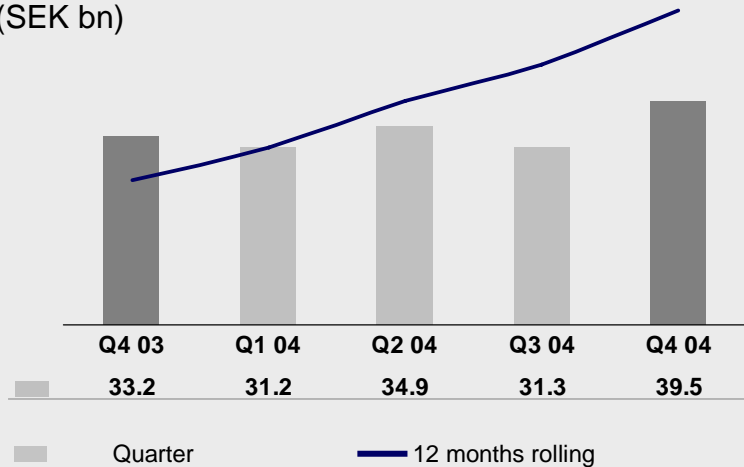


# Trucks

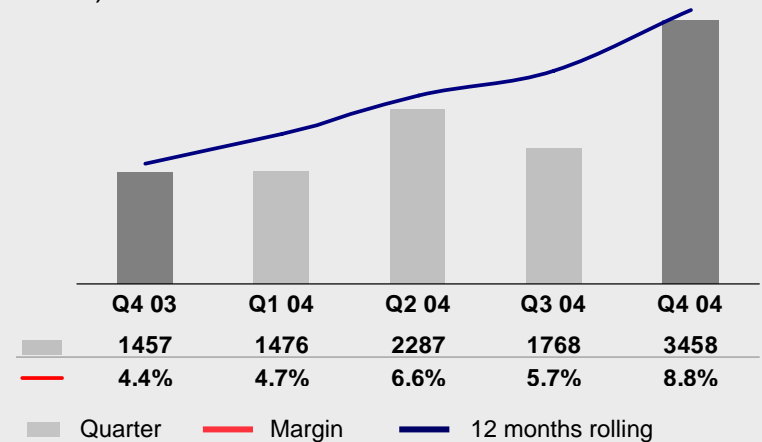
## Fourth Quarter



**Net sales**  
(SEK bn)



**Operating income**  
(SEK M)



### Highlights

- High deliveries and capacity utilization
- Significant improvement in operating income
  - North America
  - Improvements in all three brands

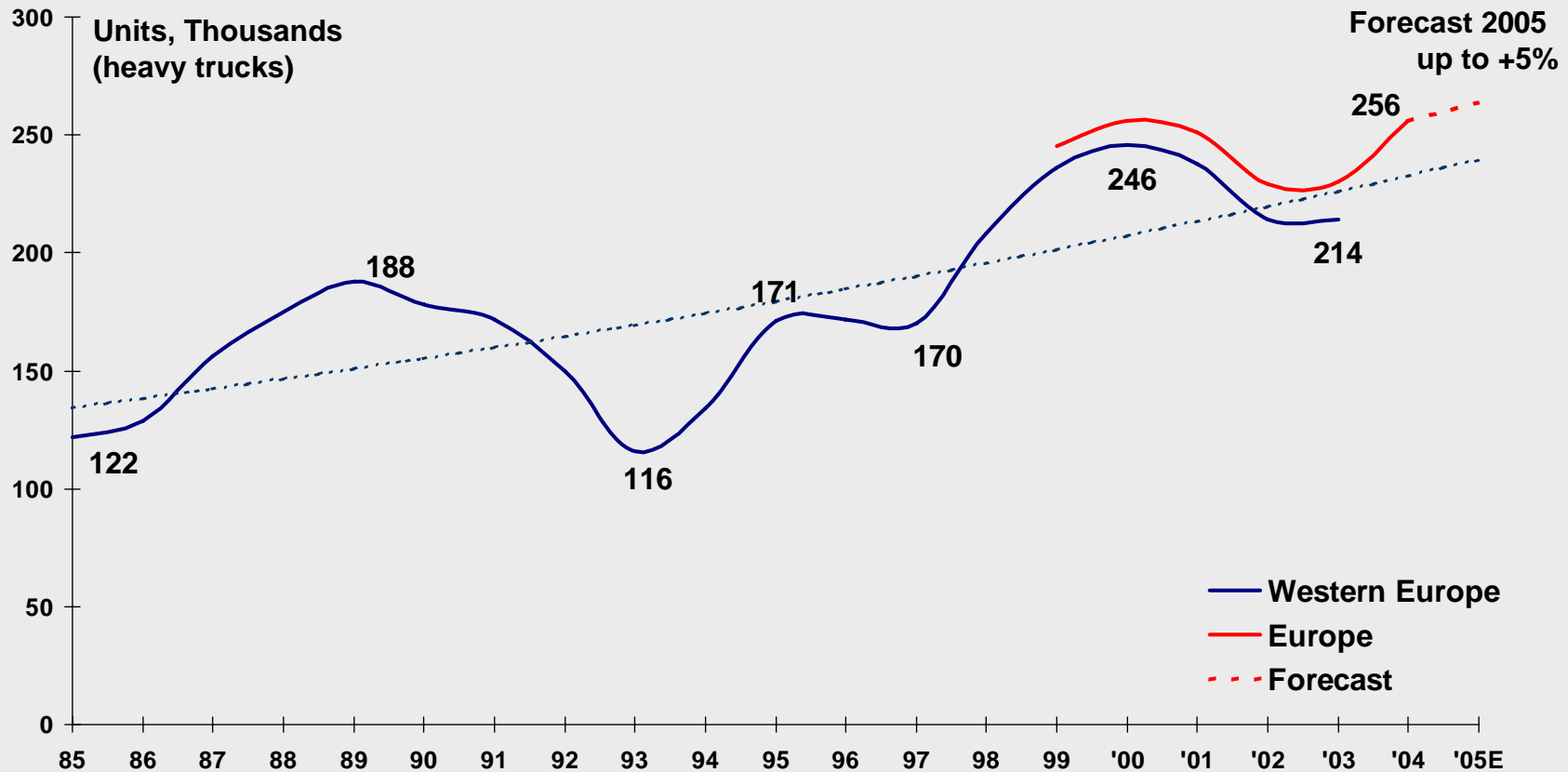
### In Focus

- Product launches
- Supply management
- Price management
- Cash flow

# Heavy Duty Truck Market

## Europe

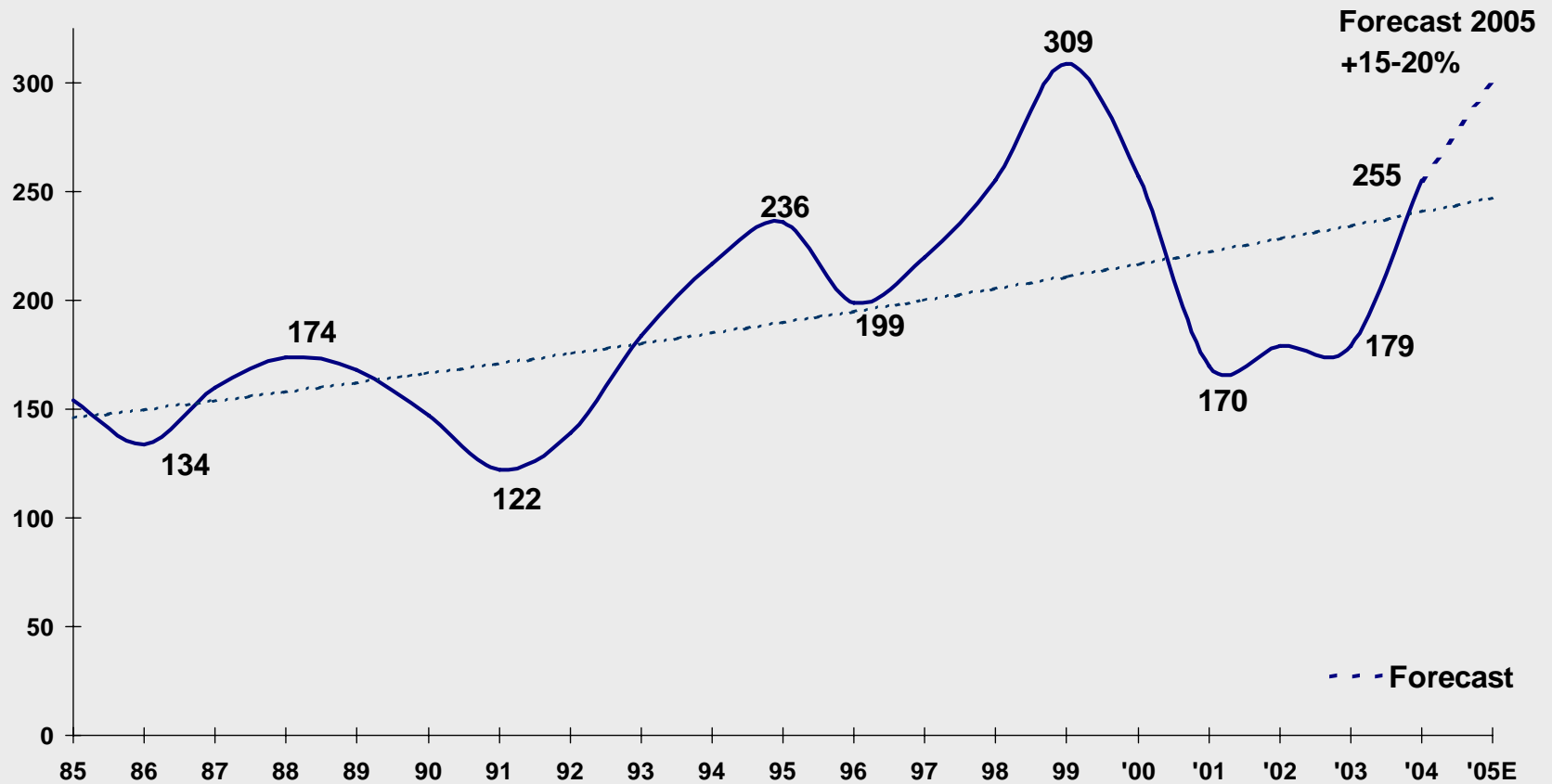
(EU members + Switzerland and Norway)



# Heavy Duty Truck Market North America



Units, Thousands (heavy trucks)



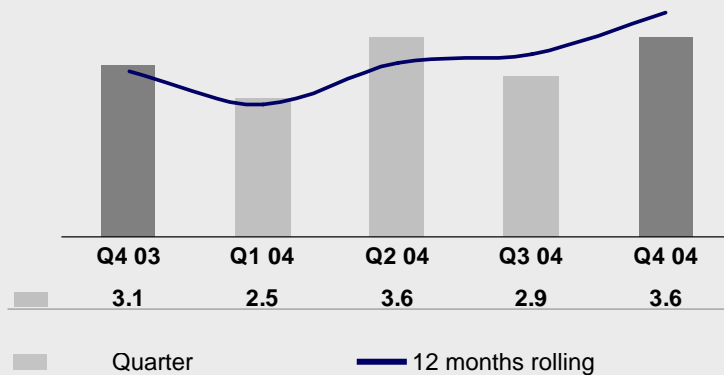


# Volvo Buses

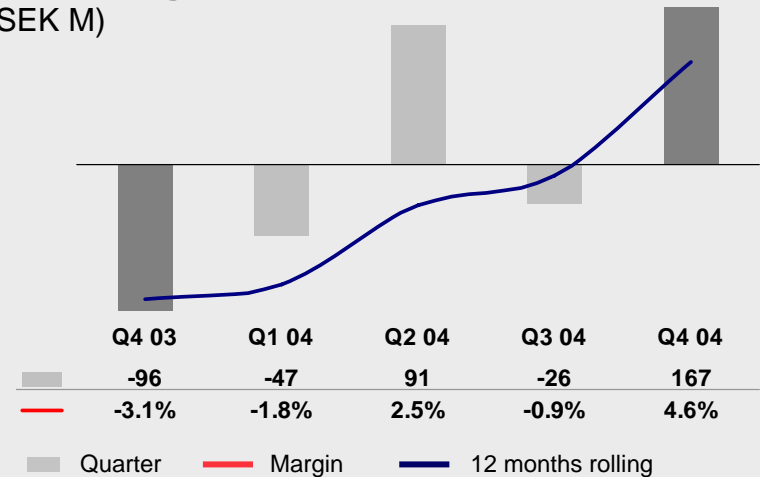
## Fourth Quarter



### Net sales (SEK bn)



### Operating income\* (SEK M)



### Highlights

- Positive financial result
- Good order intake
- 180 buses to Stockholm

### In Focus

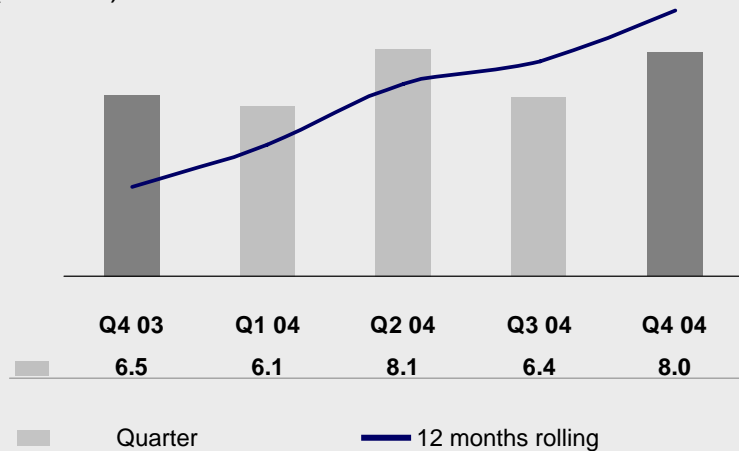
- Profitability and cash flow
- Price management
- Mexico turnaround
- Order for 1,667 buses to Santiago

\* Excluding revaluation of shares in Henlys Group.

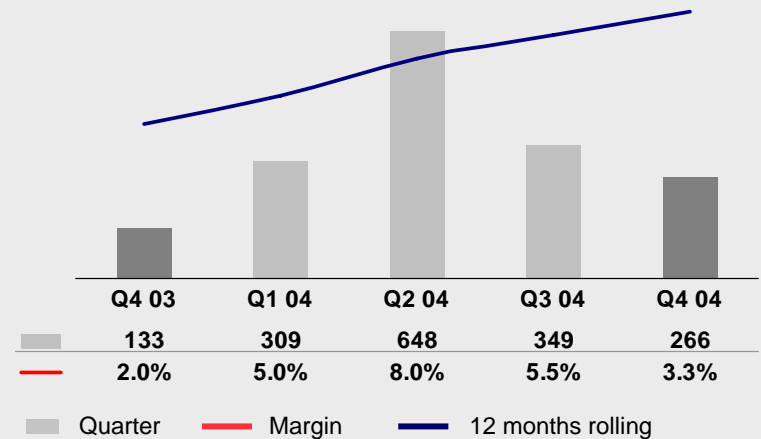
# Volvo Construction Equipment Fourth Quarter



**Net sales**  
(SEK bn)



**Operating income**  
(SEK M)



## Highlights

- Heavy construction equipment market up 14%  
NA +41%, Eur. +11%, Int.+3%
- Volvo CE sales growth +24%
- Operating income affected by currency and material cost
- LB Smith divestiture substantially completed

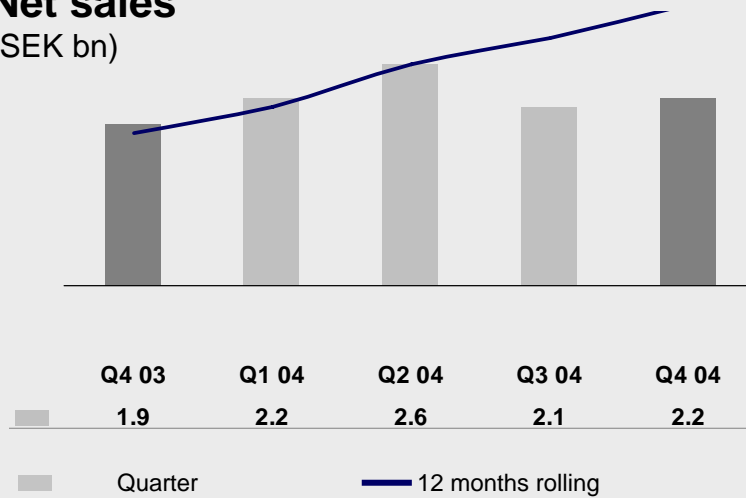
## In Focus

- Reduce operating costs
- Price management
- ConExpo

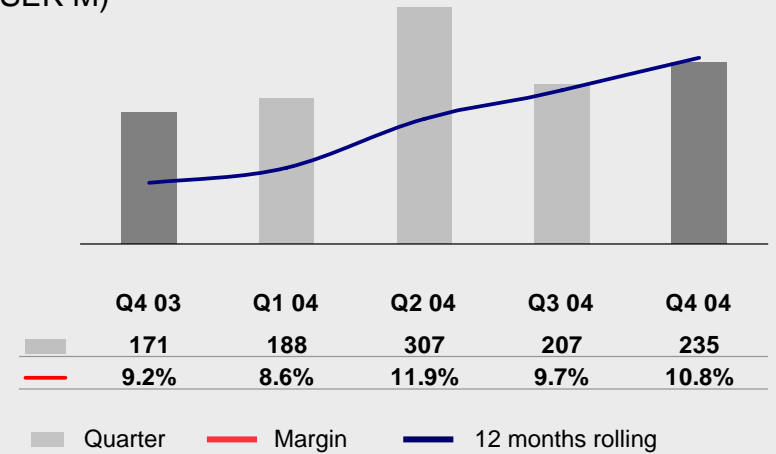
# Volvo Penta Fourth Quarter



**Net sales**  
(SEK bn)



**Operating income**  
(SEK M)



## Highlights

- Continued sales increase
- Full year operating margin exceeds 10%
- Launch of IPS drive system

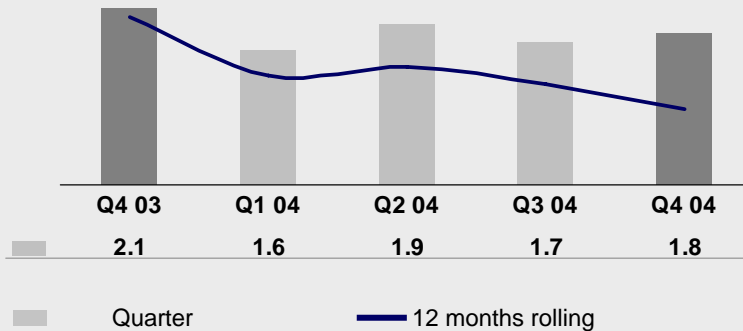
## In Focus

- Logistic and delivery quality
- Cost control
- Cash flow

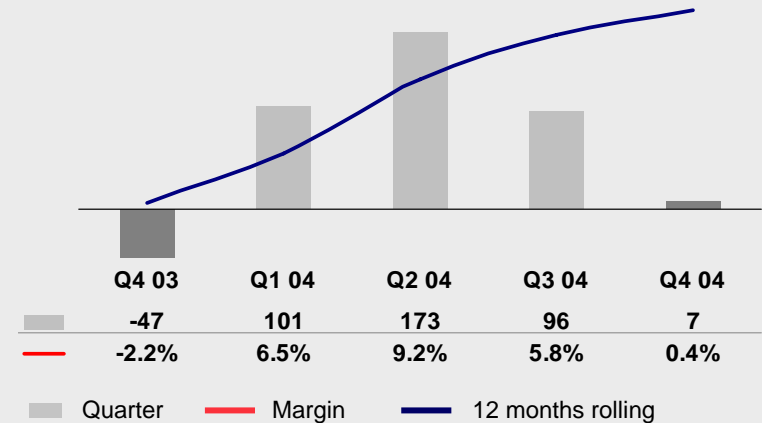
# Volvo Aero Fourth Quarter



## Net sales (SEK bn)



## Operating income (SEK M)



## Highlights

- Air traffic steadily growing
- Aircraft ordering picking up
- Still weak after market for Volvo Aero
- Participation in GENx engine

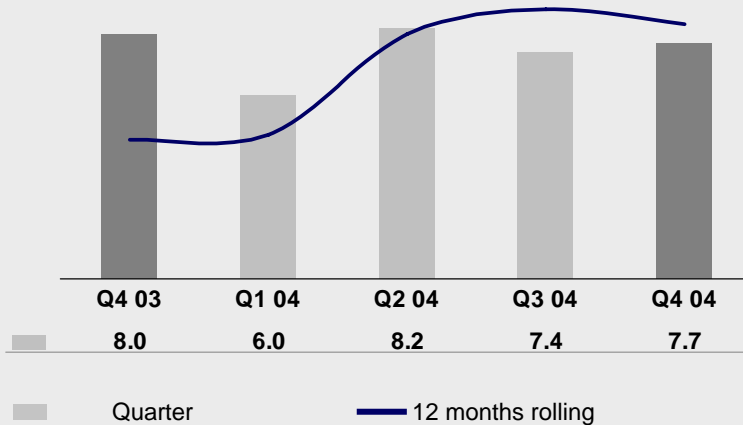
## In Focus

- Upturn management in components
- Profitable growth
- The aftermarket business
- Cash flow

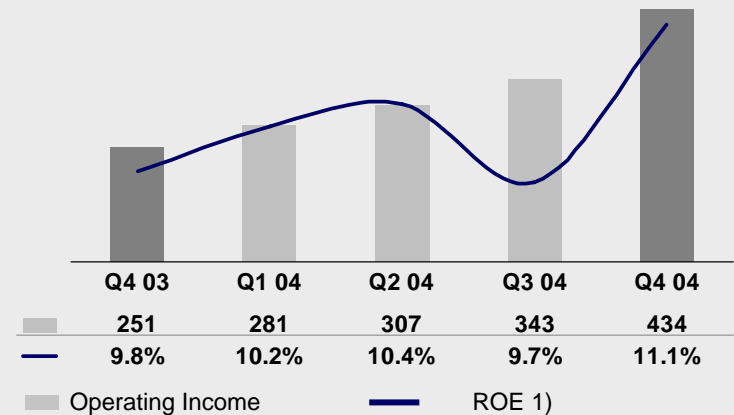
# Volvo Financial Services Fourth Quarter



## New retail financing (SEK bn)



## Operating income and return on equity (SEK M)



### Highlights

- Strong profitability in all sectors
- Portfolio performing well
- Steady controlled asset growth

### In Focus

- Continued business cycle management
- Customer focus
- Developing markets

1) Calculated as a 12 month rolling average

# Volvo Group

## Summary

- Strong sales development
- Continued profitability improvement
- New product launches
- Board proposal
  - Ordinary dividend of SEK 12.50 per share
  - Cancellation of treasury stocks above 5% of company shares
  - Renewed mandate for a buy-back program up to 10%
- 1.8bn remaining from ongoing buy-back program

# Volvo Group

## Expected impact of IFRS – Equity

SEK M

### Summarized reconciliation of shareholders' equity

	<u>040101</u>	<u>041231</u>	<u>050101</u>
<b>Equity under Swedish GAAP</b>	<b>72,420</b>	<b>69,409</b>	<b>69,409</b>
<i>IFRS adjustments:</i>			
Capitalization and amortization of development costs and software	722	340	340
Minority interest	217	229	229
Non-amortization of goodwill	0	665	665
Post employee benefits	-580	-473	-473
Investments in listed companies			-494
Fair value gains and losses on derivatives for hedge of:			
- Commercial cash flow			1,195
- Electricity contracts			-25
Consolidation of temporary investments	-152	0	0
Share based payments	0	14	14
Deferred taxes on IFRS adjustments	-96	-29	-358
<b><i>Total adjustments to IFRS</i></b>	<b><i>112</i></b>	<b><i>746</i></b>	<b><i>1,094</i></b>
<b>Equity under IFRS</b>	<b>72,532</b>	<b>70,155</b>	<b>70,503</b>

# Volvo Group

## Expected impact of IFRS – Net profit SEK M

### Summarized reconciliation of net income

	<u>2004</u>
<b>Net income under Swedish GAAP</b>	<b>9,355</b>
<i>IFRS adjustments:</i>	
Capitalization and amortization of development costs and software	-382
Minority interest	40
Non-amortization of goodwill	684
Post employee benefits	13
Consolidation of temporary investments	142
Deferred taxes on IFRS adjustments	55
<b><i>Total adjustments to IFRS</i></b>	<b><u>552</u></b>
<b>Net income under IFRS</b>	<b><u>9,907</u></b>



# Volvo Group

## Expected impact of IFRS – Net financial position SEK bn

### Summarized reconciliation of net financial position, SEK Bn

Volvo Group excl VFS

**Net financial position at December 31, 2004 under Swedish GAAP** **18.7**

*IFRS adjustments:*

Post Employee benefits -0.5

Financial assets not qualified for derecognition -3.4

***Total adjustments to IFRS*** **-3.9**

**Net financial position at January 1, 2005 under IFRS** **14.8**

**VOLVO**