

VOLVO

Fourth Quarter 2004

Conference Call, February 10, 2005

Highlights

Fourth Quarter

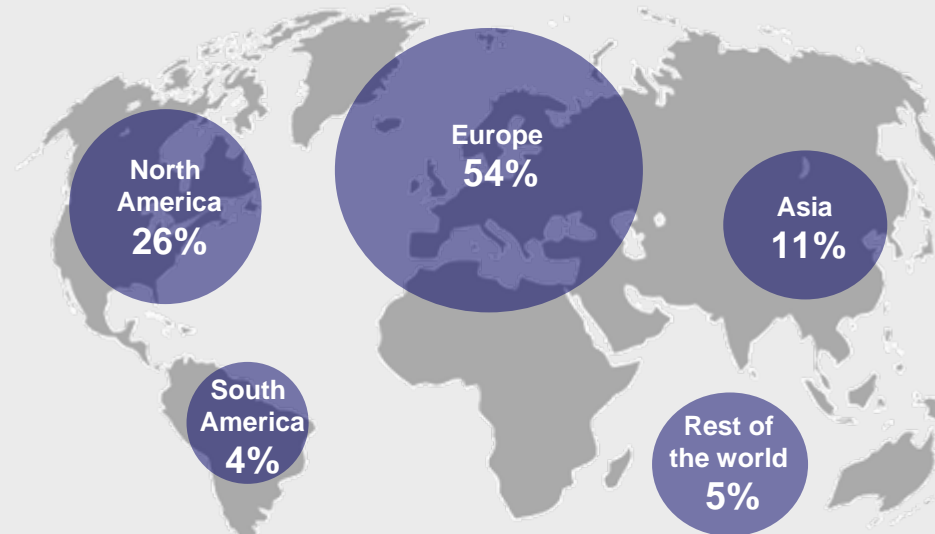
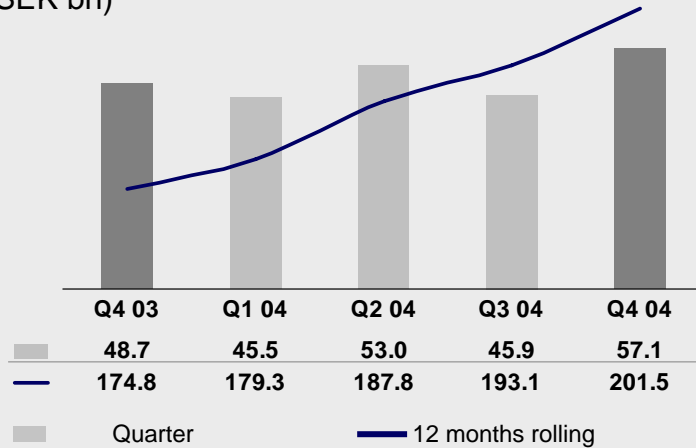
- Strong sales growth 17%
 - High capacity utilization
 - Record deliveries in Trucks and Penta
- Improvement in operating income
 - Strong development in Trucks, Penta, VFS
 - Buses contributes
- Good control of operating capital
 - Operating cash flow 9,2bn
- EPS Q4: SEK 8.40 (loss 6.88) FY: SEK 22.35 (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

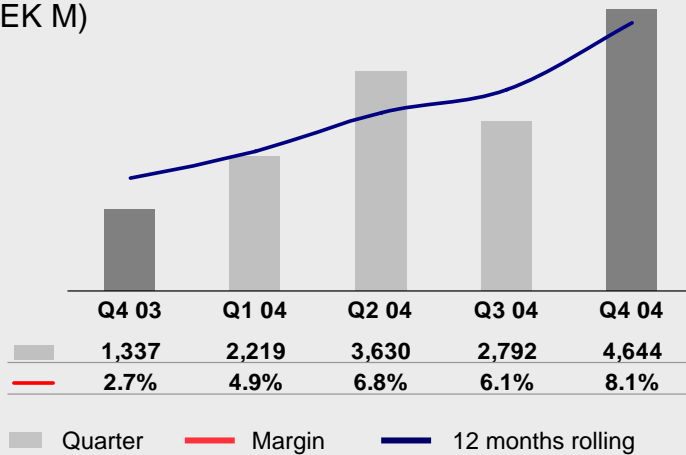
Net sales

(SEK bn)



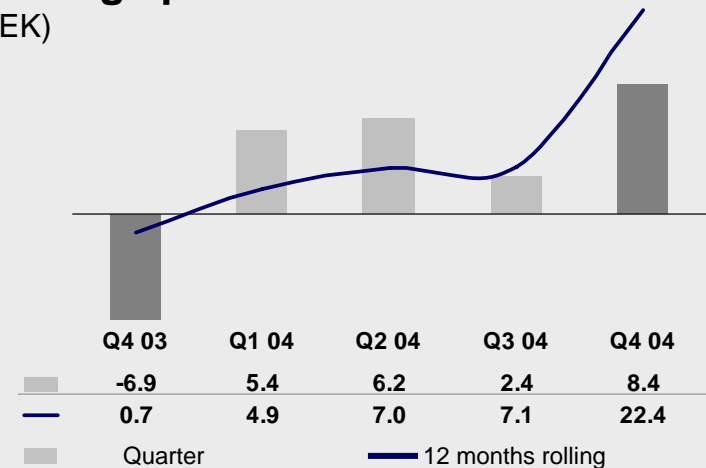
Operating income*

(SEK M)



Earnings per share

(SEK)



* Excluding effects from the holding in Scania AB

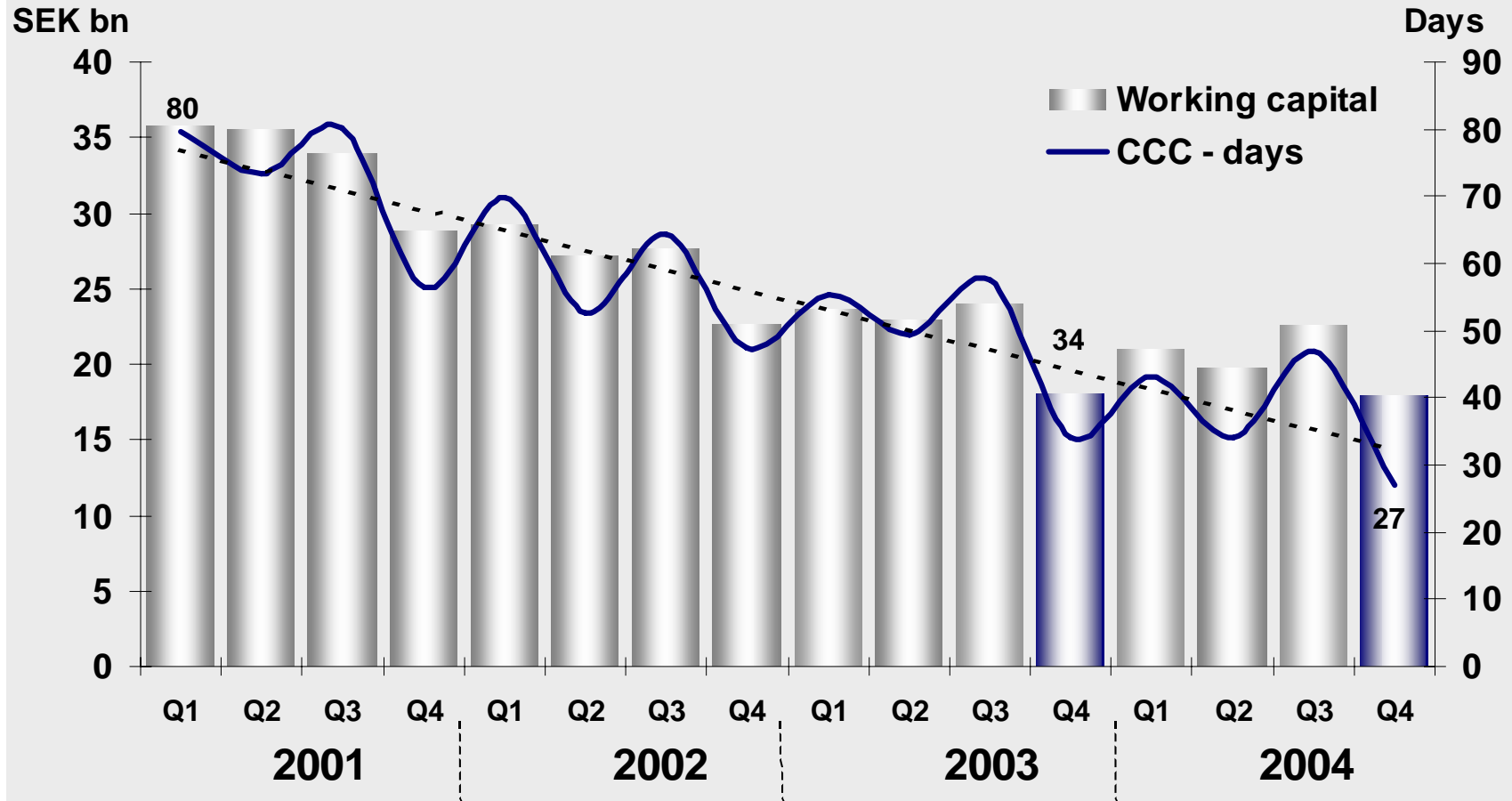
Consolidated Results

Fourth Quarter 2004

SEK M	Q42004	Q42003	
Net Sales	57,113	48,733	<i>Adjusted for currency and acquisitions +19%</i>
Gross income	11,993	9,317	
	21.0%	19.1%	
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>
Operating income	4,644	(2,264)	<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	
Financial Net	(85)	(177)	
Income after fin. Items	4,559	(2,441)	
Taxes	(1,073)	(442)	<i>One time positive impact of 350</i>
Minority interest	8	(3)	
Net income	3,494	(2,886)	
EPS, SEK	8.40	(6.88)	
Operating margin	8.1%	-4.6%	
Operating cash flow, excl. acq. & divest.	9,200	7,900	

Volvo Group

Development of cash conversion cycle

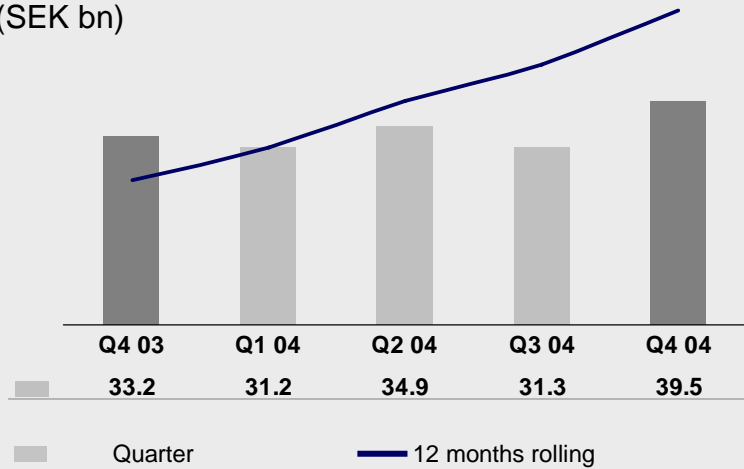


Trucks

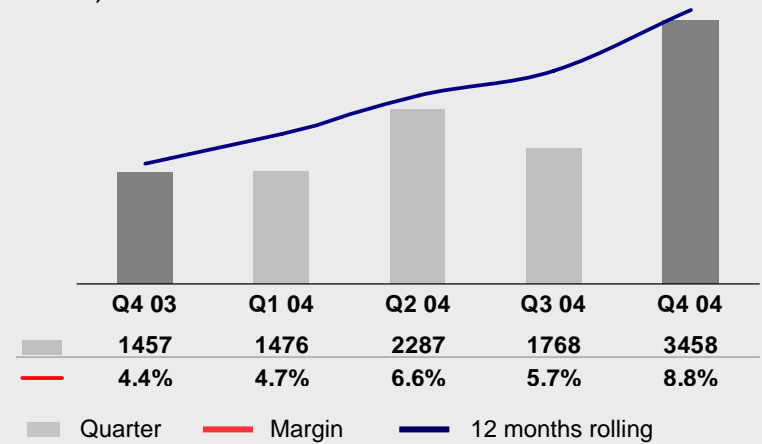
Fourth Quarter



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

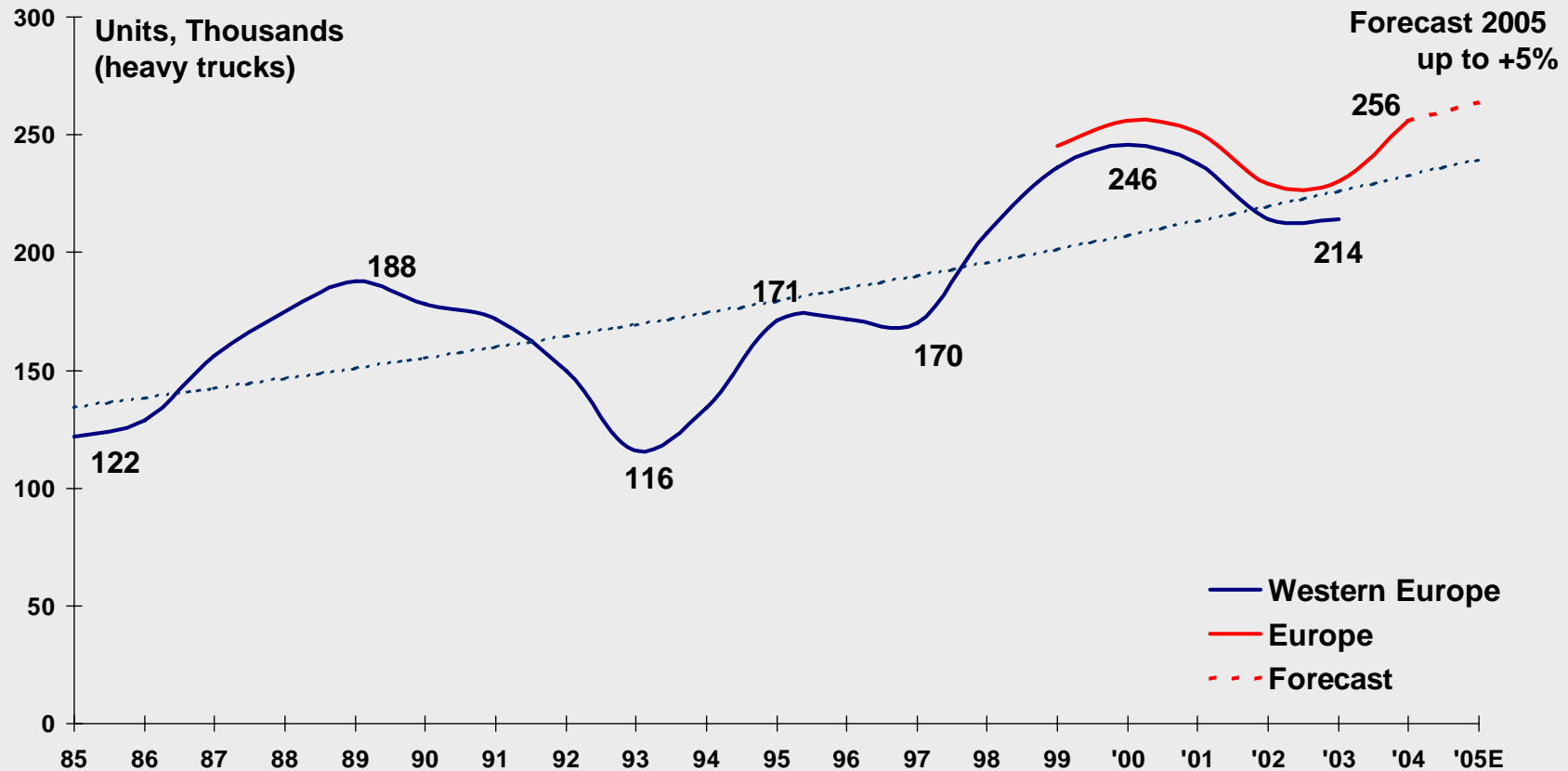
In Focus

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

Heavy Duty Truck Market

Europe

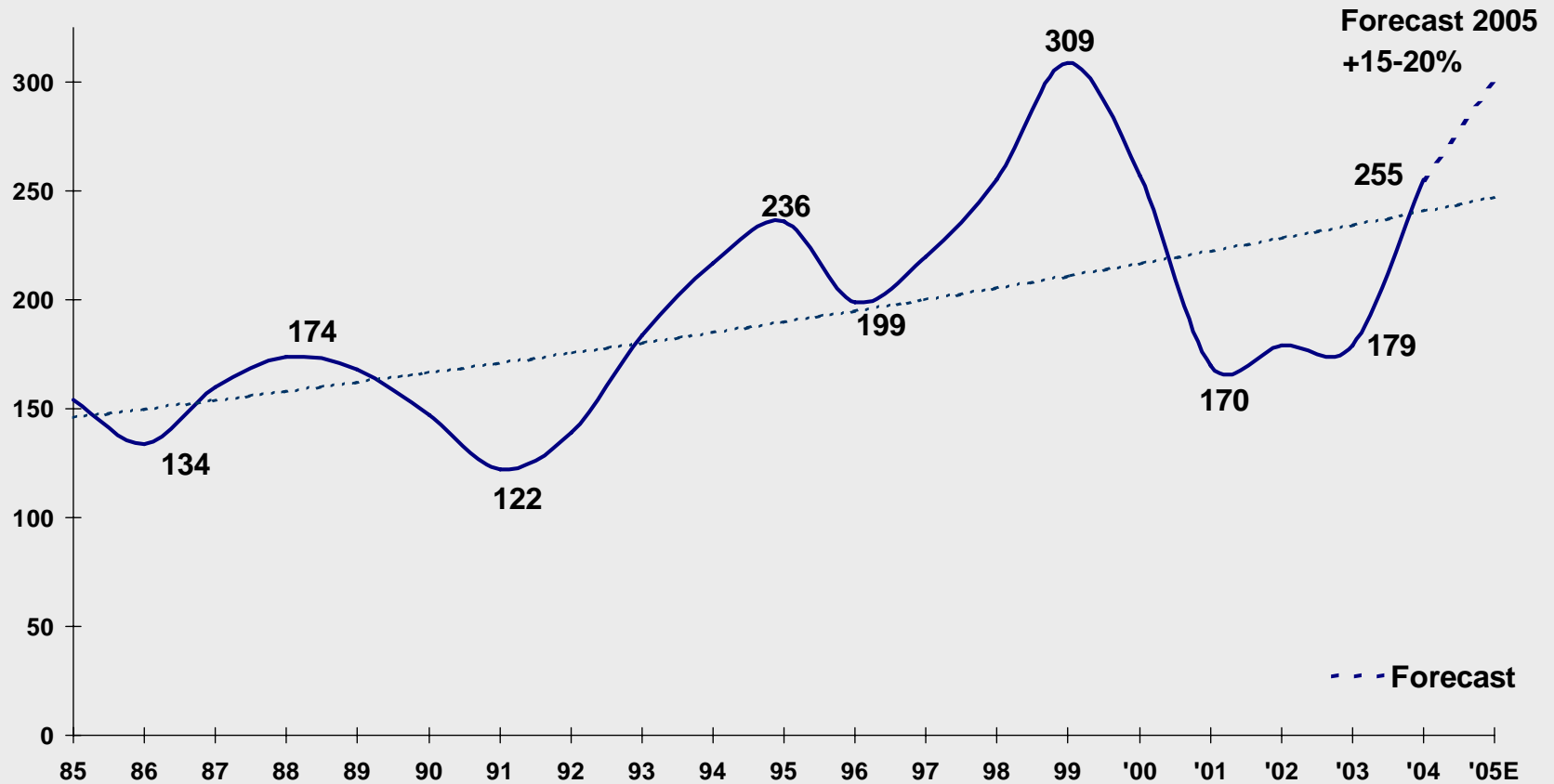
(EU members + Switzerland and Norway)



Heavy Duty Truck Market North America



Units, Thousands (heavy trucks)

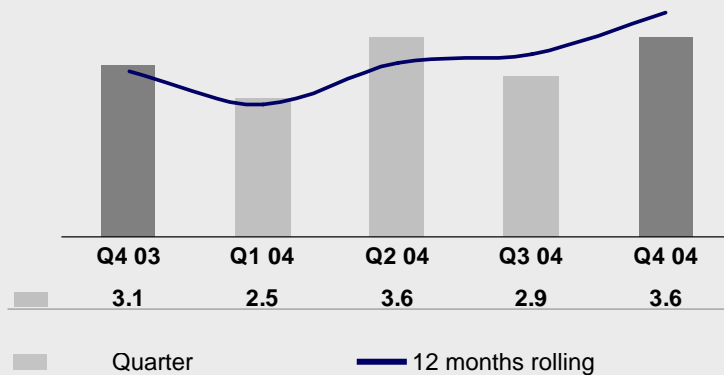


Volvo Buses

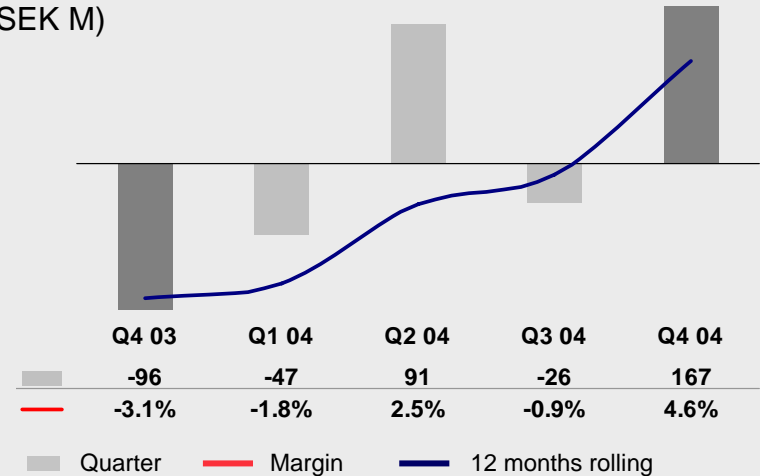
Fourth Quarter



Net sales (SEK bn)



Operating income* (SEK M)



Highlights

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

In Focus

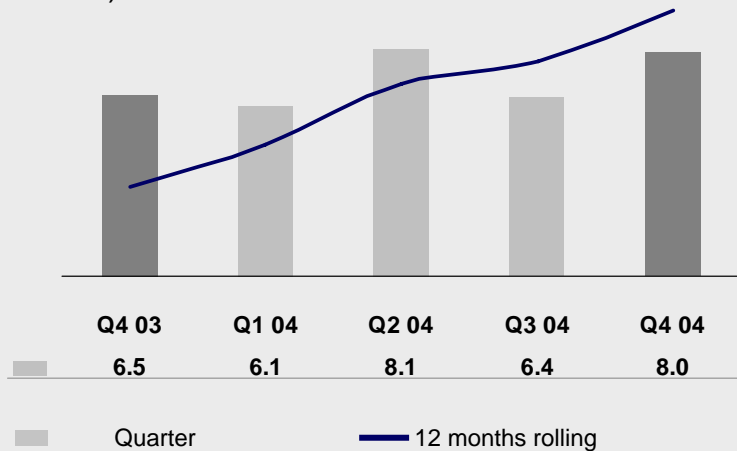
- Profitability and cash flow
- Price management
- Mexico turnaround
- Order for 1,667 buses to Santiago

* Excluding revaluation of shares in Henlys Group.

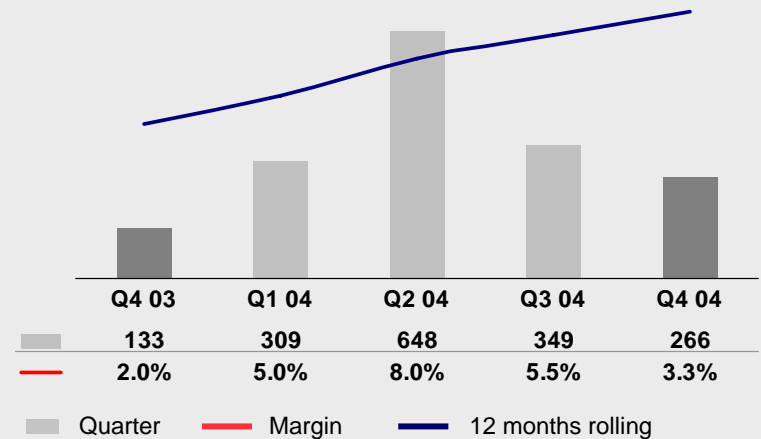
Volvo Construction Equipment Fourth Quarter



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

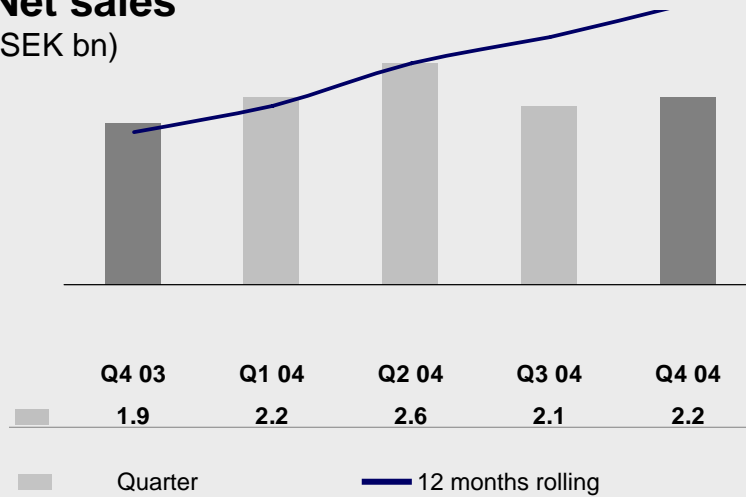
In Focus

- Reduce operating costs
- Price management
- ConExpo

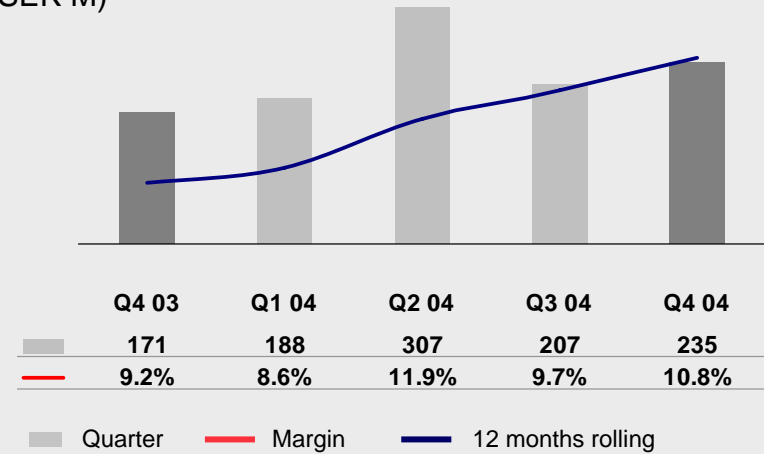
Volvo Penta Fourth Quarter



Net sales
(SEK bn)



Operating income
(SEK M)



Highlights

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

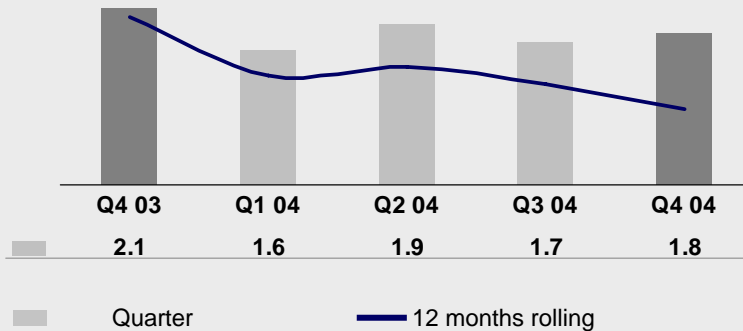
In Focus

- Logistic and delivery quality
- Cost control
- Cash flow

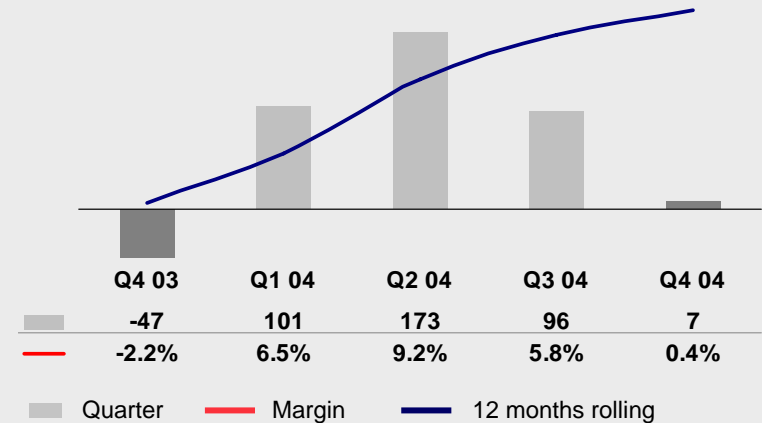
Volvo Aero Fourth Quarter



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

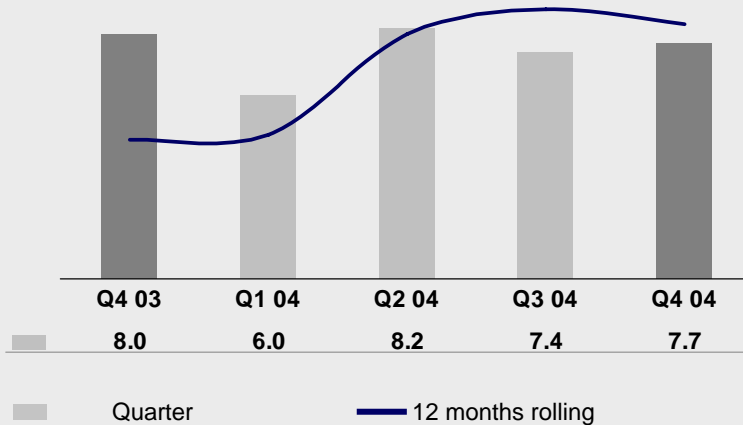
In Focus

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

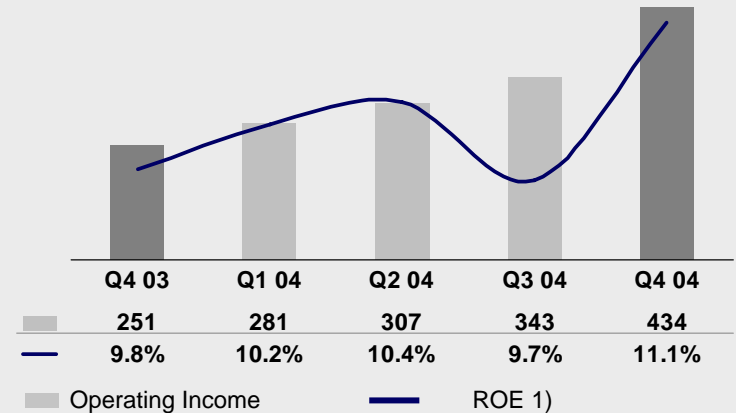
Volvo Financial Services Fourth Quarter



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>
Equity under Swedish GAAP	72,420	69,409	69,409
<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
<i>Total adjustments to IFRS</i>	<i>112</i>	<i>746</i>	<i>1,094</i>
<u>Equity under IFRS</u>	<u>72,532</u>	<u>70,155</u>	<u>70,503</u>

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Expected impact of IFRS – Net profit SEK M

Summarized reconciliation of net income

	<u>2004</u>
Net income under Swedish GAAP	9,355
<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
<i>Total adjustments to IFRS</i>	<u>552</u>
Net income under IFRS	<u>9,907</u>

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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