



AB Volvo

Press Information

Interim report

Volvo Group six months ended June 30, 1998

	First six months	
	1998	1997
Net sales, SEK M	101,706	89,024
Operating income, excluding items affecting comparability, SEK M	4,697 ¹⁾	3,948
Operating income	3,547	3,948
Income after financial items, SEK M ²⁾	6,109	7,945
Net income, SEK M	4,475	6,462
Income per share, SEK, excluding items affecting comparability and gains on sales of shares, during most recent 12-months period, SEK	13.40	11.00
Return on shareholders' equity, excluding items affecting comparability and gains on sales of shares, %	10.3	9.8

¹⁾ Items affecting comparability in the first half-year pertain to reserves for restructuring costs in Buses and Construction Equipment amounting to SEK 240 M and SEK 910 M, respectively.

²⁾ Includes gains on sales of shares amounting to SEK 2,125 M in the first half of 1998 and SEK 3,267 M in the first half of 1997.

Favorable reception for the Volvo S80.

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The second quarter of 1998 was marked by strong growth in sales in North America and Europe that more than compensated for the decline in Asia. The Volvo Group's net sales rose 14% in the first half of the year, to SEK 101,706 M.

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Significantly higher shipments and increased profitability in Trucks.

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Operating income excluding items affecting comparability amounted to SEK 4,697 M (3,948). The operating margin, amounting to 4.6%, improved during the second quarter.

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The cooperation with Deutz AG (Germany) in the field of diesel engines was expanded.

Comment by the Chief Executive Officer

The Volvo Group's operations thus far this year have been characterized by a high rate of product renewal and by structural measures designed to yield higher operating efficiency, all in line with the growth strategy that was presented at the end of 1997. Sales increased in all business areas and exceeded SEK 100 billion. Strong sales in Europe and North America compensated for the lower sales and loss of income in markets in Southeast Asia. The product program is being renewed according to plan. The Volvo S80, which was introduced during the spring, was received very favorably, due not least to a number of safety-enhancing and technical innovations, its "environmental certification," and fuel consumption that is among the lowest in the market for vehicles of comparable size and performance.

During the first half of the year a number of steps were taken to achieve a competitive industrial structure. Volvo and Deutz AG, the German engine manufacturer, have signed a letter of intent covering increased cooperation in the field of diesel engines for commercial vehicles. Volvo will concentrate its operations on heavy engines while Deutz will become the Volvo Group's partner in the field of small and medium-size diesel engines. This cooperation is an important step toward an increased emphasis on engine development and will contribute to greater efficiency and improved competitiveness.

As a result of the acquisition of South Korean Samsung's construction equipment division, Volvo's product program and market presence in a highly competitive industry is being strengthened. The acquisition, which offers substantial synergies in both the commercial and industrial sectors, is creating opportunities for rationalization measures, notably in the production of excavators in Eslöv, where cutbacks in personnel will be made. To implement this program, SEK 910 M is being reserved in Volvo Construction Equipment's accounts for the second quarter, affecting otherwise very good earnings in this business area.

In line with the objective of creating a cost-effective industrial structure, Volvo Trucks has reached an agreement in principle with Meritor Automotive Inc. covering the global supply of rear axles. As part of the agreement, Volvo is selling its rear-axle plant in Lindesberg to Meritor. Volvo Cars' wheel assembly plant in Kungälv is being sold to Michelin/Continental.

Volvo Buses, which is in an expansive phase, is continuing its program of integration following a number of acquisitions and the concentration of parts of its European production in Poland. Earnings in Buses, as well, are being charged with reserves for nonrecurring restructuring costs.

The level of activity to achieve good annual growth and profitability is high in all of Volvo's business areas. The present product program, solid order bookings and improved utilization of synergies – combined with the establishment of operations in new and growing markets – have strengthened Volvo's position.

The most important tasks during the remainder of the year include completing the global launch of the Volvo S80 and introducing Volvo Trucks' coming new model while maintaining the highest quality and efficiency in production and distribution. Viewed in a longer perspective, the importance of carrying out Volvo's global expansion in a coordinated and efficient manner is increasing. As we face our opportunities, I feel very confident in our ability to do this in a manner that meets the expectations of both customers and shareholders.

The Volvo Group, first six months 1998

Acquisitions and divestments

Volvo's acquisition of South Korean Samsung Heavy Industries' construction equipment division, a transaction amounting to slightly more than SEK 4.5 billion, was completed during the early part of July. The business is being consolidated in Volvo effective in the third quarter. Goodwill amounting to approximately SEK 1.5 billion arising in connection with the acquisition will be amortized over 20 years in the Construction Equipment business area. A reserve of SEK 910 M is being established in the second quarter for restructuring costs in existing operations in connection with the acquisition.

With the acquisition, Volvo is consolidating its position as one of the world's largest manufacturers of construction equipment. The acquired business had sales of SEK 5.8 billion in 1997.

Other acquisitions during the first half of 1998 included Volvo Buses' purchase of Carrus Oy, a Finnish manufacturer of bus bodies, and its acquisition of 51% of the shares of Nova BUS, as well as Volvo Trucks' purchase of BRS Truck Rental and Contract Hire (Great Britain).

Half of AB Volvo's holding of 4% of the shares of Pharmacia & Upjohn was sold during the second quarter of 1998. Revenue from the sale amounted to SEK 3.3 billion and Volvo's book profit was SEK 2,1 billion. Plans call for the rest of the shareholding to be sold during the second half of 1998.

Volvo and Deutz plan enlarged cooperation

Volvo and the German Engine Manufacturer Deutz have signed a letter of intent regarding plans to expand their present cooperation in the field of commercial diesel engines.

Deutz will become the Volvo Group's main supplier of small and medium sized diesel engines for construction equipment, trucks, buses and marine and industrial applications. Concerning medium sized engines, future development will be shared by both companies.

At the same time, Volvo will concentrate its commercial diesel engine operations on heavy duty diesel engines in the 8-16 litre displacement range. To complete the Deutz product range, engines of this type shall also be delivered to Deutz.

Final agreements on the enlarged cooperation are expected to be concluded in autumn 1998. The planned broader cooperation will lead to substantial efficiency and cost improvements and strengthening of their respective competitiveness in the market.

To demonstrate the long-term commitment, Volvo plans to acquire a minority shareholding in Deutz corresponding to 10% of the shares. Deutsche Bank has granted an option entitling Volvo to acquire a 10% shareholding in Deutz.

Income summary

Net sales of the Volvo Group increased by 14%, to SEK 101.7 billion, excluding acquired units, compared with sales in the corresponding 1997 period. Adjusted for the effects of both foreign exchange movements and acquisitions, the increase was 11%. Trucks increased sales volume by 30% and Cars presented higher sales volumes for S/V40 which compensated the decline in sales related to the phasing out of the Volvo S/V90 and Volvo 940.

The increase in sales in the first half of the year was attributable primarily to operations in North America (plus 26%) and Western Europe (plus 13%), which together account for 86% of the Group's total sales. Sales in Asia declined by 24% during the first half of 1998. The Asian markets constitute 6% of Volvo's total sales. Volvo continued to show good sales increases in Eastern Europe and South America.

Operating income of SEK 3,547 M includes items affecting comparability in the amount of SEK 1,150 M pertaining to the restructuring of Buses' operations in Europe, SEK 240 M, and in the amount of SEK 910 M in Construction Equipment in connection with the acquisition from Samsung.

Excluding items affecting comparability, operating income amounted to SEK 4,697 M (3,948), an increase of 19% compared with the first half of 1997. Larger volumes of sales and positive effects of foreign exchange movements and cost reduction programs were offset to some extent by costs of retooling for production of the new Volvo S80. In addition, higher selling expenses occurred due to the larger sales volumes and launches of new products.

The operating margin, excluding items affecting comparability, amounted to 4.6% (4.4). Volvo's objective, which is to have an operating margin in excess of 5%, was achieved by Construction Equipment and Aero.

Income from investments in associated companies amounted to SEK 235 M (3,080). The decrease relative to the first half of 1997 was attributable to a gain of SEK 3,027 M on the sale of shares in Pripp Ringnes AB in February 1997.

Income amounting to SEK 2,177 M (334) from other shares and participations consisted largely of a gain of SEK 2,090 M that arose in connection with the sale of shares in Pharmacia & Upjohn Inc.

Net interest income of SEK 293 M (515) was generated through a return of 6.2% on average interest-bearing assets and average loan expense of 7.9%.

Tax expense rose by SEK 225 M, to SEK 1,630 M (1,405) and was equal to an average tax rate of 27%. Tax expense pertained mainly to current taxes in foreign subsidiaries and deferred taxes in Swedish subsidiaries.

Net income amounted to SEK 4,475 M (6,462) and the return on equity, excluding items affecting comparability and gains on the sale of shares, was 10.3%, unchanged from the preceding quarter.

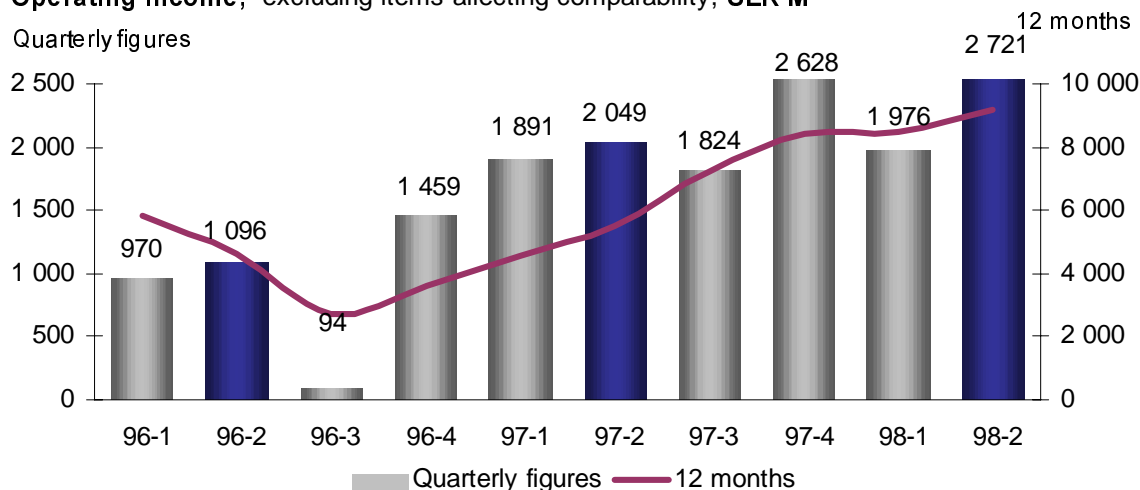
Consolidated income statements, SEK M

	First six months	
	1998	1997
Net sales	101,706	89,024
Cost of sales	(77,732)	(67,973)
Gross income	23,974	21,051
Research and development expenses	(4,844)	(4,489)
Selling expenses	(8,913)	(7,882)
Administrative expenses	(3,745)	(3,459)
Other operating income and expenses	(1,775)	(1,273)
Items affecting comparability	(1,150)	-
Operating income	3,547	3,948
Income from investments in associated companies	235	3,080
Income from other investments	2,177	334
Interest income and similar credits	979	2,028
Interest expenses and similar charges	(686)	(1,513)
Other financial income and expenses	(143)	68
Income after financial items	6,109	7,945
Taxes	(1,630)	(1,405)
Minority interests	(4)	(78)
Net income	4,475	6,462

	First six months	
	1998	1997
Gross and operating margin, %		
Gross margin	23.6	23.6
Research and development expenses in % of net sales	4.8	5.0
Selling expenses in % of net sales	8.8	8.9
Administrative expenses in % of net sales	3.7	3.9
Operating margin excluding items affecting comparability	4.6	4.4
Operating margin	3.5	4.4

Operating income, excluding items affecting comparability, SEK M

Quarterly figures



Financial position

Consolidated balance sheets, SEK M	Volvo Group excl sales financing 1)		Sales financing		Volvo Group total	
	980630	971231	980630	971231	980630	971231
<i>Assets</i>						
Intangible assets	3,368	3,262	96	22	3,464	3,284
Tangible assets	34,188	32,043	15,893	12,251	50,081	44,294
Financial assets	13,683	14,233	19,359	14,508	27,647	24,527
Inventories	30,074	27,756	217	237	30,291	27,993
Short-term receivables	27,787	23,553	19,764	19,041	47,551	42,594
Marketable securities	14,021	10,930	32	32	14,053	10,962
Cash and bank accounts	6,440	8,807	860	834	7,300	9,641
Total assets	129,561	120,584	56,221	46,925	180,387	163,295
<i>Shareholders' equity and liabilities</i>						
Shareholders' equity	62,372	60,431	5,395	4,214	62,372	60,431
Minority interests	927	859	43	40	970	899
Provisions	23,203	21,534	1,558	1,419	24,761	22,953
Loans	4,030	2,096	46,795	39,121	50,825	41,217
Other liabilities	39,029	35,664	2,430	2,131	41,459	37,795
Shareholders' equity and liabilities	129,561	120,584	56,221	46,925	180,387	163,295

1) Sales-finance operations are reported in accordance with the equity method. Internal receivables and liabilities related to the sales-finance operations are excluded.

The Group's total assets rose during the first half of 1998 by SEK 17.1 billion, of which the continued expansion in sales financing accounted for SEK 9.5 billion, excluding the effects of foreign exchange movements. The sale of half of Volvo's holding of Pharmacia & Upjohn shares reduced long-term financial assets by SEK 1.0 billion, while an advance payment pertaining to Volvo's acquisition from Samsung increased current receivables by SEK 1.4 billion.

Volvo's inventory increased by SEK 2.3 billion, primarily as a result of changes in the composition of the Group and a build-up of inventory in Aero. Excluding sales financing operations, current receivables – mainly receivables from customers – increased by SEK 2.9 billion, in part as a result of higher sales. The effects of foreign exchange movements reduced total assets by SEK 0.5 billion.

Capital expenditures for property, plant and equipment in the first half of 1998 amounted to SEK 4.6 billion, of which a substantial portion was attributable to retooling in Cars for production of the Volvo S80 and future models.

Capital expenditures in Trucks comprised marketing investments to develop the dealer network in Eastern Europe and strengthen Volvo's presence in Asia through the new plant in Bangalore, India. Investments in Trucks also included expenditures in connection with imminent introductions of models.

The Group's net financial assets, excluding sales financing amounted to SEK 17.3 billion, a decrease of SEK 1.8 billion. Details of the change are specified below.

Cash flow from operations	5,6
Capital expenditures	(4,6)
Investments in leasing assets	(0,5)
Disposals	0,5
Dividend	(2,2)
Others including changes in exchange rates	(0,7)
Change after dividend	(1,9)
Acquired companies ¹⁾	(3,0)
Sales of shares, net	3,1
Total change	(1,8)

1) Includes purchase price and net financial debt in acquired companies.

Shareholders' equity increased by SEK 1.9 billion. Net income for the period provided SEK 4.5 billion, while the dividend to Volvo's shareholders reduced shareholders' equity by SEK 2.2 billion.

Cash flow analysis, SEK billions	Volvo Group excl sales financing	Sales financing	Total
Net income	4.3	0.2	4.5
Depreciation and other noncash-related items	1.3	1.3	2.6
Change in operating capital and deferred tax liabilities	0.0	(0.5)	(0.5)
Cash flow from operations	5.6	1.0	6.6
Capital expenditures	(4.6)	0.0	(4.6)
Investments in leasing assets	(0.5)	(5.3)	(5.8)
Disposals	0.5	0.4	0.9
Investments in shares, net	3.1		3.1
Long-term receivables, net	0.5	(5.0)	(4.5)
Acquisitions and sales of companies	(2.2)	0.0	(2.2)
Remaining after net investments	2.4	(8.9)	(6.5)
Increase in loans			9.5
Dividend paid to AB Volvo's shareholders			(2.2)
Change in liquid funds, excluding translation differences			0.8
Translation differences in liquid funds			0.0
Change in liquid funds			0.8

In the cash flow analysis, the effects of major acquisitions and divestments of subsidiaries have been excluded from other changes in the balance sheet. The effects of changes in foreign exchange rates at translation of foreign subsidiaries have been excluded, since they do not affect cash flow.

Key ratios	July 1997- June 1998	Jan-Dec 1997
Return on shareholders equity, %	13.9	17.4
Return on shareholders' equity excluding items affecting comparability and gain on sales of shares, %	10.3	10.4
Income per share, SEK	19.10	22.90
Income per share, excluding items affecting comparability and gain on sales of shares, SEK	13.40	12.70
Shareholders' equity and minority interests as percentage of total assets	35.1	37.6
Shareholders' equity and minority interests excluding sales financing, as percentage of total assets	48.9	50.8
Net financial assets, SEK billion	17.3	19.1
Net financial assets as percentage of shareholders' equity and minority interests	27.4	31.2

Net sales and operating income by Business area

Net sales, SEK M	First six months 1998	First six months 1997	Change in %¹	July 1997- June 1998	Jan-Dec 1997
Cars	50,453	48,160	+5	98,746	96,453
Trucks	30,407	23,506	+28	57,741	50,840
Buses	6,465	5,146	+2	11,901	10,582
Construction equipment	9,077	8,157	+10	17,678	16,758
Marine and industrial engines	2,520	2,286	+10	4,700	4,466
Aero	4,226	3,332	+27	8,370	7,476
Other and eliminations ²	(1,442)	(1,563)	-	(2,829)	(2,950)
Volvo Group total	101,706	89,024	+13	196,307	183,625

1 Excluding divested and acquired units.

2 Including operations being divested of SEK 0, 34, 32 and 66 M respectively.

Operating income, SEK M	First six months 1998	First six months 1997	July 1997- June 1998	Jan-Dec 1997
Cars	1,840	2,154	4,196	4,510
Trucks	1,438	688	2,562	1,812
Buses	300 ¹⁾	244	606	550
Construction equipment	861 ²⁾	745	1,560	1,444
Marine and industrial engines	121	160	142	181
Aero	235	225	482	472
Other and eliminations ³⁾	(98)	(268)	(381)	(551)
Operating income, excluding items affecting comparability	4,697	3,948	9,167	8,418
Items affecting comparability	(1,150)	-	(1,150)	
Volvo Group total	3,547	3,948	8,017	8,418

1) Including items of SEK 240 M affecting comparability, operating income was SEK 60 M.

2) Including items of SEK 910 M affecting comparability, the operating loss was SEK 49 M.

3) Including operations amounting to SEK 0, 8, 18 and 66 M that are being discontinued.

Operating margin, %	First six months 1998	First six months 1997
Cars	3.6	4.5
Trucks	4.7	2.9
Buses	4.6 ¹⁾	4.7
Construction equipment	9.5 ²⁾	9.1
Marine and industrial engines	4.8	7.0
Aero	5.6	6.8
Operating income, excluding items affecting comparability	4.6	4.4
Items affecting comparability	(1.1)	-
Volvo Group total	3.5	4.4

1) Including items affecting comparability, the operating margin was 0.9%.

2) Including items affecting comparability, the operating margin was negative.

Cars

The world market for newly registered cars was virtually unchanged during the first half of 1998, compared with the corresponding period a year earlier.

The total market in Europe increased by 7% and the North American market decreased by 1%. The picture in Southeast Asia was fragmented. The market in Thailand decreased by 73%, and the market in Taiwan by just under one percentage point. The downturn in Japan amounted to 14%.

Net sales for Cars amounted to SEK 50,453 M (48,160).

The number of Volvo cars sold during the first half of 1998 was 200,600 (196,250), up 2%. Sales increased despite the phasing out of the Volvo S/V90 and 940. Demand for the Volvo S/V40 was very strong (up 41%) and capacity in the production plant in Born was fully utilized. Larger volumes of sales of the Volvo S/V70 in North America and Europe are offsetting the downturn in Southeast Asia.

The number of Volvo cars registered in Europe increased 4%. But lower sales were recorded in Sweden, England, Denmark and Spain. Competing makes are taking market shares in Great Britain through substantial sales promotion activities. Volvo Cars is now taking steps that have already begun to yield results; registrations of Volvo Cars in Great Britain in June were 18% higher than in June 1997.

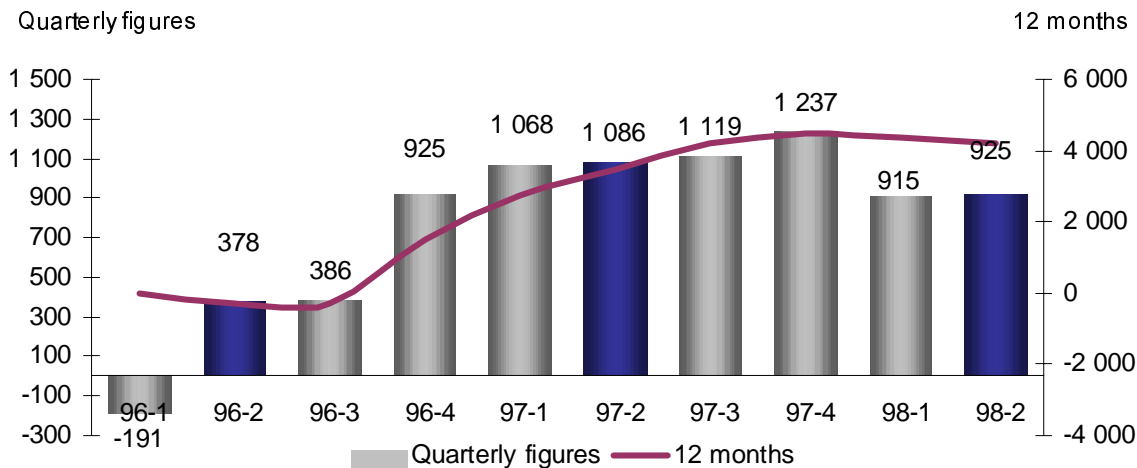
Registrations of Volvo cars in North America rose by 10% despite a declining total market. The Volvo S/V70 continues to show a strong trend of sales.

An overall decline in the volume of sales in Asia was offset by sales increases in Europe and North America. Sales of Volvo cars in Japan fell by 14% during the first half of the year, while the total number of sales of imported cars declined by 22%.

Cars' operating income amounted to SEK 1,840 M (2,154). The larger volume of sales, favorable effects of foreign exchange movements and cost-reduction measures – primarily in production and purchasing – did not fully compensate for increased costs. These costs pertained mainly to the introduction and start-up of production of the Volvo S80 and the higher costs of marketing activities generally. The operating margin in the first six months of the year was 3.6% (4.5), and the margin in the second quarter was 3.7%.

The launch of the new Volvo S80 was begun during the latter part of May and will continue throughout the summer. The Volvo S80 is further strengthening Volvo's profile by offering a number of safety-enhancing, environmental and technical innovations. For example, it is the first car to be "environmentally certified," in accordance with the ISO 14001 standard, with respect to all phases from production to recycling. It is being produced in Cars' plant in Torslanda, which will have a capacity for 100,000 vehicles in 1999. Sales will start in all markets during the same period, September to November of this year.

Operating income, Cars, SEK M



Trucks

The total market for heavy trucks in Western Europe and North America continues to be strong. Demand in Brazil is also still high, while the market in Southeast Asia is weak. The world market for heavy trucks in 1998 is estimated to be somewhat weaker than a year ago due to the trend in the East Asian market.

Volvo delivered 41,090 medium-heavy and heavy trucks during the first half of 1998, an increase of 30% compared with shipments in the corresponding period of 1997. Deliveries rose by 22% in Europe and by 51% in North America. Deliveries in South America also rose by 22%. Deliveries in Asia as a whole increased by 18% due to strong demand in the Middle East that compensated for the sharp decline in Southeast Asia.

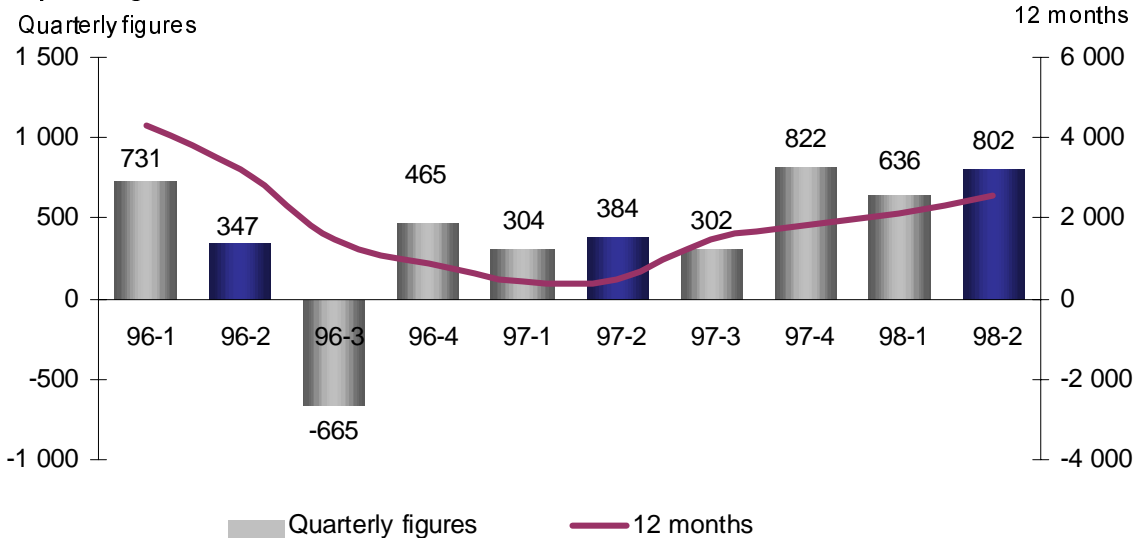
At the end of May, Volvo's share of the market for heavy trucks in Western Europe amounted to 15.9% (16.2) and its share in the United States was 12.0% (9.2). Trucks' share of the market in Brazil at the end of June was 22.7% (22.3).

Orders booked during the first half of the year increased by 33%, compared with the year-earlier period. As of June 30, the backlog was 54% larger than on the same date in 1997.

Volvo Trucks' operating income in the first half of the year amounted to SEK 1,438 M (688). The positive trend of sales and higher margins in North America were factors responsible for the improved results. The operating margin was 4.7% (2.9) in the first six months and 5.0% in the second quarter.

On June 15, Volvo Trucks inaugurated its new plant in Hosakote, on the outskirts of Bangalore in Southern India. The plant will have a capacity of 4,000 trucks per year.

Operating income Trucks, SEK M



Buses

The total market for heavy buses in Western Europe and North America continued to grow during the first half of 1998. Demand in the South American market remains strong. The markets in Southeast Asia have declined substantially but are being more than offset by continuing strong demand in China.

The number of complete buses and bus chassis delivered increased by 13%, to 4,500 units, compared with 3,990 units in the 1997 period. The increase was largely attributable to the acquisition of Nova BUS, the Canadian company.

Net sales increased by 26%, to SEK 6,465 M (5,146). The greater increase in sales figures relative to the number of buses sold is a result of the strategy to increase sales of complete buses.

Operating income, excluding items affecting comparability, amounted to SEK 300 M (244). Nova BUS and Carrus, acquired during 1998, contributed to the greater part of the increase. Buses' operating margin was 4.6% (4.7) for the first half of the year, and 5.5% for the second quarter. Operating income including items affecting comparability was SEK 60 M (244). The 1998 figure includes restructuring costs of SEK 240 M pertaining to changes in Buses' industrial structure in Europe whereby the company is concentrating parts of its production in the plant in Wroclaw, Poland.

Construction equipment

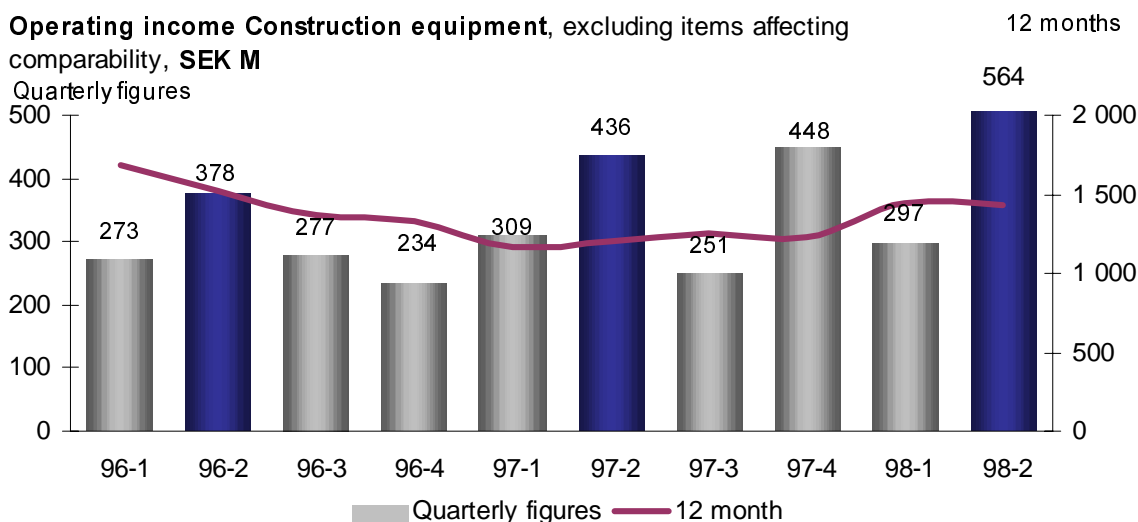
The world market for construction equipment is continuing to develop favorably, except in Asia where the market in Japan, in particular, has decreased sharply.

Construction equipment's net sales rose by 10%, to SEK 9,077 M. The trend of sales was especially strong in North America but the volumes of business in Europe also increased.

Operating income in the first half, excluding items affecting comparability, amounted to SEK 861 M (745), with an operating margin of 9.5% (9.1) for the first six months, and 11.4% for the second quarter. The higher margin is a result of larger volumes of sales, notably during the second quarter, as well as favorable effects of changes in prices and exchange rates. Operating income in the second quarter was charged with a reserve of SEK 910 M pertaining to costs of restructuring existing operations in connection with the acquisition of Samsung Heavy Industries' construction equipment division. Including this item, Construction equipment incurred an operating loss of SEK 49 M.

The operations acquired from Samsung Heavy Industries were transferred to a newly formed company, Volvo Construction Equipment Korea Ltd., as of July 1, 1998. The company's results are being consolidated in the Construction equipment business area accounts as of the same date.

At the German "Bauma '98" trade show at the end of March, Construction Equipment launched a new generation of compact loaders as well as a heavy wheel-loader and a medium-heavy excavator.



Marine and industrial engines

Net sales of the Marine and industrial engines business area increased by 10% to SEK 2,520 M compared with the preceding year. Sales of marine engines continued to be strong in both Europe and North America. Sales of industrial engines in Europe also increased, but sales to customers in the South East Asia were lower than in the 1997 period.

Higher selling expenses and research and development expenses reduced operating income to SEK 121 M (160) and the operating margin declined to 4.8% (7.0).

Aero

Aero's net sales rose to SEK 4,226 M (3,332), an increase that was attributable primarily to the Commercial Engines and Engine Services, as well as Aviation Support Services.

Operating income amounted to SEK 235 M (225). The decrease in operating margin, from 6.8% to 5.6%, was due mainly to larger research and development expenses costs in the commercial aircraft engine program and in the gas turbine sector.

During the second quarter of 1998 Aero received a contract valued at SEK 200 M from SEP, the French rocket-engine company. The order covers the supply of combustion chambers for the "Ariane 4" European space-rocket during the years 1999-2001. This program has 40% of the market for commercial launches.

Sales financing

The assets in the Group's sales financing operations amounted to SEK 56.2 billion, an increase of 20% compared with assets as of January 1, 1998. The increase was attributable primarily to strong growth for Trucks and Cars in the North American market.

Net sales rose to SEK 4,350 M (2,581) and operating income amounted to SEK 214 M (73).

Employees

The number of employees in the Volvo Group increased since year-end by 4,070, to 76,970. The number was increased by 2,490 through the acquisitions of Nova BUS, Carrus Oy and BRS Truck Rental.

Parent Company

Revenues of the Parent Company, AB Volvo, during the first half of 1998 amounted to SEK 306 M (291). The profit before taxes was SEK 4,534 M (14,084). The 1998 figure includes income of SEK 4,819 M (15,278) from shares and participations in subsidiaries, of which the greater part was in the form of dividends. Capital expenditures for property, plant and equipment amounted to SEK 1 M (10). Liquid funds at June 30, 1998 amounted to SEK 8,180 M, compared with SEK 5,183 M as of January 1. Net interest-bearing debt was reduced by SEK 3.3 billion during the first half of the year, to SEK 2.0 billion.

The Volvo Ocean Race

As of June 1998 Volvo became the new "owner" of the worldwide nautical competition formerly known as the Whitbread Round The World Race. The new name is "The Volvo Ocean Race" and the first competition will be staged through the years 2001 and 2002. The program involves opportunities for new forms of global marketing.

The interim report for the nine months ended September 30, 1998 will be released on October 21, 1998.

Göteborg, July 16, 1998

Leif Johansson
President and Chief Executive Officer

This report has not been reviewed by Volvo's auditors.

Volvo Group quarterly figures, SEK M unless otherwise specified	2/1997	3/1997	4/1997	1/1998	2/1998
Net sales	47,175	41,924	52,677	48,839	52,867
Cost of sales	(35,649)	(31,330)	(39,687)	(37,015)	(40,717)
Gross income	11,526	10,594	12,990	11,824	12,150
Research and development expenses	(2,427)	(2,000)	(2,170)	(2,372)	(2,472)
Selling expenses	(4,201)	(3,914)	(5,364)	(4,385)	(4,528)
Administrative expenses	(1,773)	(1,788)	(1,771)	(1,754)	(1,991)
Other operating income and expenses	(1,065)	(1,065)	(1,042)	(1,337)	(438)
Items affecting comparabilities	-	-	-	-	(1,150)
Operating income	2,060	1,827	2,643	1,976	1,571
Income from investments in associated companies	75	85	(236)	99	136
Income from other investments	277	845	(11)	79	2,098
Interest income and similar credits	1,035	929	529	427	552
Interest expenses and similar charges	(710)	(785)	(450)	(248)	(438)
Other financial income and expenses	(40)	(125)	(20)	(59)	(84)
Income after financial items	2,697	2,776	2,455	2,274	3,835
Taxes	(688)	22	(1,322)	(710)	(920)
Minority interests	(48)	(7)	(27)	17	(21)
Net income	1,961	2,791	1,106	1,581	2,894
Depreciations included above	1,539	1,557	2,030	1,933	2,264

Definitions of key ratios

Income per share is calculated as net income divided by the weighted average number of shares outstanding during the period.

Return on shareholders' equity is calculated as net income divided by average shareholders' equity.

Net financial assets/net debt is calculated as liquid funds, short-term receivables and long-term interest-bearing receivables reduced by short-term and long-term interest-bearing liabilities. Net debt does not include net debt in Volvo's sales finance companies, since interest expense in these liabilities is charged against operating income and does not affect consolidated net interest expense.

Operating margin is calculated as operating income divided by net sales.

Volvo car sales, number of units invoiced	First six months 1998	First six months 1997	Change in %	July 1997-June 1998	Jan-Dec 1997
Europe	127,960	121,250	+6	246,670	239,960
Western Europe	124,390	118,300	+5	240,130	234,050
Eastern Europe	3,570	2,950	+21	6,540	5,910
North America	54,030	51,880	+4	104,130	101,980
South America	830	1,250	(34)	1,860	2,280
Asia	14,050	19,110	(26)	31,110	36,170
Other markets	3,730	2,760	+35	7,020	6,050
Total Volvo cars	200,600	196,250	+2	390,790	386,440
Renault cars	16,850	14,440	+17	32,050	29,630
Total cars	217,450	210,690	+3	422,840	416,070
By series					
Volvo S/V90 ¹⁾	7,990	14,900	(46)	21,360	28,290
Volvo 940 ¹⁾	6,250	18,000	(65)	27,720	39,450
Volvo S/V70	105,050	107,990	(3)	200,730	203,670
Volvo S/V40	77,860	55,360	+41	136,650	114,150
Volvo C70	3,450	0		4,330	880
Total	200,600	196,250	+2	390,790	386,440

1) Production ceased during first half of 1998

Trucks, units invoiced

Europe	20,110	16,490	+22	38,080	34,460
Western Europe	18,090	14,990	+21	34,130	31,030
Eastern Europe	2,020	1,500	+35	3,950	3,430
North America	14,110	9,340	+51	25,680	20,900
South America	3,470	2,850	+22	7,600	6,970
Asia	2,380	2,010	+18	5,070	4,710
Other markets	1,020	850	+20	2,110	1,940
Total trucks	41,090	31,540	+30	78,540	68,980

Volvo bus/bus chassis, units invoiced

Europe	1,970	2,010	(2)	4,150	4,190
North America	880 ¹⁾	420	+110	1,570	1,110
South America	750	650	+15	1,450	1,350
Asia	700	580	+21	1,530	1,410
Other markets	200	330	(39)	540	670
Total, buses	4,500	3,990	13	9,240	8,730

1) Including the acquisition of Nova BUS as of second quarter 1998.

As of the fourth quarter, 1997, the Volvo Group's reporting is by market area in accordance with new geographical definitions based on ISO standards. Reporting in prior periods has been adjusted to reflect the new principle.