

VOLVO

Six months ended June 30, 2002

VOLVO 1927-2002



	2002	2001
Net sales, SEK M	89,679	90,848
Operating income excluding restructuring costs, SEK M	1,197	2,625
Operating income, SEK M	1,197	1,306
Income after financial items, SEK M	692	561
Net income, SEK M	334	555
Sales growth, %	(1)	53
Income per share during most recent 12 months period, SEK	(4.00)	7.60
Return on shareholders' equity during most recent 12 months period, %	(2.0)	3.4

- Improved earnings within Trucks in the second quarter resulting from a successful completion of the production changeover in Volvo Trucks. Production in Europe is running at full pace.
- Operating income in the second quarter of 2002 was SEK 1,559 M, compared with SEK 2,123 M in the year-earlier period.
- Cash flow in the second quarter improved to SEK 3.2 billion as a result of the continued focus on activities to improve cash flow.
- Improved earnings within Buses and Construction Equipment. Volvo Aero was affected in full by the general downturn in the aviation industry.
- Asian markets continue to develop favorably across business areas.

Comments by the Chief Executive Officer

The first quarter was characterized by model changes. Volvo Trucks' underwent an extensive industrial changeover to take the new FH and FM models in production. This was completed during the second quarter and the new models are now in full production.

The next step is already underway. A new Volvo truck program, based on the same successful technology as in the FH and FM models, will be introduced in the North American market during the coming quarter. The new models will be equipped with engines that comply with the new "EPA02" emission standards in the US. A new family of EPA02-compliant Mack engines will also be introduced.

With the new wheel loaders and excavators, Volvo CE also went through an extensive changeover although on a smaller scale, and production is now running at a high level to respond to the strong customer demand for these new product ranges.

Business conditions continue to develop in different directions for the Group's business areas, with the exception of the markets in Asia and Eastern Europe where the entire Group has a very strong development. These regions are now representing more than ten percent of net sales.

The increased order intake in the North American truck market during the second quarter is an encouraging sign that the market has now bottomed out. The uncertainty remains however, regarding the customer demand immediately after the introduction of the EPA02 emission regulation in October 2002. The truck market in Western Europe continues to be relatively stable. The general downturn is likely to be limited to the 10-percent decline that we previously predicted. This means that the truck market will remain at historically high levels.



The demand for buses in North America and South America is weak, while some areas in Europe are recovering. The important coach market remains weak in all markets. The construction equipment market continues to decline in both Europe and North America.

As a consequence of these varied business conditions, the Group's financial performance in the second quarter was mixed. Volvo Penta succeeded in offsetting the downturn by gaining market shares and reported yet another excellent quarter. The demand for Volvo CE's new products was strong and contributed to an improved result despite the difficult business climate. Volvo Trucks' new models have proved to be very competitive and the launch has resulted in more than 31.000 orders so far. Renault Trucks' and Mack Trucks' order intake increased as well. Turn-around efforts in Buses resulted in positive operating income, and two large and profitable orders were secured for the Mexico plant. Financial Services continues to stabilize its credit portfolio and made a slight improvement during the second quarter. Volvo Aero's weak result was anticipated. We knew – and announced – that the

downturn in the air traffic sooner or later would affect the aerospace operations.

With the current uncertainty in the business climate, our focus on business cycle management and structural improvements is retained. Volvo Aero has already taken a wide range of measures to adapt to the new conditions, including large personnel reductions, decisions that were regrettable but unavoidable.

The transfer of Mack's South Carolina-based assembly operations to Volvo Trucks' facility in Virginia as well as the exit from the US city bus market are vital steps towards strengthening competitiveness in North America.

The on-going integration within the truck operations is developing according to plan, and at the end of the second quarter synergies from this process was running on an annualized level of SEK 2.1 billion. The costs for the integration activities have, so far, developed slightly better than expected.

In combination with the strong product renewal, these efforts will gradually improve our competitive position.

Leif Johansson

Significant events during the second quarter of 2002

Volvo Buses chosen as preferred supplier

In June 2002, Volvo Buses was chosen as preferred supplier by two of the leading bus operator groups in Mexico. The contract gives Volvo Buses a leading position within the upper segments in the Mexican market. The deliveries involve 1,800 buses and will start as early as mid-2002 and continue until mid-2005. The total framework agreement amounts to approximately SEK 3.0 billion. This agreement follows an earlier order for 900 units of Volvo 7550, most of which were delivered in 2000 and 2001.

Volvo CE establishes production facility in China

Volvo Construction Equipment (Volvo CE) has decided to establish a wholly owned subsidiary production and facility, Volvo Construction Equipment (China) Co, Ltd, for the manufacture of construction equipment in Shanghai, China. The new facility is scheduled to be taken into operation by spring 2003 and will initially be used for the assembly of crawler excavators. The company will initially have 150 employees.

AB Volvo celebrated its 75th anniversary

On April 14, 2002, Volvo celebrated its 75th anniversary. On that day, it was exactly 75 years since the first series-manufactured Volvo car, the Volvo ÖV4, rolled off the production line on the island of Hisingen, Gothenburg. Since then, Volvo has developed from a small local industry to one of the world's leading manufacturers of heavy trucks, buses and construction equipment, with more than 70,000 employees world wide and a presence in over 125 countries.



Significant events earlier in 2002

New structure for Volvo's truck operations

Since Volvo's acquisition of Renault V.I. (now named Renault Trucks) and Mack Trucks, a large part of the operations has been focused on immediate integration programs and the development of a strategy for future product plans for both vehicles and engines. Most of this work is now completed and the years immediately ahead will be characterized by implementation of approved strategies and product plans in order to take advantage of the synergies created through the acquisition. A clear focus on customers, based on distinct and powerful brand names, will be decisive. A new organization and management was thus necessary. As of January 7, 2002, Volvo, Mack and Renault Trucks are separate business areas reporting to the Volvo Group Headquarters.

Volvo CE launched new products

Volvo Construction Equipment launched its B-series of excavators; a new generation of machines designed to provide more power and productivity and improved operator comfort. Volvo CE also launched the new Volvo E-series of wheel loaders. The new wheel loaders combine high productivity, low fuel consumption and low

environmental impact, making them the ideal machines for rock, re-handling and log-handling applications.

Volvo delivers 200 city buses to Johannesburg

Volvo Bus South Africa Pty began delivery of 200 city buses to Metrobus in Johannesburg, South Africa. The delivery comprises 150 B7TL double-decker buses and 50 standard B7R buses. The delivery marks an important modernization of the city's fleet of buses and also represents a new element on the urban scene prior to this year's major UN summit meeting, where world leaders will discuss environmental and economic development.

Volvo Aero Engine Services lands major overhaul order from Aeroflot

Volvo Aero signed an agreement with the Russian airline Aeroflot, whereby Volvo Aero will overhaul Aeroflot's JT9D-59A engines, powering its DC 10-40 aircraft. The initial value of the contract is USD 60 M, making it the largest overhaul contract signed by Volvo Aero since 1998. There is also a potential for a total order value of USD 120 M if Aeroflot decides to add more DC 10-40's to its fleet.

The Volvo Group – 2002

Net sales

Net sales of the Volvo Group for the second quarter of 2002 amounted to SEK 49,294 M, compared with SEK 47,098 M in 2001, an increase of 8% adjusted for changes in currency rates and group structure. The increase in net sales is largely related to increased truck deliveries on most markets as a result of successful product introductions.

Net sales of Trucks' amounted to SEK 32,554 M, an increase of 12% adjusted for currency effects compared with the year earlier period. The increase was largely due to increased deliveries. Deliveries in Europe increased by 10% following the introduction of the new Volvo FH and Volvo FM trucks in combination with high deliveries of Renault trucks in Southern and Eastern Europe. Volvo Trucks' production changeover was successfully completed during the second quarter and the initial start-up effects, resulting in delayed deliveries in the first quarter were resolved. Deliveries improved in North America to 10,592 vehicles, up 9% compared with the year-earlier period.

Net sales of Buses for the second quarter of 2002 amounted to SEK 4,142 M, an increase of 2% adjusted for currency effects and the effect of consolidating Prévost/Nova Bus using the proportional method as of the fourth quarter 2001. The ramp-up issues relating to the production start of new models within Volvo CE from the first quarter were resolved in the second quarter and net sales for Volvo CE increased 7%, excluding currency effects. Sales of marine engines remained strong and Volvo Penta's sales in the second

quarter increased by 16%, excluding currency effects. As a result of the downturn in the airline industry, Volvo Aero's net sales declined by 21%.

During the second quarter of 2002, the Group's net sales in Western Europe increased by 9%, mainly due to increased

deliveries of newly introduced products. Net sales in North America were down 6% and South America declined 28%, while significant growth was noted in Eastern Europe, Asia and on other markets.

The distribution of net sales by market is further specified in the table below:

SEK M	Second quarter		First six months		Change in %	% of total
	2002	2001	2002	2001		
Western Europe	25,670	23,624	46,767	47,321	(1)	52
Eastern Europe	1,946	1,427	3,264	2,626	+24	4
North America	14,491	15,354	26,229	28,795	(9)	29
South America	1,239	1,727	2,450	3,106	(21)	3
Asia	3,342	2,756	5,992	4,697	+28	7
Other markets	2,606	2,210	4,977	4,303	+16	5
Total	49,294	47,098	89,679	90,848	(1)	100

Consolidated income statements ¹⁾

SEK M	Second quarter		First six months	
	2002	2001	2002	2001
Net sales	49,294	47,098	89,679	90,848
Cost of sales	(40,560)	(38,887)	(73,765)	(75,123)
Gross income	8,734	8,211	15,914	15,725
Research and development expenses	(1,373)	(1,357)	(2,878)	(2,751)
Selling expenses	(3,787)	(3,599)	(7,584)	(6,977)
Administrative expenses	(1,455)	(1,776)	(2,732)	(3,435)
Other operating income and expenses	(958)	(815)	(2,052)	(1,511)
Income from Financial Services	120	63	235	176
Income from investments in associated companies	(47)	(52)	(31)	(54)
Income from other investments	325	1,448	325	1,452
Restructuring costs	–	–	–	(1,319)
Operating income	1,559	2,123	1,197	1,306
Interest income and similar credits	313	388	579	799
Interest expenses and similar charges	(500)	(650)	(1,014)	(1,334)
Other financial income and expenses	(62)	(49)	(70)	(210)
Income after financial items	1,310	1,812	692	561
Taxes	(212)	(465)	(330)	(43)
Minority interests in net (income) loss	(18)	9	(28)	37
Net income	1,080	1,356	334	555
Income per share, SEK	2.60	3.20	0.80	1.30

1) Financial Services reported in accordance with the equity method.



Operating income

Operating income for the second quarter of 2002, amounted to SEK 1,559 M, compared with SEK 2,123 M in the corresponding period a year earlier. Adjusted to comparable basis, earnings improved by about SEK 550 M over the year-earlier period.

Trucks' operating income for the second quarter of 2002 was SEK 483 M compared with SEK 639 M in the year-earlier period. Operating income improved significantly during the second quarter compared with the first three months. The improvement was mainly due to increased deliveries resulting from the production changeover of the new Volvo FH and Volvo FM trucks, and to a positive contribution from synergies. Operating income for the second quarter of 2001 included a gain on the sale of shares in Mitsubishi Motors of SEK 574 M, net.

Buses operating income amounted to SEK 51 M compared with an operating loss of SEK 25 M in the year-earlier period. The improvement is largely related to turn-around activities and to stabilizing conditions in North America. Construction Equipment had a strong second quarter with operating income of SEK 464 M compared with SEK 408 M in the year-earlier period. Earnings for Volvo Penta continued to be favorable; with an operating margin of 10% in the second quarter of 2002. Volvo Aero's operating income declined significantly compared with the year-earlier period due to weaker demand and as a result of a weaker USD. Financial Services operating income amounted to SEK 120 M, which was slightly higher than the previous quarter and better than in the year-earlier period. Operating income for other companies

Key operating ratios, Volvo Group				
%	Second quarter		First six months	
	2002	2001	2002	2001
Gross margin	17.7	17.4	17.7	17.3
Research and development expenses in % of net sales	2.8	2.9	3.2	3.0
Selling expenses in % of net sales	7.7	7.6	8.5	7.7
Administrative expenses in % of net sales	3.0	3.8	3.0	3.8
Operating margin ¹⁾	3.2	4.5	1.3	2.9
Operating margin	3.2	4.5	1.3	1.4

1) Excluding restructuring costs.

Condensed income statement – Financial Services				
SEK bn	Second quarter		First six months	
	2002	2001	2002	2001
Net sales	2,435	2,368	4,883	4,608
Income after financial items	120	63	235	176
Taxes	(35)	60	(62)	54
Net income	85	123	173	230

Key ratios – Financial Services			
	June 30		Dec 31
12 months figures unless otherwise stated	2002		2001
Return on shareholders' equity, %	3.7		4.2
Equity ratio at end of period, %	10.7		10.3
Asset growth first six months, %	(7.3)		10.5

Key ratios			
	June 30		Dec 31
12 months figures unless otherwise stated	2002		2001
Sales growth first six months, %	(1.3)		50.0
Income per share, SEK	(4.00)		(3.50)
Income per share, excluding restructuring costs, SEK	0.30		3.10
Return on shareholders' equity, %	(2.0)		(1.7)
Return on shareholders' equity excluding restructuring costs, %	0.2		1.5
Net financial position at end of period, SEK billion	(7.4)		(7.0)
Net financial position at end of period as percentage of shareholders' equity and minority interests	(9.2)		(8.2)
Shareholder' equity and minority interests as percentage of total assets	32.7		32.8
Shareholders' equity and minority interests as percentage of total assets, excluding Financial Services	41.4		41.8

declined to SEK 176 M in the second quarter of 2002 (530). The decline was a result from a lower dividend from Scania and a deficit in Volvo's Swedish pension foundation.

Operating income for the second quarter of 2002 included a less positive effect from capitalization of development costs of SEK 53 M, compared with the corresponding period in 2001. These effects are related to new accounting standards, which were applied as of 2001. The total effect from capitalization of development costs, net of amortization, was SEK 398 M for the second quarter of 2002, compared with SEK 451 M in the year-earlier period.

Income from other investments declined to SEK 325 M in the second quarter (1,448). The decline is attributable to a halved dividend from Scania combined with a capital gain from the sale of shares in Mitsubishi Motors in 2001.

The deficit in Volvo's Swedish pension foundation increased by SEK 338 M and had a negative effect on operating income during the second quarter of 2002, mainly due to the weak development in the stock market.

Net interest expense

Net interest expense for the second quarter of 2002 declined to SEK 187 M compared with SEK 248 M in the first quarter. The improvement was mainly due to lower net financial debt and lower funding costs in the US combined with higher yield on financial assets in Sweden.

Taxes

During the second quarter of 2002, a tax expense of SEK 212 M was reported, mainly related to current tax expenses in subsidiaries outside Sweden.

Consolidated balance sheets SEK M	Volvo Group excl Financial Services ¹⁾		Financial Services		Volvo Group total	
	June 30 2002	Dec 31 2001	June 30 2002	Dec 31 2001	June 30 2002	Dec 31 2001
Assets						
Intangible assets	16,892	17,366	142	159	17,034	17,525
Property, plant and equipment	28,043	30,370	2,936	2,864	30,979	33,234
Assets under operating leases	12,606	15,020	12,761	14,060	23,833	27,101
Shares and participations	34,620	35,145	191	203	27,428	27,798
Long-term customer finance receivables	90	19	24,864	26,256	24,695	26,075
Long-term interest-bearing receivables	4,649	5,627	8	0	4,635	5,554
Other long-term receivables	8,586	9,017	92	73	8,490	8,902
Inventories	29,855	30,557	384	518	30,239	31,075
Short-term customer finance receivables	27	95	23,007	23,732	21,980	22,709
Short-term interest bearing receivables	6,251	6,799	78	82	1,505	2,525
Other short-term receivables	28,462	29,798	1,991	2,647	29,349	31,044
Marketable securities	17,938	12,997	381	517	18,319	13,514
Cash and bank	5,937	11,877	1,848	2,417	7,542	13,869
Total assets	193,956	204,687	68,683	73,528	246,028	260,925
Shareholders' equity and liabilities						
Shareholders' equity	80,113	85,185	7,383	7,550	80,113	85,185
Minority interests	246	391	0	0	246	391
Provision for post-employment benefits	13,402	14,632	16	15	13,418	14,647
Other provisions	13,299	14,085	3,875	4,342	17,174	18,427
Loans	28,802	29,710	53,945	57,956	76,371	81,568
Other liabilities	58,094	60,684	3,464	3,665	58,706	60,707
Shareholders' equity and liabilities	193,956	204,687	68,683	73,528	246,028	260,925

1) Financial Services reported in accordance with the equity method.

Change of Net financial position SEK bn	Second quarter	First six months
Beginning of period	(9.3)	(7.0)
Cash flow from operating activities	4.5	3.2
Investments in fixed assets, net	(1.1)	(2.5)
Acquired and divested operations	(0.2)	0.0
Cash-flow after net investments, excluding Financial Services	3.2	0.7
Debt in acquired and divested operations	0.0	(0.2)
Dividend paid	(3.4)	(3.4)
Change in provision for post employment benefits	(0.3)	(0.5)
Currency effect	2.7	3.3
Other	(0.3)	(0.3)
Total change	1.9	(0.4)
Net financial position at end of period	(7.4)	(7.4)

Total assets

The Volvo Group's total assets at June 30, 2002 amounted to SEK 246.0 billion, corresponding to a decrease of SEK 14.9 billion compared with year-end 2001. Approximately SEK 16.7 billion of the decrease was related to currency effects.

Shareholders' equity

Shareholders' equity amounted to SEK 80.1 billion as of June 30, 2002, corresponding to an equity ratio of 41.4%, excluding Financial Services. Net debt on the same date amounted to SEK 7.4 billion. Net financial debt corresponded to 9.2% of shareholders' equity and minority interest. The changes in shareholders' equity and net financial position since year-end are specified in the tables below.

The Volvo Group's cash flow

Cash flow after net investments, excluding Financial Services, was positive in an amount of SEK 3.2 billion during the second quarter of 2002. Compared with the corresponding period in the preceding year, cash flow improved by approximately SEK 2.0 billion (excluding acquisitions and divestments), mainly due to favorable development of working capital and lower investments in fixed assets. The improvement of cash flow versus the first quarter 2002 related primarily to higher operating income and lower amounts tied up in working capital.

Cash flow after net investments within Financial Services was negative in an amount of SEK 1.1 billion in the second quarter (-2.8).

Net borrowing increased during the second quarter by SEK 2.1 billion. During the same period, liquid funds decreased by SEK 3.4 billion due to payment of dividends to Volvo's shareholders. In total, liquid funds increased by SEK 1.4 billion during the second quarter and amounted to SEK 25.9 billion as of June 30, 2002.

Change in shareholders' equity SEK bn	Jan-June	
	2002	2001
Beginning of period	85.2	88.3
Translation differences	(1.8)	1.5
Repurchase of own shares	-	(8.3)
Issue of shares to Renault SA	-	10.4
Dividend to Volvo's shareholders	(3.4)	(3.4)
Net income	0.3	0.6
Other changes	(0.2)	0.0
Balance at end of period	80.1	89.1

Number of Volvo shares Millions	June 30	Dec 31
	2002	2001
Number of shares outstanding	419.4	419.4
Average number of shares outstanding during the period	419.4	422.4
Company shares held by AB Volvo	22.1	22.1

Cash flow statement SEK bn	Second quarter		First six months	
	2002	2001	2002	2001
Operating activities				
Operating income ¹⁾	1.4	2.0	1.0	1.1
Add depreciation and amortization	2.2	2.1	4.1	3.9
Other non-cash items	0.5	(0.5)	0.6	(0.6)
Change in working capital	0.4	(0.3)	(2.3)	0.2
Financial items and income taxes paid	0.0	0.2	(0.2)	(0.8)
Cash flow from operating activities	4.5	3.5	3.2	3.8
Investing activities				
Investments in fixed assets	(1.4)	(2.1)	(3.1)	(4.0)
Investment in leasing vehicles	(0.1)	(0.1)	(0.1)	(0.3)
Disposals of fixed assets and leasing vehicles	0.4	0.3	0.7	0.5
Customer Finance receivables, net	0.0	(0.2)	0.0	(0.1)
Investments in shares, net	0.0	3.2	0.0	3.0
Acquired and divested operations	(0.2)	11.8	0.0	15.5
Cash-flow after net investments excl Financial Services	3.2	16.4	0.7	18.4
Cash-flow after net investments, Financial Services	(1.1)	(2.8)	(2.2)	(4.2)
Cash-flow after net investments, Volvo Group total	2.1	13.6	(1.5)	14.2
Financing activities				
Change in other loans, net	2.1	(4.2)	2.7	4.2
Loans to external parties, net	0.9	(0.5)	1.2	(1.1)
Repurchase of own shares	-	-	-	(8.3)
Dividend to AB Volvo shareholders	(3.4)	(3.4)	(3.4)	(3.4)
Other	0.0	(0.2)	0.0	(0.2)
Change in liquid funds excl translation differences	1.7	5.3	(1.0)	5.4
Translation difference on liquid funds	(0.3)	0.2	(0.5)	0.7
Change in liquid funds	1.4	5.5	(1.5)	6.1

1) Excluding Financial Services

Condensed cash-flow statement, Financial Services SEK bn	Second quarter		First six months	
	2002	2001	2002	2001
Cash-flow from operating activities	1.8	0.3	2.6	1.0
Net investments in credit portfolio etc	(2.9)	(3.1)	(4.8)	(5.2)
Cash-flow after net investments	(1.1)	(2.8)	(2.2)	(4.2)

Financial review by business area



Trucks

At the beginning of 2002, the Volvo Group changed the organizational structure of its truck operations by making the three truck companies – Mack Trucks, Renault Trucks and Volvo Trucks – separate business areas.

The truck operations of the Volvo Group report directly to the Volvo Group Headquarters. The joint organization for coordinating Product Planning, Purchasing and Product Development, Volvo 3P, has formed a separate internal business unit.

Total market

The heavy truck market in Western Europe declined by 17% in the first five months of 2002 compared with the period of high demand in the beginning of 2001. On a year-to-year basis the European market is expected to decline about 10% and to reach a level of 215,000 vehicles for the full year.

In the US, the total market for Class 8 trucks declined by 12% up to May. The implementation of new emission standards in October (EPA02) has created an uncertainty about operating costs among transporters and driven a temporary improvement in order intake across the industry. Lower demand is expected again as from October while the performance of the new engines is evaluated. The forecast for the full year indicates a total market for heavy trucks in North America on a level of 167,000 vehicles compared with 170,000 in 2001.

The market for heavy trucks in Asia continues to develop favorably, particularly in China and South Korea.

Deliveries

The Group's total deliveries during the second quarter of 2002 amounted to

SEK M	Second quarter		First six months		Change in %	12 months moving values
	2002	2001	2002	2001		
Trucks	32,554	29,256	59,112	58,377	1	117,303
Buses	4,142	4,915	7,307	8,630	(15)	15,352
Construction Equipment	6,188	6,067	10,664	10,755	(1)	21,044
Volvo Penta	2,249	1,976	4,211	3,712	13	7,879
Volvo Aero	2,338	3,060	4,823	5,667	(15)	10,940
Other	1,823	1,824	3,562	3,707	(4)	6,928
Net sales	49,294	47,098	89,679	90,848	(1)	179,446

SEK M	Second quarter		First six months		12 months moving values	Jan–Dec 2001
	2002	2001	2002	2001		
Trucks	483	639	9	789	260	1,040
Buses	51	(25)	(43)	(108)	(459)	(524)
Construction Equipment	464	408	333	489	735	891
Volvo Penta	225	222	371	389	640	658
Volvo Aero	40	286	118	446	325	653
Financial Services	120	63	235	176	384	325
Other	176	530	174	444	(127)	143
Operating income ¹⁾	1,559	2,123	1,197	2,625	1,758	3,186
Restructuring costs	–	–	–	(1,319)	(2,543)	(3,862)
Operating income	1,559	2,123	1,197	1,306	(785)	(676)

1) Excluding restructuring costs.

%	Second quarter		First six months		12 months moving values	Jan–Dec 2001
	2002	2001	2002	2001		
Trucks	1.5	2.2	0.0	1.4	0.2	0.9
Buses	1.2	(0.5)	(0.6)	(1.3)	(3.0)	(3.1)
Construction Equipment	7.5	6.7	3.1	4.5	3.5	4.2
Volvo Penta	10.0	11.2	8.8	10.5	8.1	8.9
Volvo Aero	1.7	9.3	2.4	7.9	3.0	5.5
Operating margin ¹⁾	3.2	4.5	1.3	2.9	1.0	1.8
Operating margin	3.2	4.5	1.3	1.4	(0.4)	(0.4)

1) Excluding restructuring costs.

43,781 vehicles, an increase of 10% compared with the year-earlier period.

In Europe, 27,009 trucks were delivered in the second quarter compared with 24,469 trucks in 2001. The increase is largely related to the introduction of the new Volvo FH and Volvo FM trucks. Renault Trucks managed to maintain a high level of deliveries, with overall volumes decreasing less than the market rate. The

new Renault Magnum and the Kerax range performed well during the last quarter.

A total of 10,592 vehicles were delivered in North America, an increase of 9% compared with the corresponding period in 2001. Deliveries in Asia continued to develop favorably and increased by 64% to 2,257 trucks.



Order situation

Order bookings have developed favorably with significant positive effects from Volvo, Renault and Mack. Although Renault Trucks has reduced the number of new buy-back agreements significantly, overall order intake has been developing well for the light commercial vehicles, Renault Master and Renault Mascott, as well as for the heavy truck Renault Magnum. The new Volvo FM and Volvo FH program has created strong customer demand in Europe. Several of Volvo Trucks' markets in Asia and the Middle East showed a positive trend, with a strong order intake in the period that was also supported by the launch of the new product range.

In North America, the combined order backlog for Mack and Volvo increased by 16%. The increase was largely driven by strong demand for trucks delivered prior to October 2002 when the new emission legislation comes into effect.

Volvo Trucks' total order bookings for the first six months rose by 12% and the total order backlog increased by 28% during the first six months 2002 compared with 2001.

Market shares

Trucks' combined market share for heavy trucks in Western Europe up to May declined to 26.7% (27.5). Renault Trucks succeeded in improving its share of the declining Western European market to 13.3% from 12.3% last year. In general, gains in southern and eastern European countries enabled Renault Trucks to increase overall market share, particularly the second quarter. For the first six months Renault Trucks is the third largest European truck manufacturer in the three segments, over 6 tons, 10–15 tons and over 15 tons.

Volvo Trucks' share of the market declined to 13.4% (15.2) due to the lower deliveries in the beginning of the year during the production changeover to the new Volvo FM/FH range. Volvo Truck's European production reached full utiliza-



Net sales by market area, Trucks

SEK M	Second quarter		First six months		Change in %
	2002	2001	2002	2001	
Europe	18,397	16,215	33,356	33,313	+0
North America	9,649	8,913	17,370	17,475	(1)
South America	892	1,145	1,737	2,018	(14)
Asia	1,545	1,175	2,644	1,929	+37
Other markets	2,071	1,808	4,005	3,642	+10
Total	32,554	29,256	59,112	58,377	+1

tion during the second quarter and the market share in May reached 15.3%.

In North America, the combined market share in class 8 through May fell to 21.7% (24.7), of which Mack Trucks represented 13.7 (14.3) and Volvo Trucks represented 8.0 (10.4) respectively. The main reason for the low market share is that Volvo chose not to participate in a number of aggressive price biddings.

Volvo's share of the Brazilian market for heavy-duty vehicles increased to 31.1% up to June, an improvement of 2.6% compared with the year-earlier period.

Financial performance

Net sales for the second quarter increased by 11% and amounted to SEK 32,554 M, compared with SEK 29,256 M in the year-earlier period. Operating income for the second quarter was SEK 483 M, compared with SEK 639 M in the year-earlier period. The improvement in earnings from the first quarter was largely related to increased truck deliveries. Operating income in the preceding year included a net gain from the sale of shares in Mitsubishi Motors of SEK 574 M.



New products

The newly launched Volvo FM and FH series, which started in November last year, were very well received by customers, dealers and the media. The production changeover has been completed during the second quarter and production is now running at full pace. The product launch will continue to roll out on the International markets throughout the rest of the year.

Volvo Trucks will introduce a new generation of heavy trucks in North America in the third quarter of 2002, including a new engine, which will comply with the new EPA02 emission regulations. A new family of EPA02-compliant Mack engines will also be introduced.

A new plant will be built for Renault Standard Exchange (remanufacturing) in Limoges (France), implementing new environmentally friendly processes. In June, the Renault Trucks Infomax system was awarded one of the innovation prizes in the Transport category from the "Prix de l'innovation SIEMENS 2002". Installed in the vehicles, this software enables extraction and monitoring of vehicle data for a more efficient vehicle and fleet management.

Net sales by market area, Buses SEK M	Second quarter		First six months		Change in %
	2002	2001	2002	2001	
Europe	2,181	1,782	3,741	3,108	+20
North America	1,083	2,285	1,940	4,187	(54)
South America	99	259	196	444	(56)
Asia	522	485	966	677	+43
Other markets	257	104	464	214	+117
Total	4,142	4,915	7,307	8,630	(15)

Buses

Total market

The total market in the bus and coach industry continues to decrease slowly. Due to the uncertain development of the touring business in North America and Europe, purchases of new coaches have declined. The city bus markets in the Nordic Countries and the UK showed strong demand, but this was largely offset by the developments in Germany, Europe's largest bus and coach market where a declined close to 30% was noted. South America showed a significant drop attributable to the unstable financial situation in the region. Asia Pacific markets show a stable growth.

Order situation

The order situation improved in large part due to the two recent orders received in Mexico. Order bookings continued on a very low level in South America. A significant drop in order intake was noted in the US caused by the development of the coach market. Order bookings in Europe declined due to the unfavorable decline of the coach market in UK. On the other hand, the Nordic Countries have a strong order book, which has a favorable impact on the Nordic body building factories. Asia Pacific has an increasing order intake mainly due to China.

Deliveries

Volvo delivered 4,413 (4,844) buses and coaches during the first six months of 2002. During the second quarter the deliveries were 2,571 (2,727). The decline was mainly attributable to significantly lower volumes in Mexico and South America as well as to lower coach sales in the US which was offset to some extent by advantageous volumes in China, the Nordic Countries and city buses in the UK. During the first six months, 38% of the deliveries were complete buses compared to 50% last year. The lower percentage is largely due to the North American joint ventures being consolidated by the proportional method as of October 1, 2001.

Market shares

Volvo increased its market shares slightly in Europe as a result of its complete and competitive product range and favorable development in traditionally strong Volvo markets in the Nordic Countries and the UK. Given the present market situation, price competition is fierce, but it is Volvo's intention to avoid unprofitable deals. This affected market share negatively in the US, Europe and significantly in Brazil. Positive development was noted for Volvo in China and South East Asia.

Financial performance

Net sales reached SEK 7,307 M (8,630) during the first six months. For the second quarter the net sales amounted to SEK 4,142 M (4,915). The decrease was mainly attributable to lower volumes in Mexico and South America and due to the consolidation of the North American joint ventures with the proportional method. Operating income in the second quarter amounted to SEK 51 M (-25). The year-to-date operating loss was SEK 43 M (-108). Progress was also made in turn-around activities but this was counterbalanced by weak development in South America and Mexico.



Net sales by market area, Construction Equipment					
SEK M	Second quarter		First six months		Change in %
	2002	2001	2002	2001	
Europe	3,038	3,066	5,283	5,539	(5)
North America	1,935	1,858	3,161	3,052	+4
South America	172	230	347	468	(26)
Asia	841	855	1,508	1,406	+7
Other markets	202	58	365	290	+26
Total	6,188	6,067	10,664	10,755	(1)

In focus

Volvo Buses is progressing in Europe on increasing productivity by improving the production efficiency, reducing product cost and securing a high level of quality, which is facilitated by the complete and competitive product range. Volvo Buses continues to implement the decision to exit the Nova operations in Roswell and the last bus will be delivered in November this year.

Volvo received two important orders of about 2,100 inter-city coaches for Mexico during the second quarter from three of the leading inter-city operators. The largest order amounted to 1,800 coaches and will be delivered over a period of three years. In Mexico 95 percent of all passenger transportation is made by bus and more than 2,5 billion people travel by bus and coach per year.



Construction Equipment

Total market

The total combined world market for heavy and compact construction equipment, within Volvo CE's 2002 product range, declined by 5% during the second quarter of 2002 compared with the corresponding period in the preceding year. The downturn in North America and Europe was 7% respectively, while the decline in other markets was 1%.

The market for heavy construction equipment was flat in the second quarter compared with last year. North America decreased by 9% and Europe by 7%, while other markets were up 11%.

For compact equipment, the total market declined about 10% during the

quarter. North America was flat, while the European market declined 7% and other markets fell 19%.

Market share

Compared with the year-earlier period, Volvo CE was able to increase its share of the market in several important geographical and product areas, mainly due to recently launched products backed by a strong brand name.

Order situation

The value of the order book as of June 30 was about 30% higher than on the same date in 2001, about 60% higher compared with the year-end 2001 and on the same level as at the end of the first quarter 2002.

Financial performance

Volvo CE's net sales during the second quarter increased by 2% to SEK 6,188 M (6,067). The operating profit during the quarter increased by almost 14% to SEK 464 M (408). The operating margin was 7.5% (6.7).

In spite of continued tough market conditions Volvo CE was able to increase both net sales and operating income mainly as a result of the resolution of ramp-up issues from the first quarter. Higher capacity utilization, price realization in some areas and lower costs for research and development and sales and administration also had a positive effect on earnings.

Product introductions

During the second quarter Volvo CE launched the Volvo B series Motor Graders. The new Graders are fully Volvo-engineered with Volvo engines, improved hydraulics for higher productivity and operator comfort, in combination with high fuel efficiency and low emissions. The new B series constitutes the platform for future generations of Volvo Motor Graders.



Net sales by market area, Volvo Penta

SEK M	Second quarter		First six months		Change in %
	2002	2001	2002	2001	
Europe	1,171	1,036	2,205	2,003	+10
North America	662	626	1,240	1,132	+10
South America	30	41	63	78	(19)
Asia	335	228	616	424	+45
Other markets	51	45	87	75	+16
Total	2,249	1,976	4,211	3,712	+13



Volvo Penta

Total Market

The European market for marine engines has been comparatively strong during the first six months of 2002, while the market for industrial engines has declined compared with the year-earlier period. The improved economic situation in the US was reflected in the order bookings of boat dealers in the US, although demand is still below last year levels. The North American market for industrial engines showed signs of a recovery, and in selected segments the demand exceeded levels from the preceding year. The total market for industrial engines in China remained strong.

Market share

Volvo Penta continued to grow its global market shares for marine and industrial engines. A number of new major customers have been signed, which has made it possible for Volvo Penta to offset the general downturn in the market for industrial engines. In Europe, Volvo Penta improved its share of the upper segment of the marine engine market, partly as a result of a strong position in France. A strategic order for heavy diesel engines for Ukrainian tugboats was recently signed.

Order bookings

The lower level of new order bookings that was recognized at the end of the first

quarter continued during the second quarter, both for marine and industrial applications. However, an increase was noted in Volvo Penta order bookings mainly for marine gasoline-powered engines in the North American market. Volvo Penta's total order bookings were at historic high levels, despite the recent downturn.

Financial performance

During the second quarter, Volvo Penta continued to compensate for the declining world market by capturing market shares. Net sales in the second quarter increased by 14% from SEK 1,976 M in 2001 to SEK 2,249 M in 2002. Sales for the first six months amounted to SEK 4,211 M (3,712), distributed as follows: Marine Leisure SEK 2,620 M, Marine Commercial SEK 508 M and Industrial SEK 1,083 M.

The strong trend of earnings continued in the second quarter. Changes in the allocation of costs for engines within the Volvo Group had a negative effect on earnings for Volvo Penta during the first six months of 2002. However, the strong trend of earnings continued during the second quarter and operating income for the quarter improved to SEK 225 M (222).

Product news

The product program within the Marine Commercial segment was expanded with the introduction of the new 5- and 7-liter diesel engines. These new low-rpm engines are particularly suited for various types of workboats and are an important reinforcement of the product offering within Marine Commercial.

During the second quarter of 2002 Volvo Penta also introduced a new 7-liter diesel engine for leisure craft, the TAMD75. The new inboard engine competes in the growing segment for 450–500 hp engines in which Volvo Penta already enjoys a strong position.



Net sales by market area, Volvo Aero

SEK M	Second quarter		First six months		Change in %
	2002	2001	2002	2001	
Europe	963	1,195	1,949	2,412	(19)
North America	1,200	1,678	2,460	2,841	(13)
South America	44	48	95	88	+8
Asia	95	107	251	248	+1
Other markets	36	32	68	78	(13)
Total	2,338	3,060	4,823	5,667	(15)

Volvo Aero

Total market

In 2002, international airline passenger traffic slowly began to recover from the sharp drop from last autumn. Nonetheless, total air traffic around the world is still lower compared with the year-earlier figure. Statistics for passenger traffic indicate that air travel up to April 2002 was down by about 8% compared with the year-earlier period.

Many airlines are still experiencing severe financial difficulties, which affect the number of orders for new aircraft. With some exceptions, the low-price airlines are the only airlines that show a positive development in both passenger traffic and

earnings. It is also these companies that represent a significant part of the orders for new aircraft.

During 2001 Boeing and Airbus delivered a total of 847 new aircraft. In 2002 Boeing and Airbus are expecting to deliver 380 and 300 aircraft, respectively. Forecasts for 2003 indicate 575–600 aircraft.

Order situation

As a consequence of the crisis affecting the aviation industry, orders for components for new aircraft engines have declined considerably, compared with the corresponding period of 2001. This will affect Volvo Aero's production during the second half of 2002.

The decline in air travel has also had a major effect on the spare parts market and engine-maintenance requirements. A slight improvement in demand is expected towards the end of 2002.

Financial performance

Net sales in the second quarter declined by 24% and amounted to SEK 2,338 M (3,060). Operating income fell to SEK 40 M (286), despite a continued strong trend of earnings from the manufacturing of new components and spare parts for commercial aircraft engines. The operating margin was 1.7% (9.3). The areas with the greatest profitability problems continue to be those that were affected earliest by the downturn following September 11, namely spare parts and engine overhaul operations.

The current focus is on adapting operations to meet the new conditions prevailing in the aviation industry. Among other things, this will include personnel reductions. In April the co-determination negotiations with the unions were completed, and decision was taken to reduce the workforce in Trollhättan, Sweden by more than 300 employees. Volvo Aero Services in Bromma will reduce personnel by 65 employees. Volvo Aero Services in the US, which sells spare parts to airlines, reduced its workforce by 70 employees last autumn.

New orders

The Czech Republic's planned purchase of 24 Gripen combat aircraft was put on hold, pending a new act of parliament regarding the investment.

Other countries that may decide to invest in new fighter aircraft during the second half of 2002 include Brazil and Poland.

Volvo Aero Services continues its transition from a supplier of spare parts into a long-term partner for airlines and other large manufacturers in the aviation industry. Agreements have lately been signed with Northwest Airlines, Honeywell, AeroXchange and Bombardier.



Financial Services

Retail volume during the first six months was SEK 12.6 billion, which was SEK 2.9 billion higher than the same period last year. Renault Trucks and Mack Trucks financing added SEK 2.8 billion. Financing related to Construction Equipment, Buses and Volvo Aero increased by SEK 0.5 billion while Volvo Trucks related financing decreased by SEK 0.4 billion. In the markets where financial services are offered, the average year-to-date penetration was 30% for Volvo Trucks, 25% for Buses, 17% for Construction Equipment, 11% for Renault Trucks and 10% for Mack Trucks. Expressed as an average, Financial Services financed approximately 18% of the units sold in the markets where financing is offered.

Total assets as of June 30, 2002 amounted to SEK 69 billion, of which SEK 61 billion was in the credit portfolio. Adjusted for the effects of year-to-date foreign exchange movements, the credit portfolio increased by 5%. Financing in the credit portfolio was related to Volvo Trucks (61%), Construction Equipment (15%), Buses (14%), Renault Trucks (5%) and Mack Trucks (3%). The remaining 3% are mainly related to Volvo Aero and Volvo Penta.

From a currency perspective, 39% of the portfolio was denominated in USD, 31% in Euro, 12% in GBP and 8% in CAD or AUD. The remaining 10% was mainly in other European and Latin American currencies. As part of the AB Volvo policy, each local portfolio is 100% currency-matched through funding in local currencies coordinated by the Volvo Treasury organization.

Operating income for the second quarter amounted to SEK 120 M (63) compared with SEK 115 M (113) for the first quarter 2002. At the end of June, total credit reserves amounted to 2.7% of the credit portfolio compared with 2.9% at the end of 2001.

Write-offs during the first six months amounted to 370 MSEK (403), which included 113 (0) of write-offs related to the liquidation of the judicial portfolio in Latin America that was fully provided for in prior periods. The write-off ratio during the first six months was 1.16% (1.30). Excluding write-offs on the old Latin American judicial portfolio, the write-off ratio was 0.79%

The increased volume and strengthening relationship with the two new business areas Renault and Mack has been a positive development for Financial Services contributing more than 20% of the retail volume during the first six months of 2002. The benefits are both development toward a more diversified portfolio and the potential synergies that can be achieved through the utilization of a common back office.

AB Volvo (Parent Company)

AB Volvo's net sales during the first half of 2002 amounted to SEK 229 M (223). Income before tax was SEK 581 M (15,027), which included income from investments in Group companies amounting to SEK 328 M (14,352), as well as income from investments in other companies amounting to SEK 323 M (1,250). Investments in fixed assets amounted to SEK 0 M (8). Liquid funds on the closing date amounted to SEK 9,608 M, compared with SEK 17,880 M at year-end.

At the end of the second quarter, net financial assets amounted to SEK 4,194, compared with SEK 12,260 M at year-end.

Number of employees

As of June 30, 2002, the Volvo Group had 71,665 employees, compared with 70,921 at the end of 2001. The increase is mainly due to increased production within Volvo Trucks.

Göteborg, July 23, 2002
AB Volvo (publ)



Leif Johansson

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

Quarterly figures

Accounting principles

In preparing this report, Volvo has applied the accounting principles presented in Note 1, page 57, of the Volvo 2001 Annual Report.

Volvo Group					
SEK M unless otherwise specified	2/2001	3/2001	4/2001	1/2002	2/2002
Net sales	47,098	41,134	48,633	40,385	49,294
Cost of sales	(38,887)	(34,033)	(40,321)	(33,205)	(40,560)
Gross income	8,211	7,101	8,312	7,180	8,734
Research and development expenses	(1,357)	(1,279)	(1,361)	(1,505)	(1,373)
Selling expenses	(3,599)	(3,444)	(4,242)	(3,797)	(3,787)
Administrative expenses	(1,776)	(1,525)	(1,514)	(1,277)	(1,455)
Other operating income and expenses	(815)	(1,063)	(497)	(1,094)	(958)
Income from Financial Services ¹⁾	63	69	80	115	120
Income from investments in associated companies	(52)	(43)	9	16	(47)
Income from other investments	1,448	(28)	(14)	0	325
Restructuring costs	–	(1,406)	(1,137)	–	–
Operating income	2,123	(1,618)	(364)	(362)	1,559
Interest income and similar credits	388	466	388	266	313
Interest expenses and similar charges	(650)	(690)	(629)	(514)	(500)
Other financial income and expenses	(49)	(38)	58	(8)	(62)
Income after financial items	1,812	(1,880)	(547)	(618)	1,310
Taxes	(465)	316	53	(118)	(212)
Minority interests	9	29	7	(10)	(18)
Net income	1,356	(1,535)	(487)	(746)	1,080
Depreciation and amortization included above					
Volvo Group excl Financial Services	2,106	1,907	1,216	1,950	2,184
Financial Services	691	834	691	783	708
Total	2,797	2,741	1,907	2,733	2,892
Income per share, SEK	3.20	(3.60)	(1.20)	(1.80)	2.60
Average number of shares, million	431.4	419.4	419.4	419.4	419.4

1) Financial Services reported in accordance with the equity method.

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

Key operating ratios					
%	2/2001	3/2001	4/2001	1/2002	2/2002
Gross margin	17.4	17.3	17.1	17.8	17.7
Research and development expenses in % of net sales	2.9	3.1	2.8	3.7	2.8
Selling expenses in % of net sales	7.6	8.4	8.7	9.4	7.7
Administrative expenses in % of net sales	3.8	3.7	3.1	3.2	3.0
Operating margin	4.5	(3.9)	(0.7)	(0.9)	3.2
Operating margin excl restructuring costs	4.5	(0.5)	1.6	(0.9)	3.2

Net sales					
SEK M	2/2001	3/2001	4/2001	1/2002	2/2002
Trucks	29,256	25,611	32,580	26,558	32,554
Buses	4,915	4,001	4,044	3,165	4,142
Construction Equipment	6,067	5,388	4,992	4,476	6,188
Volvo Penta	1,976	1,774	1,894	1,962	2,249
Volvo Aero	3,060	2,994	3,123	2,485	2,338
Other	1,824	1,366	2,000	1,739	1,823
Net sales	47,098	41,134	48,633	40,385	49,294

Operating income					
SEK M	2/2001	3/2001	4/2001	1/2002	2/2002
Trucks	639	(340)	591	(474)	483
Buses	(25)	(185)	(231)	(94)	51
Construction Equipment	408	266	136	(131)	464
Volvo Penta	222	141	128	146	225
Volvo Aero	286	118	89	78	40
Financial Services	63	69	80	115	120
Other	530	(281)	(20)	(2)	176
Operating income ¹⁾	2,123	(212)	773	(362)	1,559
Restructuring costs	-	(1,406)	(1,137)	-	-
Operating income	2,123	(1,618)	(364)	(362)	1,559

1) Excluding restructuring costs

Operating margins					
%	2/2001	3/2001	4/2001	1/2002	2/2002
Trucks	2.2	(1.3)	1.8	(1.8)	1.5
Buses	(0.5)	(4.6)	(5.7)	(3.0)	1.2
Construction Equipment	6.7	4.9	2.7	(2.9)	7.5
Volvo Penta	11.2	7.9	6.8	7.4	10.0
Volvo Aero	9.3	3.9	2.8	3.1	1.7
Operating margin ¹⁾	4.5	(0.5)	1.6	(0.9)	3.2
Operating margin	4.5	(3.9)	(0.7)	(0.9)	3.2

1) Excluding restructuring costs

This report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business and operating initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

This report does not imply that the company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with the OM Stockholm Exchange if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Operating statistics

Trucks delivered, Volvo Group	Second quarter		First six months		Change in %
	2002	2001	2002	2001	
Europe	27,009	24,469	47,748	51,986	(8)
Western Europe	24,627	22,624	43,923	48,507	(9)
Eastern Europe	2,382	1,845	3,825	3,479	+10
North America	10,592	9,748	18,034	19,898	(9)
South America	1,365	1,703	2,529	2,986	(15)
Asia	2,257	1,374	3,974	2,506	+59
Other markets	2,558	2,651	4,818	4,708	+2
Total, Volvo Group	43,781	39,945	77,103	82,084	(6)

Mack Trucks

North America	6,475	5,970	11,030	12,534	(12)
South America	152	396	334	585	(43)
Asia	3	8	4	8	(50)
Other markets	185	227	441	407	+8
Total	6,815	6,601	11,809	13,534	(13)

Renault Trucks

Europe	15,813	14,403	29,760	29,977	(1)
Western Europe	14,840	13,740	28,089	28,629	(2)
Eastern Europe	973	663	1,671	1,348	+24
Asia	56	138	138	276	(50)
Other markets	1,668	1,830	2,964	3,203	(7)
Total	17,537	16,371	32,862	33,456	(2)

Volvo Trucks

Europe	11,196	10,066	17,988	22,009	(18)
Western Europe	9,787	8,884	15,834	19,878	(20)
Eastern Europe	1,409	1,182	2,154	2,131	+1
North America	4,117	3,778	7,004	7,364	(5)
South America	1,213	1,307	2,195	2,401	(9)
Asia	2,198	1,228	3,832	2,222	+72
Other markets	705	594	1,413	1,098	+29
Total	19,429	16,973	32,432	35,094	(8)

Units invoiced, buses/bus chassis

	Second quarter		First six months		Change in %
	2002	2001	2002	2001	
Europe	1,036	924	1,750	1,554	+13
Western Europe	961	907	1,600	1,503	+6
Eastern Europe	75	17	150	51	+194
North America	535	956	980	1,899	(48)
South America	126	319	210	583	(64)
Asia	651	408	1,088	615	+77
Other markets	223	120	385	193	+99
Total, buses/bus chassis	2,571	2,727	4,413	4,844	(9)

Volvo Group, Financial Services consolidated

Consolidated income statements		
SEK M	First six months	
	2002	2001
Net sales	94,164	95,055
Cost of sales	(76,744)	(78,119)
Gross income	17,420	16,936
Research and development expenses	(2,878)	(2,751)
Selling expenses	(8,220)	(7,494)
Administrative expenses	(2,827)	(3,548)
Other operating income and expenses	(2,609)	(1,957)
Income from investments in associated companies	(14)	(11)
Income from other investments	325	1,450
Restructuring costs	–	(1,319)
Operating income	1,197	1,306
Interest income and similar credits	544	799
Interest expenses and similar charges	(979)	(1,334)
Other financial income and expenses	(70)	(210)
Income after financial items	692	561
Taxes	(330)	(43)
Minority interests in net (income) loss	(28)	37
Net income	334	555

Cash flow statement		
SEK bn	First six months	
	2002	2001
Operating activities		
Operating income	1.2	1.3
Depreciation and amortization	5.6	5.3
Other non-cash items	1.1	(0.6)
Change in working capital	(1.9)	(0.6)
Financial items and income taxes	(0.2)	(0.6)
Cash flow from operating activities	5.8	4.8
Investing activities		
Investments in fixed assets	(3.2)	(4.3)
Investment in leasing vehicles	(2.4)	(2.6)
Disposals of fixed assets and leasing vehicles	1.6	1.2
Customer Finance receivables, net	(3.3)	(1.7)
Investments in shares, net	0.0	3.0
Acquired and divested operations	0.0	13.8
Cash-flow after net investments	(1.5)	14.2
Financing activities		
Increase in other loans	2.7	4.2
Loans to external parties, net	1.2	(1.1)
Repurchase of own shares	0.0	8.3
Dividend to AB Volvo' shareholders	(3.4)	(3.4)
Other	0.0	(0.2)
Change in liquid funds excl translation differences	(1.0)	5.4
Translation difference on liquid funds	(0.5)	0.7
Change in liquid funds	(1.5)	6.1

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