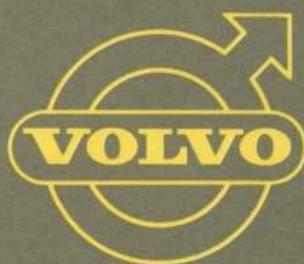


Annual Report of

Aktiebolaget Volvo



for 1958



His Majesty the King of Sweden visited Aktiebolaget Volvo in August. He is here being shown the Volvo PV 544 by Gunnar Engellau, Managing Director of the Company. At the extreme left is Assar Gabrielsson, Chairman of the Board.

Aktiebolaget Volvo

THE BOARD ASSAR GABRIELSSON (*Chairman*), *Gothenburg*
HADAR H:SON HALLSTRÖM (*vice-Chairman*), *Hälsingborg*
HILDING TÖRNEBOHM *Gothenburg*
FRANZ HARTMANN *Gothenburg*
GUNNAR ENGELLAU *Gothenburg*
KARL GRANFORS *Olofström*
BENGT JUNKER *Lidingö*
EBBE SVENSSON *Stockholm*

Deputy Members ULF *af* TROLLS *Gothenburg*
LEIF MAGNUS *Gothenburg*
SVANTE SIMONSSON *Gothenburg*
T. G. ANDERSSON *Billdal*

THE MANAGEMENT GUNNAR ENGELLAU *Managing Director*
SVANTE SIMONSSON *Assistant Managing Director*
T. G. ANDERSSON *Assistant Managing Director*

AUDITORS ÅKE FRYKLUND *Authorized Public Accountant*
STIG DANIELSON *Authorized Public Accountant*

Deputy Auditors CLASS E. AHRÉN *Authorized Public Accountant*
GÖSTA JACOBSSON *Authorized Public Accountant*

AUDITOR FOR
THE VOLVO GROUP
OF COMPANIES ÅKE FRYKLUND

The Ordinary General Meeting will be held at the office of the Skandinaviska Banken in Gothenburg at 10.00 a.m. on Monday, May 4th, 1959.

Shareholders wishing to attend should notify the Board of Directors not later than Wednesday, April 29th., 1959

AB VOLVO-KÖPINGVERKEN
KÖPING



KÖPINGSS MEK. VERKSTADS AB
KÖPING

AB BOLINDER-MUNKTELL
ESKILSTUNA



AB Bolinder-Munktell
Flen

SVENSKA
FLYGMOTOR AB
TROLLHÄTTAN

Flygmotor

Grafiska Maskin AB
Trollhättan



A. Andersson Maskin AB
Uddevalla



AB VOLVO, Pentaverken
SKÖVDE

AB Volvo-Pentaverken
Floby



AB VOLVO
GOTHENBURG



AB PENTA
GOTHENBURG

AB BOLINDER-MUNKTELL

The Volvo Group

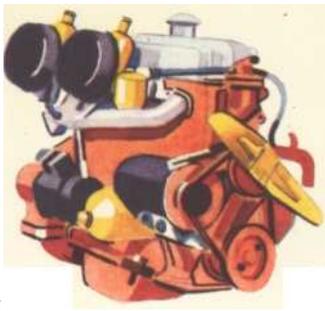
Daughter companies of the Volvo Group outside Sweden:

AB VOLVO	Finland	OY Volvo Auto AB, Helsinki
	Denmark	Volvo Kredit A/S, Copenhagen
	Germany	Volvo GmbH, Frankfurt-am-Main
	USA	Volvo Import Inc., New York
		Volvo Distributing Inc., New York
	Peru	Mercamotor S.A., Lima
AB BOLINDER-MUNKTELL	Finland	Bolinders Finska AB, Helsinki
	Norway	Bolinders Norske A/S, Oslo
	England	Bolinders Company Ltd., London
	France	Compagnie Bolinders, Paris
	Colombia	Bolinder de Colombia Ltda., Bogotá
SVENSKA FLYGMOTOR AB	Germany	Tirfing Schnellpressen-Vertriebs GmbH, Neu-Isenberg
	USA	Tirfing Printing Machinery Inc., New York

Number of employees in the Volvo Group of Companies in Sweden, 31. 12. 1958.

	GOTHENBURG	SKÖVDE	VOLVO-KÖPINGVERKEN	KÖPINGSS MEK. VERKST.	ESKILSTUNA	TROLLHÄTTAN	† TOTAL
Workers	2,894	1,971	892	465	1,827	1,445	9,494
Staff	1,778	482	330	183	843	838	4,454
Sum:	4,672	2,453	1,222	648	2,670	2,283	13,948

The numbers of employees shown are as of December 31st. 1958

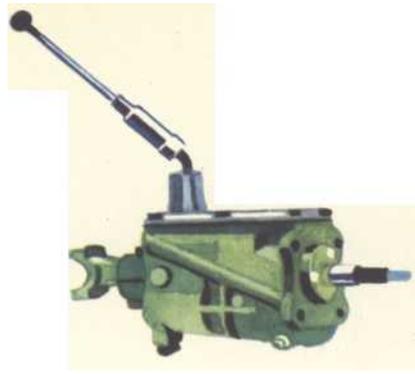


AB VOLVO
PENTAVERKEN
SKÖVDE

Automobile engines, Marine engines

FLOBY

Brake drums



VOLVO-KÖPINGVERKEN AB
KÖPING

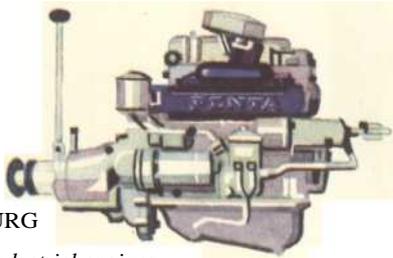
Gearboxes, rear axles



KÖPINGS MEKANISKA
VERKSTADS AB
KÖPING

*Lathes, milling cutters,
special machines*

1958



AB PENTA
GOTHENBURG

Marine and industrial engines

*The picture above shows the Volvo
PV 544 which was introduced
onto the market in August, 1958.*

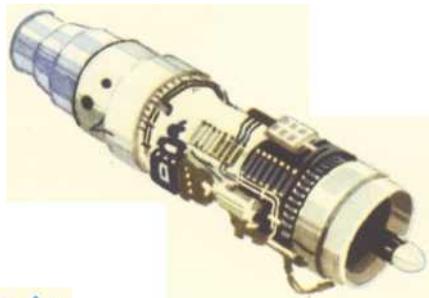


AB BOLINDER-MUNKTELL
ESKILSTUNA

*Tractors, road graders, marine and
industrial engines, front axles*

FLEN

Combine harvesters



Flygmotor

SVENSKA FLYGMOTOR AB
TROLLHÄTTAN

Aero-engines



GRAFISKA MASKIN AB
TROLLHÄTTAN

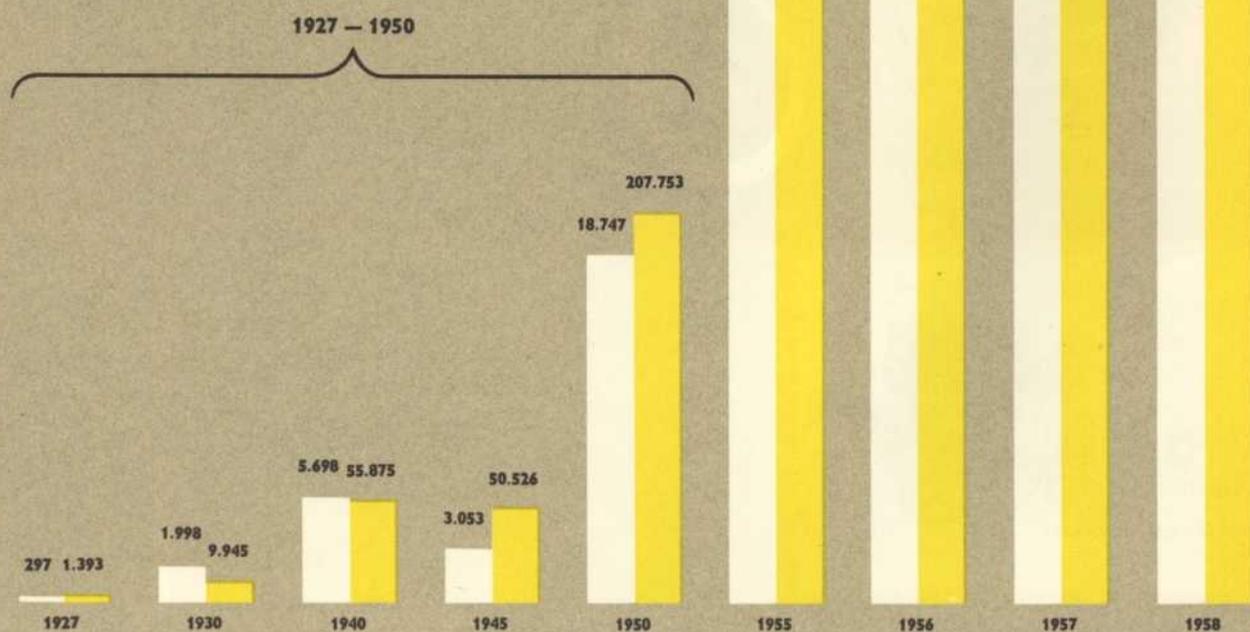
Printing presses

Production and turnover 1927 - 1958

 Number of units

 Turnover in thousands of Swedish Kronor

The columns show the general expansion since 1927 and the table below shows sales during 1957 and 1958 divided up into the main groups which also include the sales of spare parts.



Unit	1957		1958	
	Number	Value in Sw. Kr. 1,000	Number	Value in Sw. Kr. 1,000
Cars	41,488	341,120	53,360	450,214
Trucks	14,309	273,990	15,448	275,732
Bus chassis	1,082	33,109	1,323	38,057
Tractors	706	8,528	21	230
Engines	—	28,153	—	34,533
Total	57,585	684,900	70,152	798,766
<i>Of which exported ...</i>	<i>24,066</i>	<i>253,837</i>	<i>31,911</i>	<i>312,300</i>

The heading "Engines" concerns mainly AB Penta's marine and industrial engines.

Annual Report

GENERAL

The turnover of AB Volvo during 1958 amounted to kr. 799 million compared with kr. 685 million during 1957. (See opposite page).

New investments; during the year less the value of assets disposed of, amounted to kr. 11.9 million. The depreciation reserve rose by kr. 14.9 million. The book value of production facilities thus decreased by kr. 3.0 million.

Prices of materials decreased during the year while wages continued to rise. The Company's

products were sold during the year at mainly unaltered prices.

During the financial year kr. 10 million was set aside for the Pensions Fund and kr. 20 million for a trading investment fund. The corresponding allocation during the preceding year to the Pensions Fund was kr. 15 million.

The net profit for 1958 amounted to kr. 14.9 million compared with kr. 12.3 million for 1957.

The liquid assets of the Company increased successively during the year.

MARKET CONDITIONS, PRODUCTION, CAPACITY, WAGES, ETC.

The Swedish Market

After record sales of private cars on the Swedish market during 1957, which led to a total number of 154,347 car registrations, there was a certain decline in 1958 with a total number of registrations of 147,229.

The decline was mainly confined to the second half of the year. The reason for the decrease in sales was partly due to the somewhat unsteady state of business and partly to the strain placed upon the organization and economy of the motor trade by the greatly increased turnover in second-hand cars.

Concentration towards the five leading makes of cars continued to be apparent during 1958 since these makes accounted for 83.3 % of all car registrations compared with 82.0 % during 1957.

Volvo's share of total car registrations during 1958 amounted to 31,145 or 21.2 %. The corresponding figures for 1957 were 27,907 and 18.1

During the first quarter of 1958 Volvo's share was 17.6 %, during the second 20.3 %, during the third 19.8 % and during the fourth quarter 26.7 %.

The most notable features of Volvo car sales during 1958 were the introduction of the new PV 544 and the greatly increased demand for the 121, 122 S.

The PV 544 met with great public interest and it was soon apparent that demand considerably exceeded supply which meant that cust-

omers had to reckon with considerably extended delivery times.

About 13,000 of the old PV 444 were manufactured and delivered during the year while a corresponding figure of about 5,500 of the PV 544 was reached during the last four months of the year.

In September the High Court gave its ruling in the case concerning the PV Guarantee. The case against the former Managing Director of the Company was rejected and this judgment confirmed the legality of Volvo's guarantee obligations. As an immediate result of this the PV Guarantee was also extended to include the 121, 122 S.

About 10,000 121, 122 S and about 4,700 station wagons and vans were manufactured and delivered. The introduction of the PV Guarantee for the 121, 122 S accounted for a considerable increase in sales of this model.

The model PV 830 taxi was sold out during the year.

Trucks numbering a total of 13,394 were registered in Sweden during the year compared with 12,643 during the previous year which implied an increase of 5.9%

Registrations of petrol-powered trucks increased only slightly from 8,585 (during 1957) to 8,657 during 1958, or 0.8 %.

Volvo's new petrol-powered truck series, L 420 and L 430, had a very good reception and, within competing weight classes, viz. petrol-powered trucks with payloads of over 2,000 kg. (2 tons), Volvo's proportion was 63.5 %. Volvo's

share of all petrol-powered trucks registered amounted to 37.2 % compared with 36.1 % the year before.

Registrations of diesel-powered trucks during the year increased by 16.7 % to 4,736 compared with 4,058 the year before. During the year Volvo's share declined from 49.3 to 48.2 % due to the fact that the Company does not manufacture a truck in the lightest diesel-powered class and that sales of this type increased during the year.

Volvo's diesel-powered truck sales increased by 13.8 % from 2,001 to 2,277 units.

Volvo's share of diesel truck sales within the classes wherein Volvo competes, viz, vehicles with payloads exceeding 4,000 kg. (4 tons), remained unaltered at 50.5 %. The Company thus maintained its 11-year old standing as the leading diesel-powered truck make in the country.

Volvo's share of total truck registrations, 41.0 %, implied a conspicuous lead in the market.

Bus sales in Sweden during 1958 were characterized by continued reticence. Thus only 394 units were registered compared with 541 during 1957.

The decline in passenger density, especially in country districts, resulted in a further shift towards small bus units where Volvo was not represented. For the most part, ready-built small buses were imported from abroad.

Volvo's share therefore declined from 31.4 to 17.4 % while that of small buses rose from 19.4 % during 1957 to 36.6 % during 1958.

Exports

Volvo exports reached new records during 1958. The number of units exported rose to 31,911 from 24,066 during 1957, an increase of 32.6 %. The value increased to kr. 299 million from kr. 242 million in 1957, that is, 23.6 %. The figures do not include Penta marine and stationary engines. The fact that the sales value did not increase in proportion to the number of units exported was because the export increase related to cars which represent a considerably lower value per unit than the heavy diesel-powered trucks and buses which constituted the main part of the remaining exports

Of the increase in exports, rather more than half went to USA and the remainder to other export markets of which specially Den-

mark, Finland, Canada and South Africa showed good increases. A further increase in sales to USA and to several other markets would have been possible had the Company's productive capacity been greater. Sales in USA, which is the Company's largest car market as far as exports are concerned, exhibited continued favourable development during the year, with a consolidation of the dealer network, above all on the servicing side.

The continued increase in the export of cars also led to most of the export value lying within this product type which, during 1958, accounted for 60 % of the value of all vehicles exported.

Exports of trucks and buses remained fairly constant during the year with a decrease of 373 trucks and an increase of 246 buses. Truck exports to South America declined considerably because of import restrictions imposed by the various countries during the year, which, however, were partly compensated for by an increase in other markets, principally Finland, Norway, Portugal, the Congo, Morocco and the Near East.

The Scandinavian countries continue to play a considerable role in truck and bus exports which during the course of the year was further accentuated by sales to Finland, rendered possible by the cessation of import restrictions at the end of 1957 and which amounted to 654 units during 1958. In Norway Volvo took first place not only as regards cars but also in the truck and bus market.

A subsidiary company was formed in Frankfurt-am-Main during the year with a view to starting up sales in the German market and at the same time to organize service workshops and spare parts sales there.

Agreement was reached with a firm in London to undertake sales of the Company's cars on the British market.

Orders in hand

The value of orders in hand which amounted to kr. 122 million at the beginning of the year, was kr. 102 million at the end of the year.

Liquid assets

The Company's liquid assets increased considerably during 1958. In addition to the favourable trading result, the relatively low level of capital expenditure and quicker payments from abroad contributed to the improvement.

Buildings, plant and machinery

Work was begun during the year on a new workshop building of about 6,300 square metres (about 1 1/2 acres) at the Gothenburg factory. The purpose of this building, which is reckoned to be ready for use in the spring of 1959, is to provide an increase in the productive capacity for cars and at the same time to permit a more rational layout of final assembly and subsequent adjusting processes.

A three-storey office block will be attached to this building to provide space for the increased office organization arising as a result of the growing scope of activity. Apart from this, certain minor rebuilding operations, removals and plant replacements were carried out.

The extension of the office building at the Skövde factory begun during 1957 was completed during the year. Otherwise investments at the Skövde factory were confined to normal replacements of machinery and equipment as well as a certain complementing of the machinery.

Expansion of production facilities

1958 provided a breathing space as far as investments were concerned, both for the parent Company and subsidiaries.

A transfer to two-shift work to a greater extent than earlier permits an increase in productive capacity. Thus the 1959 manufacturing programme allows for about 83,000 units.

The previous Annual Report stated that the Company was investigating the possibility of a further increase in car production. This planning work continued and during the year the Company took steps to acquire a new industrial site within Torslanda Rural District situated about 5 miles from the existing plant. No decision has at present been taken regarding the building of a new car factory.

During 1959 the Company intends to build a new experimental workshop for the technical development departments within the existing industrial site at Gothenburg.

At the Skövde factory the Company intends during 1959 to start work on the expansion of the foundry and on certain additions to and rebuilding of the diesel engine factory.

For building investments during 1959, the Company will be able to make use of proceeds from the Investment Fund.

Wages

The average number of employees and their total income from the Company are shown in the following table.

	1957		1958	
	Number	Amount in Kr. 1,000	Number	Amount in Kr. 1,000
Board and Directors	17	1,592	17	1,684
Salaried employees ...	1,850	27,913	2,150	34,585
Works employees	3,935	50,711	4,606	60,448
	<u>5,802</u>	<u>80,216</u>	<u>6,773</u>	<u>96,717</u>

COMMENTS ON THE ACCOUNTS

The financial position of the Company at the end of the year and the profit for the year are shown in the Balance Sheet and Profit and Loss Account attached to this Report. The Board and the Managing Director consider that the following comments should be made on the individual items:

BALANCE SHEET

Assets

1. Buildings, plant and machinery

The purchase price of the Company's fixed assets at the beginning of the year amounted to kr. 147.4 million. The Depreciation Fund stood at kr. 84.7 million and thus the net value was kr. 62.7 million.

During the year the fixed assets were increased by the following amounts:

	Kr. 1,000
Factory sites and installation	228
Buildings and plant	6,600
Machinery and equipment	5,504
Total	12,332

Property to the value of kr. 460,000 was disposed of during the year. Depreciations set aside during the year amounted to:

	Kr. 1,000
Installations on factory sites	158
Buildings and plant	3,025
Machinery and equipment	12,110
Total	15,293

The depreciation for machinery and equipment includes kr. 2 million for extra depreciation over and above the Company's normal provision.

The Depreciation Fund has been debited with kr. 410,000 in respect of previous depreciation on property withdrawn from use during the year.

The table below gives details of the plant and the Depreciation Fund at the end of the financial year together with the rateable and fire-insurance values.

	Original cost (in Kr. 1,000)	Depreciation reserves (in Kr. 1,000)	Net book value (in Kr. 1,000)	Rateable value (in Kr. 1,000)	Fire insurance value (in Kr. 1,000)
Factory sites and installations . . .	4,379	1,161	3,218	2,965	60
Buildings and plant	61,394	26,878	34,516	42,459 ¹⁾	86,792
Machinery and equipment	85,804	71,573	14,231	—	135,985
Additions to plant, etc. in progress	7,759	—	7,759	—	5,000
Total	159,336	99,612	59,724	—	227,837

1) Includes special machinery value of kr. 6,514,000 (the same as for the previous year).

The property has been maintained and repaired in accordance with customary plans and the cost of this, kr.12,004,000, has been debited to the Company's trading accounts for the year.

2. Shares

In conjunction with the division of production activities at Köping into two company entities, the name Köpings Mekaniska Verkstads AB was altered to Volvo-Köpingverken AB. See further "Activities of the Group" on page 13.

By means of a bonus issue in Svenska Flygmotor AB which took place during the year, the Company increased its holding of shares in this undertaking by 31,250 at a nominal value of kr.100: - each. This made no difference to the book value of the shares.

In the American subsidiary companies, Volvo Import, Inc., and Volvo Distributing, Inc., new

shares were subscribed to a value of \$ 95,000 in each company.

During the year a subsidiary company was formed in Frankfurt-am-Main, Volvo GmbH, with a registered and paid-up capital of DM 200,000. This company is responsible for the selling of Volvo products in Western Germany.

All the shares in Mercamotor SA, Lima, were taken over by the Company during the year against certain guarantees given by Volvo. This company has represented Volvo in Peru for 6 years.

All shares in Helmer Pettersons Fabriks AB were sold during the year at the nominal value, kr. 300,0'00.

Subsidiaries

	Nominal value	Number of shares	Book value in Kr. 1,000
AB Bolinder-Munktell, Eskilstuna kr	1,000	20,000	20,000
Volvo-Köpingverken AB, Köping „	100	150,000	15,000
Svenska Flygmotor AB, Trollhättan „	100	156,250	5,313
AB Ohlssons Bilaffär, Lycksele „	500	360	1,000
AB Visby Motorcentral, Visby „	100	3,000	672
OY Volvo-Auto AB, Helsinki FM	1,000	80,000	648
Volvo-Kredit A/S, Copenhagen DK	500	997	373
Volvo Import, Inc., Englewood Cliffs, N.J. \$	500	200	518
Volvo Distributing, Inc., Englewood Cliffs, N.J. \$	500	200	518
Volvo GmbH, Frankfurt-am-Main DM	200	—	248
Mercamotor SA, Lima Soles	1,000	1,300	—
AB Smälägenheter i Skövde, Skövde kr	100	500	35
AB Pedax, Gothenburg „	100	50	5
AB Penta, Gothenburg „	100	50	5
Sveriges Bilförsäljnings AB, Gothenburg „	100	50	5
Total			44,340

Non-affiliated companies

Park Avenue Hotel, Gothenburg kr	1,000	150	—
Etiopiska Kompaniet AB, Stockholm „	500	10	—
Sukab, Stockholm „	100	1	—
Tekniska Samfundets Fastighetsförening u. p. a., Gothenburg „	10	6,000	—
Total			44,340

3. Loans to subsidiaries

Volvo-Köpingverken AB repaid kr. 9.2 million of its loan from Volvo during the year. A balance of kr. 5.3 million of this loan remained outstanding at the end of 1958.

4. Stocks

The value of the Company's stocks as shown in the balance sheet consists of both physical stock and contracted orders to the value of kr. 380,737,000. The physical stock is shown below divided up into different groups and compared with the corresponding figures for the previous year.

	1957 Kr. 1,000	1958 Kr. 1,000
Finished vehicles	14,046	33,289
Spare parts	16,442	21,670
Raw materials	549	549
Finished goods at other factories	6,445	6,342
Finished goods	49,344	46,226
Consumable materials	809	768
Goods in process of manufacture	12,443	16,151
Stock in Engine Department stores	10,799	11,882
Raw materials and semi-finished goods at Skövde	33,666	34,606
Total value of physical stock (Kr. 1,000)	144,543	171,483
Contracted orders	328,724	303,557
Total (Kr. 1,000)	473,267	475,040
Less:		
Reserve for obsolescent and slow-moving stock	10,480	12,452
General stock reserve	81,548	81,548
Appropriation for internal profit on material exchanges between associated companies	358	303
Total reserves (Kr. 1,000)	92,386	94,303
Net value of stocks as per balance sheet (Kr. 1,000)	380,881	380,737

The gross values shown in the table are based on minimum cost and replacement prices as at December 1958.

Material prices showed a tendency to decline successively during the course of the year.

Finished stocks rose by kr. 19.2 million chiefly because of a delayed export shipment at the end of the year and because the stock of trucks for the Swedish market, which at the end of 1957 was insignificant, increased during 1958 to a more normal level in relation to sales.

The increase in the stock of spare parts by kr. 5.2 million depended not only on an increased volume of sales but also on a higher degree of preparedness, especially where parts of foreign origin were concerned.

In spite of the increased volume of production and a higher degree of preparedness for imported material, the production stocks increased by only kr. 2.5 million.

The value of contracted goods fell successively during 1957 and 1958. This decrease is a result of the shorter covering times now applying for purchasing of material.

During the year surplus material and obsolete spare parts to a value of kr. 3.3 million were transferred to scrap stock. Considerable clearing up of this stock was carried out. Kr. 2.0 million was recovered as a result of sales and consumption of material from the scrap stock. Kr. 2.0 million was appropriated to cover obsolescence arising during the year in material which was not transferred to the scrap stock. Thus the net cost during the year as a result of changes in obsolescent stocks amounted to kr. 3.3 million.

The general stock reserve remained unaltered.

5. Outstanding accounts

The book value of the Company's outstanding accounts decreased during the year by kr. 1,822,000. Foreign accounts were brought down by kr. 7,776,000 in spite of increased exports.

The total accounts receivable at the end of the year amounted to kr. 117,002,000. The table below shows gross figures after which deduction is made for appropriations considered to be necessary as regards loss risks.

	Sweden		Abroad		Total	
	1957	1958	1957	1958	1957	1958
	Kr. 1,000		Kr. 1,000		Kr. 1,000	
Accounts receivable from subsidiaries	2,485	2,283	20,804	17,921	23,289	20,204
Accounts receivable from customers	26,069	23,864	50,203	46,149	76,272	70,013
Promissory notes receivable	17,842	24,305	—	—	17,842	24,305
Sundry accounts and advances	10,448	11,789	3,006	2,167	13,454	13,956
	56,844	62,241	74,013	66,237	130,857	128,478
Reserve for doubtful debts	1,020	882	11,013	10,594	12,033	11,476
Net (Kr. 1,000)	55,824	61,359	63,000	55,643	118,824	117,002

As regards the reserve for unsecured debts of kr. 11,476,000, the sum of kr. 3,923,000 is in respect of accounts receivable from the foreign subsidiaries.

The reserve was decreased during the year by kr. 2,344,000 in respect of recovered previously written-off accounts and by kr. 43,000 in respect of reserves for accounts definitely written off. On the other side the sum of kr. 1,830,000 was appropriated during the year, this being charged

to trading overheads. The net decrease of the reserve during the year amounted to kr. 557,000.

6. Cash at banks and in hand

These assets increased from kr. 43,715,000 in 1957 to kr. 96,266,000 at the end of 1958. Of this amount kr. 8,000,000 stood in a special account in connection with the investment fund in Sveriges Riksbank and kr. 6,304,000 on bank account in Norway, of which kr. 2,318,000 was earmarked exclusively for payments in Norway.

Liabilities

1. Share capital and shareholders

Of the Company's share capital of kr. 90 million, the sum of kr. 56.25 million has been subscribed by shareholders and kr. 33.75 million transferred from retained profits.

In order to ascertain how the Company's share capital was distributed between various classes of shareholders, the Board, as in previous years,

called for an investigation as to how the dividend for 1957 had been distributed during 1958.

At the end of the year the dividends on 1,753,935 of the 1,800,000 shares had been cashed while 46,065 coupons had not yet been presented for payment.

The following table shows how the shares were distributed between various classes of shareholders

	Number of shareholders	In % of all shareholders	Owning shares to a total of	In % of share capital	Average holding per shareholder
Owning at most 10 shares	2,097	12.3	9,442	0.5	4.5
Owning at least 11, at most 100 shares	9,290	54.3	350,396	19.5	37.7
Owning at least 101, at most 1,000 shares	4,150	24.3	961,877	53.4	231.8
Owning at least 1,001, at most 10,000 shares	175	1.0	339,820	18.9	1,941.8
Owning more than 10,000 shares	6	—	92,400	5.1	15,400.0
Unpresented coupons	1,387	8.1	46,065	2.6	33.2
	17,105	100.0	1,800,000	100.0	105.2

2. Investment Fund

According to the decision of the Board in November 1958, kr. 20 million was appropriated to a trading investment fund whereupon the sum of kr. 8 million was at the same time deposited in Sveriges Riksbank. The Company intends to make use of the greater part of this fund during 1959 for building investments.

debited during the year with kr. 580,0100 in respect of disbursed pensions and further with kr. 3,103,000 representing payments to SPP for the second of the age groups which, in accordance with agreement with the staff employees' associations, will successively revert to complete old age pensions insurance through SPP or a similar organization, by 1st April, 1960.

3. Pensions Fund

At the beginning of 1958 the Pensions Fund amounted to kr. 28,950,000. The Fund was

On actuarial grounds the Fund was augmented by kr. 2,198,000 in respect of pension commitments not insured through SPP and kr. 868,000 in interest payments. In addition, the

Board decided in December 1958 to grant the fund an extra appropriation of kr. 10 million.

At the end of the year the total assets of the Fund amounted to kr. 38,333,000.

4. *Debenture loan*

At the beginning of 1958 kr. 7.5 million remained outstanding of the kr.15 million loan which the Company took out in 1947. A total of kr.1.5 million was repaid in 1958 and of the remainder, kr. 4.5 million was placed under long-term debts and kr. 1.5 million under short-term debts (to be repaid in the spring of 1959). The loan is due to be repaid in 1962. The debenture certificates entitle holders to payment from the Company's assets immediately after the liquidation of other debts.

5. *Bank loans*

The amount of kr. 7.8 million shown in the Balance Sheet concerns a long-term bank loan taken out during 1956.

6. *Mortgage loans*

Long-term mortgage loans of kr. 0.9 million were taken out during the year in connection with the purchase of residential property.

7. *Promissory loans*

During the year a new long-term promissory loan of kr. 3.5 million was taken out. Of the promissory loan of kr. 4.3 million taken out during 1957, kr. 1.2 million which becomes due for payment during 1959 was accounted for amongst short-term debts.

8. *Commitments in respect of contracted goods*

In the same way that the value of contracted goods has been entered on the assets' side of the Balance Sheet, so the liabilities' side includes the commitments of the Company in respect of the purchases in question.

9. *Advance payments from customers*

Advance payments from customers decreased during the year from kr. 21.7 million to kr. 11.5 million. The latter amount includes advance payments on Government orders to the extent of kr. 7.4 million.

10. *Sundry liabilities and appropriations*

These are divided into three categories. The first includes liabilities incurred by the Company before the end of the financial year and covers such commitments as arrears of wages, appropriations for holiday pay to staff and works employees, pay-as-you-earn tax deductions and other similar items. The second includes appropriations and reserves while the third concerns the commitments incurred by the Company under the PV guarantee.

	1957 Kr. 1,000	1958 Kr. 1,000
Liabilities	18,318	29,799
Appropriations	11,714	11,539
PV Guarantee	34,941	42,771
Total (kr. 1,000)	64,973	84,109

The appropriations include reserves set aside for anticipated costs in connection with manufacturing agreements with foreign subcontractors and also internal profits on the finished stock of Volvo products at the Company's foreign subsidiaries.

Kr. 30 million of the appropriation for the PV guarantee may be regarded as a long-term debt.

Contingent liabilities

The extent of the Company's contingent liabilities is shown in the table below:

	1957 Kr. 1,000	1958 Kr. 1,000
Federation of Swedish Employers	1,811	1,926
Sundry contingent liabilities	7,018	9,038
Total (kr. 1,000)	8,829	10,964

Securities pledged

At the end of the year the Company had pledged the following securities in respect of loans taken out and advance payments:

	1958 Kr. 1,000
Property	12,171
Other assets	3,000
Shares in subsidiary companies	35,000
Other securities	75
Total (kr. 1,000)	50,246
	(1957 = 34,376)

PROFIT AND LOSS ACCOUNT

The information and figures given in the Profit and Loss account can also be summarized to indicate the manner in which the money

paid by customers for the Company's products is utilized.

In this connection it should be remembered that the Company sells chiefly to dealers and that the selling price is thus not the price which the individual customer pays for a vehicle or spare part, but the price paid to Volvo by the dealer.

It should further be borne in mind that, although responsible for design, the Company buys a large proportion of the component parts of a vehicle in a ready-finished condition so that the Company acts both as a merchandizing firm and a manufacturing company.

This analysis was first introduced into the Annual Report for 1947 and to enable a comparison to be made, the figures for 1947 are also included in the following summary:

	1947		1957		1958	
	Kr. 1,000	%	Kr. 1,000	%	Kr. 1,000	%
<i>Sales</i>	112,366		684,900 ¹⁾		798,765 ¹⁾	
1. Materials, (incl. tools, auxiliary equipment, freight, guarantee costs and stock depreciation)	76,739	68.3	495,355	72.3	569,540	71.3
2. Wages and salaries:						
a) Board and Directors	741	0.6	1,592	0.2	1,684	0.2
b) Monthly salaried employees	6,330	5.6	27,913	4.1	34,585	4.3
c) Wage earning employees	10,414	9.3	50,711	7.4	60,448	7.6
3. Trading and administrative expenses less sundry income and share dividends	2,785	2.5	24,907	3.6	21,301	2.7
4. Factory overhead charges	4,581	4.1	18,567	2.7	21,875	2.7
5. Wear and tear on production plant:						
a) Made good by maintenance and repair	2,813	2.5	9,819	1.5	12,004	1.5
b) Accounted for by depreciation	2,408	2.1	13,814	2.0	15,293	1.9
6. Appropriations to Pensions Fund			15,000	2.2	10,000	1.3
7. Appropriations to Investment Fund					20,000	2.5
8. Taxes	2,000	1.8	14,927 ²⁾	2.2	17,100	2.1
9. Retained profits	1,305	1.2	6,895	1.0	9,535	1.2
10. Distributed to shareholders	2,250	2.0	5,400	0.8	5,400	0.7
<i>Total (Kr. 1,000)</i>	112,366	100.0	684,900	100.0	798,765	100.0

1) The sales values do not include purchase tax which in 1957 amounted to kr. 28.8 million and in 1958 to kr. 33.7 million.

2) Of which kr. 727,000 in investment levy.

Note: Because of altered distribution the items 1—3 for the respective years are not fully comparable.

Of the gross profit, kr.10 million was appropriated to the Pensions Fund and kr. 20 million to the Investment Fund.

Otherwise the above analysis shows the effect of the various cost factors on the year's results.

The increases in costs concomitant with the expansion of business were covered by fuller

use of productive resources, continued rationalization and a favourable development of material prices. The great demand for the Company's products enabled a notable increase in turnover to be achieved at largely unaltered selling prices which to a great extent contributed to a favourable result for the activities of 1958.

THE ACTIVITIES OF THE GROUP

Sweden

Volvo owns 62.5 % of the share capital of Svenska Flygmotor AB, Trollhättan which, in addition to jet aero engines, also manufactures printing machinery. During 1958 Flygmotor showed a profit of kr. 4,400,000 of which kr. 2,000,000 was distributed. Of this amount, kr. 1,250,000 accrued to Volvo.

Activities at the wholly Volvo-owned subsidiary in Köping are now divided into two company entities. This division was carried out as regards organization and administration on 1st July, 1958. The results of activities for the whole year are accounted in the undertaking Volvo-Köpingverken AB which, on the 31st December 1958, handed over all assets connected with the machine tools and castings branch, exclusive of properties, to a subsidiary which continues this activity under the old name of Köpings Mekaniska Verkstad AB. Volvo-Köpingverken AB will henceforth manufacture exclusively Volvo products, mainly gearboxes and rear axles. After an extra appropriation of kr. 3 million to the pensions fund, the Köping undertakings show a profit of kr. 1,007,000 for 1958, of which kr. 900,000 is to be distributed.

Volvo owns all the shares in AB Bolinder-Munktell, Eskilstuna. This company manufactures front axles for Volvo. Together with its own range of tractors, the company also manufactures and sells Volvo tractors for both the Swedish and export markets. In addition, the company manufactures road-making machinery, combined harvesters and marine and industrial engines while the manufacture of sawmill and woodworking machinery has now been discontinued. After an extra appropriation of kr. 5 million to the pensions fund and an appropriation of kr. 2.1 million to an investment fund, the company showed a net profit of kr. 1,357,000 for 1958, of which kr. 1,200,000 is to be distributed.

The Volvo sales of marine and industrial engines are conducted through AB Penta whose results are included in Volvo's activities. Penta's turnover increased further and in 1958 amounted to kr. 27 million of which half was related to exports.

All the above-mentioned dividend distributions will be accounted for in the Volvo accounts for 1959.

A summary of the balance sheets of the three first-named companies is given in a special appendix to this Report.

After making deductions for inter-company deliveries, the turnover of the respective companies during 1957 and 1958 amounted to the following figures:

	1957	1958
Volvo	kr. 679 million	kr. 791 million
Bolinder-Munktell	kr. 130 „	kr. 136 „
Flygmotor	kr. 140 „	kr. 138 „
Köping	kr. 15 „	kr. 13 „
Total Group turnover	kr. 964 million	kr. 1,078 million

The average number of employees within the Group in Sweden during 1958 totalled 13,715 and wages and salaries paid out during the year amounted to kr. 184.7 million.

Abroad

Volvo's two subsidiaries in USA which, during 1956-1957 began operations in Detroit, moved their activities during 1958 to a newly acquired head office in Englewood Cliffs, New Jersey, close to New York. The internal and external organization of the companies was reinforced during the year and the activities showed a profit. During 1959 Volvo will receive a dividend of \$ 8,000 from both companies.

The Finnish subsidiary, OY Volvo-Auto AB, had a successful year and will also be declaring a dividend on the 1958 profits.

The German company, Volvo GmbH, shows a small loss for the first year of its activity.

The sales company in Peru, Mercamotor SA, which Volvo took over during the spring of 1958, is engaged in a reorganization of previously unprofitable credit business. The activity of the company is limited by severe credit restrictions.

Group results

The realized net profit of the Group for 1958, after deduction on account of minority interests, amounted to kr. 17.0 million. After deduction of the Parent Company's proposed dividend and appropriations had been made to the legal and special legal reserves, the available profits of the Group amounted to kr. 26.6 million at the end of 1958 compared with kr. 20.5 million at the end of 1957.

Consolidated Balance Sheet

Following the practice of previous years, the Board is issuing a Consolidated Balance Sheet as an appendix to this Report.

The Consolidated Balance Sheet displays in a somewhat concentrated form the corresponding headings found in the Balance Sheet of the Parent Company, with, however, two significant differences.

In its balance sheet Volvo shows "Contracted Goods" on both the assets and liabilities sides. This is not done in the case of all the subsidiary companies. In order to achieve uniformity this item is deleted from both the assets and liabilities side in the Consolidated Balance Sheet.

Finally the Consolidated Balance Sheet deals

with about kr. 20 million amongst the liabilities under the headings "Consolidated Reserve" and "Foreign Reserve". The difference between the nominal value and the book value of shares in the Swedish subsidiaries shown by Volvo and other companies in the Group, is accounted under the heading "Consolidated Reserve". The previously mentioned bonus issue by Svenska Flygmotor AB explains the increase in the consolidated reserve.

Under the heading "Foreign Reserve" is included partly the difference between the book value and nominal value entered by Volvo and other Swedish companies in the Group of certain, particularly older, interests of foreign subsidiaries and partly certain capital reserves in foreign subsidiary companies.

DISPOSAL OF PROFITS

Undistributed profits at the beginning of the year	kr.	11,353,416: 09
Net profit from the Company's activities during the year as indicated in the Profit and Loss Account	„	14,934,993: 23
	<u>Total kr.</u>	<u>26,288,409: 32</u>

The Board and Managing Director recommend that:

the following appropriation be made to the Reserve Fund	kr.	1,600,000: —
distribution be made to shareholders of kr. 3:— on Coupon No. 24 amounting to	„	5,400,000: —
the following amount to be transferred to share capital	„	18,000,000: —
and that the balance	„	1,288,409: 32

be carried forward as undistributed profits.

The attached Balance Sheet has been prepared on the assumption that the General Meeting will approve the recommendations of the Board and Managing Director as regards the appropriation to the Reserve Fund and the Dividend.

Gothenburg, March, 1959

A. Gabrielsson

H. Hallström

H. Törnebohm

F. Hartmann

Bengt Junker

Karl Granfors

Ebbe Svensson

G. Engellau

Aktiebolaget

Balance Sheet

1957		Kr. 1,000
<u>Kr. 1,000</u>	Assets:	
	FIXED ASSETS:	
147,464	Plant and installations as specified on page 8	159,336
<u>84,729</u>	Less Depreciation Fund as specified on page 8	<u>99,612</u>
62,735		59,724
43,378	Shares specified on page 8	44,340
<u>14,500</u>	Debenture Loan to subsidiaries	<u>5,300</u>
57,878		49,640
<u>120,613</u>		<u>109,364</u>
8,174	INVESTMENTS AGREED UPON	13,788
	CURRENT ASSETS:	
380,881	Stocks (of which contracted goods kr. 303,557) . .	380,737
21,364	Accounts receivable from subsidiaries	16,281
67,298	Accounts receivable from customers	63,352
17,816	Promissory notes receivable	24,257
12,346	Miscellaneous accounts receivable and advance payments	13,112
43,715	Cash at banks and in hand (of which kr. 8,000,000 on special account in Sveriges Riksbank and kr. 2,318,000 of earmarked funds)	<u>96,266</u>
<u>543,420</u>		594,005
<u><u>672,207</u></u>	Total assets	<u><u>717,157</u></u>

Volvo

31st December, 1958

1957 Kr. 1,000		Kr. 1,000
	<i>Liabilities:</i>	
	CAPITAL ACCOUNTS:	
90,000	Share Capital	90,000
13,600	Legal Reserve	15,200
103,600	UNDISTRIBUTED PROFITS:	105,200
	Brought forward from 1957	18,053
5,758	Appropriation to Reserve Fund	1,300
12,295	Dividend	5,400
18,053		6,700
1,300		11,353
5,400	Profit for the year	14,935
11,353		26,288
114,953	Appropriation to Reserve Fund	1,600
—	Dividend	5,400
		7,000
	Total capital accounts	19,288
	INVESTMENT FUND:	124,488
	LONG-TERM LIABILITIES:	20,000
28,950	Pensions Fund	38,333
6,000	Debenture Loan	4,500
7,770	Bank Loan	7,770
9,791	Mortgage Loan	10,661
4,300	Promissory Loan	6,600
—	Subsidiaries	60
56,811		67,924
	COMMITMENTS IN RESPECT OF:	
8,174	Investments agreed upon	13,788
328,724	Contracted goods	303,557
336,898		317,345
	SHORT-TERM LIABILITIES:	
1,500	Debenture Loan	1,500
—	Promissory Loan	1,200
428	Subsidiaries	122
21,671	Advance payments from customers	11,479
54,751	Suppliers	66,380
65,152	Sundry liabilities and appropriations	84,109
3,298	Sales tax on motor vehicles	3,676
	Dividend on Coupon No. 24 in accordance with the recommendation of the Board and Managing Director	5,400
5,400		173,866
152,200	UNPAID TAXES DUE	13,534
11,345		Total liabilities 717,157
672,207		
34,376	Securities pledged (as specified on page 11) ..	50,246
8,829	Contingent liabilities (as specified on page 11)	10,964
	<i>A. Gabrielsson</i>	
	<i>H. Törnebohm</i>	
	<i>Karl Granfors</i>	
	<i>G. Engellau</i>	
	<i>H. Hallström</i>	
	<i>Bengt Junker</i>	
	<i>F. Hartmann</i>	
	<i>Ebbe Svensson</i>	

With reference to the Auditor's Report handed in by us this day, we, the undersigned, certify that the above Balance Sheet agrees with the Company's books examined by us.

Gothenburg, 24th March, 1959

Åke Fryklund

Auditors

Stig Danielson

Auditors' report

on

Aktiebolaget Volvo

We, the undersigned, who were appointed to examine the Company's accounts and the administration of the Board and Managing Director, herewith submit the following report in respect of 1958.

To enable us to carry out our task we have had access to the Company's books, the annual report submitted by the Board and Managing Director, the Minutes and other documents giving information on the finances and administration of the Company.

The accounts have been examined by specially appointed persons.

The legal requirements concerning the ownership of shares and the relationship with subsidiaries have been complied with. A Consolidated Balance Sheet has been prepared. The proposed dividend distribution may - taking into account the status of the Group and the results of the activities of the Group as a whole - be considered as complying with good business practice.

We have no adverse comments to make in respect of the accountancy documents, the Company's bookkeeping, inventories of its assets or otherwise regarding the administration of the Company. We recommend that the General Meeting:

approve the Balance Sheet of 31st December 1958 prepared by the Board and Managing Director and signed by us;

distribute the available profits of kr. 26,288,409: 32 in accordance with the recommendations of the Board and Managing Director which includes appropriations to the reserves as prescribed by law, and

grant the Members of the Board and the Managing Director indemnity for their administration during 1958.

Gothenburg, 24th March, 1959

Ålve Fryklund
Chartered Accountant

Stig Danielson
Chartered Accountant

SUMMARY

of the Balance Sheets of the Chief Subsidiary Companies of AB Volvo
as at 31st December 1958.

	Svenska Flygmotor AB Kr. 1,000	Volvo- Köping- verken AB Kr. 1,000	AB Bolinder- Munktell Kr. 1,000
Assets:			
Fixed assets:			
Plant, etc.	85,467	57,547	61,432
Less Depreciation Fund	45,550	30,944	37,733
	39,917	26,603	23,699
Shares in subsidiaries	600	1,500	1,175
Loans to subsidiaries	989	5,600	—
Shares in independent companies	75	—	50
	41,581	33,703	24,924
Investments agreed-upon	2,637	963	11,954
Current assets:			
Stocks	128,852	8,693	30,268
Accounts receivable from subsidiaries	341	92	6,078
Accounts receivable from customers	20,985	368	20,523
Sundry accounts receivable and advance payments	16,837	621	7,070
Cash at banks and in hand	15,374	253	3,631
	182,389	10,027	67,570
	Total assets 226,607	44,693	104,448
Liabilities:			
Capital accounts:			
Share capital	25,000	15,000	20,000
Legal Reserve	5,000	1,235	2,600
Special Legal Reserve	930	—	—
	30,930	16,235	22,600
Undistributed profits:			
1st January 1958	5,396	1,502	948
Less bonus share issue	5,000	—	—
Profit for the year	4,400	1,007	1,357
	4,796	2,509	2,305
Less, in accordance with the recommendations of the Board:			
Appropriation to Reserve Fund	800	105	150
Dividend	2,000	900	1,200
	1,996	1,504	955
	32,926	17,739	23,555
Investment Fund	—	—	2,114
Long-term liabilities:			
Pensions Fund	—	5,744	18,945
Mortgage Loan	—	10,000	23,042
Debts to AB Volvo	—	5,300	—
Debts to subsidiaries	599	—	408
Miscellaneous	—	100	266
	599	21,144	42,661
Investment commitments outstanding	2,637	963	11,954
Short-term liabilities:			
Debts to AB Volvo	—	75	839
Debts to subsidiaries	215	—	—
Sundry creditors	11,916	1,431	12,575
Sundry debts and allocations	15,150	1,839	8,803
Advance payments from customers	159,490	—	330
Recommended dividend	2,000	900	1,200
	188,771	4,245	23,747
Unpaid taxes due	1,674	602	417
	Total liabilities 226,607	44,693	104,448
Securities pledged	175,600	16,000	32,728
Contingent liabilities	2,074	561	4,419

Consolidated Balance Sheet as at 31st December, 1958

<i>Assets:</i>	1956 Kr. 1,000	1957 Kr. 1,000	1958 Kr. 1,000
FIXED ASSETS:			
Property, machinery etc.	344,750	371,642	392,354
Less Depreciation Fund	172,194	197,898	226,301
Net	172,556	173,744	166,053
Shares	98	190	209
	172,654	173,934	166,262
INVESTMENTS AGREED UPON	38,165	28,008	29,616
CURRENT ASSETS:			
Stocks, gross value	415,497	415,046	463,488
Less stock reserve	163,378	178,153	181,882
Book value of inventories	252,119	236,893	281,606
Sundry debtors	177,273	174,951	195,087
Pre-paid charges	2,000	—	—
Cash at banks and in hand	21,565	60,739	120,235
Tax reclaimable	766	—	—
	453,723	472,583	596,928
<i>Total assets</i>	664,542	674,525	792,806
 <i>Liabilities:</i>			
CAPITAL ACCOUNTS:			
Share capital	90,000	90,000	90,000
Volvo Legal Reserve	12,300	13,600	15,200
Portions owned by Volvo in the Legal and Special Legal Reserves of the subsidiaries	6,390	7,115	7,886
	108,690	110,715	113,086
Available surplus after deduction of minority interests	13,410	20,525	26,622
<i>Total of own capital</i>	122,100	131,240	139,708
MINORITY CAPITAL:			
Minority interest in share capital and Legal Reserves	9,251	9,492	11,672
Minority interest in indistributed profits	1,727	2,677	1,564
<i>Total of minority capital</i>	10,978	12,169	13,236
INVESTMENT FUNDS	—	—	22,114
LONG-TERM LIABILITIES:			
Pensions Fund	28,507	46,800	63,912
Bank Loan	11,383	7,770	7,770
Promissory Loan	108	4,911	6,708
Debenture Loan	7,500	6,000	4,500
Mortgage Loan	40,805	49,454	47,744
	88,303	114,935	130,634
INVESTMENT COMMITMENTS OUTSTANDING ..	38,165	28,008	29,616
SHORT-TERM LIABILITIES:			
Promissory Loan	20,600	—	4,370
Debenture Loan (matures 15.4.59)	1,500	1,500	1,500
Bank Loan	16,415	7,332	16,365
Advance payments from customers	176,484	165,319	172,404
Sundry creditors and appropriations	160,321	175,225	220,104
Dividend for year in Parent Company	5,400	5,400	5,400
	380,720	354,776	420,143
UNPAID TAXES DUE at end of financial year	5,793	18,463	17,278
FOREIGN RESERVE	11,347	8,630	10,673
CONSOLIDATED RESERVE	7,136	6,304	9,404
<i>Total liabilities</i>	664,542	674,525	792,806
SECURITIES PLEDGED	258,235	261,920	276,455
CONTINGENT LIABILITIES	31,665	15,397	18,074

Gothenburg, March 1959

G. Engellau / *Per Ekström*
 Managing Director / Director of Economy

*Volvo
breaks a Swedish
record*



31.145 Volvo cars registered in Sweden in 1958

Volvo headed the list of registration statistics for Sweden in 1958. No other make could compete as far as the number of registrations was concerned. Never before in Sweden have so many cars of one make found so many buyers. The highest figures in the country have also been noted for Volvo trucks, both petrol-powered and Diesel-powered. Volvo took an uncontested first place among all the automobile firms in Sweden.



CARS

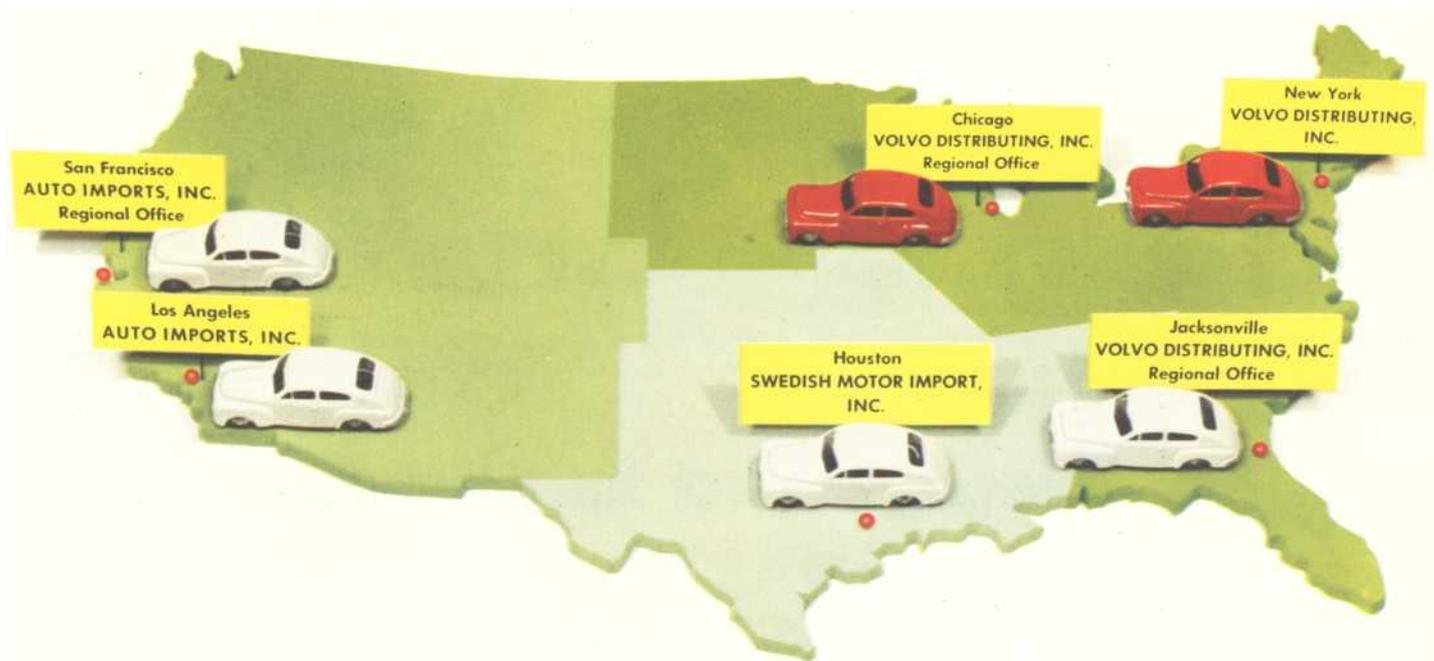
Volvo	31,145 = 21.2
Concern II	28,782 = 19.5
Concern III	24,842 = 16.9

PETROL-POWERED TRUCKS (over two tons)

Volvo	1,210 = 63.6%
Concern II	385 = 20.2%

DIESEL-POWERED TRUCKS (over four tons)

Volvo	2,240 = 50.5%
Concern II	2,048 = 46.2%



Volvo in the USA

The new Volvo Import Inc. and Volvo Distributing Inc. office building in Englewood Cliffs.



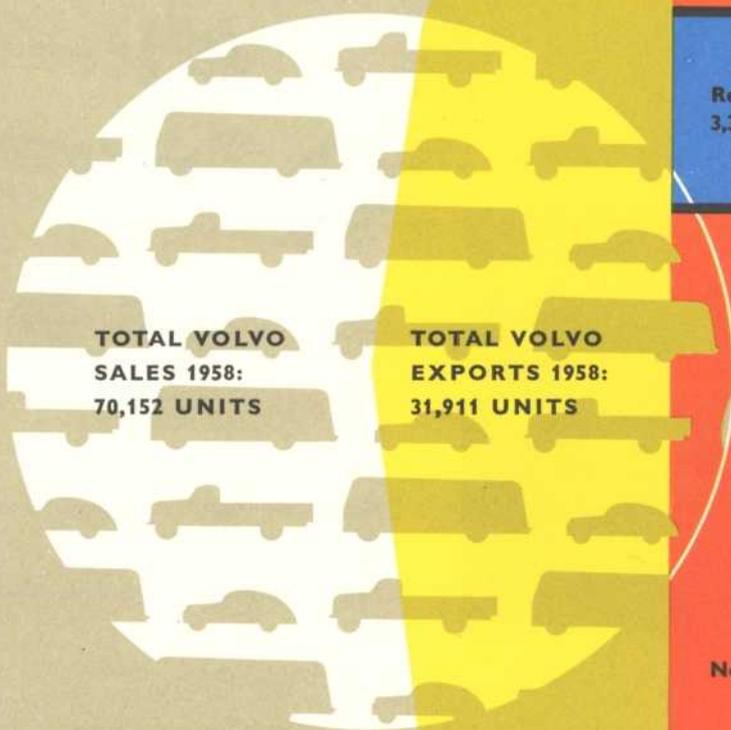
Three years ago the first shipment of Volvo cars was sent to the United States. Since then the demand for the Swedish car has increased steadily. During 1958 the value of exports to the USA reached 105 million Sw.Kr. - a figure that made Volvo the biggest Swedish exporter to the United States. The corresponding figure for the other Volvo export markets was rather more than 207 million Sw.Kr. The total value of exports was thus 312 million Sw. Kr.

At the head of the organization responsible for the import, distribution and sales in the United States is *Volvo Import Inc.*, with an office outside New York. Volvo Import Inc. has a total of 400 dealers associated with one or other of the three American Volvo distribution companies. *Volvo Distributing Inc.* is responsible for the sales on the East Coast, Middle West and the south-east States. *Auto Imports Inc.* takes care of the eleven Western States. *Swedish Motor Inc.* has a district covering the southern and south-western States.

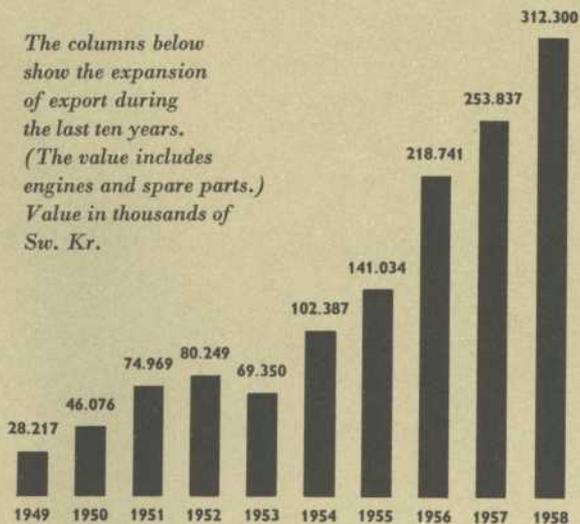
Volvo exports

During 1958 Volvo exported 31,911 units. The figure for 1957 was 24,066 units, i.e. 1958 showed an increase of 33%. As far as value was concerned, the increase was 24%. The explanation of the difference between these two percentages is that the increase mainly consisted of cars.

The circle shows total Volvo sales in numbers of units during 1958 as well as the proportion exported. Export is also shown broken down showing the number of units shipped to the various export markets.



The columns below show the expansion of export during the last ten years. (The value includes engines and spare parts.) Value in thousands of Sw. Kr.





The pleasant sand beach on Trälen is a paradise for both large and small.

The well-planned bungalows each consist of a sitting-room, bedroom and kitchen. They are beautifully located at various points all over the island.



Holidays

In 1948 Volvo bought the island of Trälen which lies south of Marstrand on the West Coast of Sweden. Today on the island of Trälen, which has an area of about 25 acres, there are 51 holiday bungalows and a long-house sub-divided into five individual bachelor quarters. Each year for more than two months beginning in the middle of June about 650 people have their holidays here in two-weekly periods. A new kitchen and restaurant building will be ready in time for the 1959 summer season.



The drawing above is a perspective sketch of the new kitchen and restaurant building.

The Volvo holiday island is in the delightful Bohuslän archipelago.

