

## **Annual Report and Consolidated Financial Statements for the financial year 2007**

The Board of Directors and the President of Volvo Treasury AB (publ), (556135-4449) hereby submit the following Annual Report and Consolidated Financial Statements.

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Amounts are shown in millions of Swedish kronor (SEK M) unless otherwise stated. The preceding year's figures are shown in parentheses in the text.

## Board of Directors' Report

Volvo Treasury AB (publ) is a wholly owned subsidiary of AB Volvo (publ) Göteborg (556012-5790). The Company is the Parent Company of Volvo Treasury Asia Ltd.

Volvo Treasury is a unit within the AB Volvo Group that supports the Volvo companies with services related to treasury and cash management. All financial transactions with companies within the AB Volvo group are carried out on market terms. The Treasury group conducts most of the financial transactions of the Volvo Group. The group is responsible for all interest-bearing assets and liabilities as well as all foreign exchange and funding operations within the Volvo Group. Consolidated financial management offers better potential to utilize the Volvo Group's financial assets and cash flow and professionally manage risks related to financial management.

Treasury group operations are carried out according to centrally determined risk mandates and limits designed to minimize the currency, interest-rate and liquidity risks to which the Group is exposed. Risks are followed up, monitored and reported daily. Risk limits are set by AB Volvo, or in certain cases by the Board of Volvo Treasury AB, and are documented in the Company's risk manual. These risks and the manner in which they are managed are presented in more detail in Note 21, Financial risks and instruments.

Further description of financial risks and the manner in which the Volvo Group and the Volvo Treasury group manages them are presented in the Annual Report for AB Volvo.

## Operations during 2007

### Volvo Treasury Group – Summary

The Group's operating income by company is presented in the table below.

SEK M	2007		2006		2005		2004		2003
	IFRS	*	IFRS	*	IFRS	*	IFRS	* SW GAAP	
Volvo Treasury AB	111.8		307.4		243.2		154.5		462.2
Volvo Treasury Asia Ltd,	23.5		-0.8		-3.3		3.1		3.1
Volvo Finance SA	-	**	-	**	-	**	0.2		2.0
Eliminations	-		11.2		6.6		12.7		12.6
<b>Group total</b>	<b>135.3</b>		<b>317.8</b>		<b>246.5</b>		<b>170.5</b>		<b>479.9</b>

During the year, net lending to Group companies increased by about SEK 25.4 billion. During the preceding year, net lending increased by approximately SEK 1.4 billion.

Net interest income for the year amounted to SEK 148.8 M, compared with SEK 351.4 M in the preceding year.

\* Volvo Treasury reports in accordance with IFRS as of 2005.

\*\* Volvo Finance SA was liquidated during 2004.

**Events after the close of the fiscal year**

No events have occurred after the close of the fiscal year that have significantly affected the earnings or position of the Group or the Parent Company.

**Proposed disposition of unappropriated earnings**

The following earnings are at the disposal of the Annual General Meeting:

Retained earnings		3,417,309,612
Net income		80,419,796
	SEK	<b>3,497,729,408</b>

The Board of Directors and the President propose that the above sum be disposed of as follows:

Retained earnings to be carried forward	SEK	<b>3,497,729,408</b>
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**Consolidated income statements**

	Note	2007	2006
Interest income	3	5,617.7	4,093.2
Interest expense	4	-5,257.2	-3,650.1
Financial instruments valued at fair value recognized in income statement	2	-309.9	-336.0
Amortization of loan value adjustment.		98.2	244.3
<b>Net interest income</b>		<b>148.8</b>	<b>351.4</b>
Net result of other financial transactions		92.0	62.4
<b>Gross income</b>		<b>240.8</b>	<b>413.8</b>
Administrative expenses	5, 23	-105.4	-95.7
Other operating income		0.1	0.1
Other operating expenses		-0.2	-0.4
<b>Operating income</b>		<b>135.3</b>	<b>317.8</b>
Tax on income for the year	6, 7	-35.2	-85.9
<b>Net income</b>		<b>100.1</b>	<b>231.9</b>
Of which, attributable to Parent Company shareholders		100.1	231.9

**Consolidated balance sheets**

	Note	Dec. 31, 2007	Dec. 31, 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Tangible assets</b>			
Equipment	8	3.3	2.5
<b>Financial assets</b>			
Receivables from Group companies (within the Volvo Group)		37,811.1	32,081.0
Other long term receivables	10	1,038.4	1,175.5
<b>Total financial assets</b>		<b>38,849.5</b>	<b>33,256.5</b>
<b>Total non-current assets</b>		<b>38,852.8</b>	<b>33,259.0</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies (within the Volvo Group)		79,128.6	46,622.4
Other current receivables	11	3,746.2	3,089.2
<b>Total current receivables</b>		<b>82,874.8</b>	<b>49,711.6</b>
<b>Marketable securities</b>	12	<b>16,280.1</b>	<b>19,968.2</b>
<b>Cash and bank balances</b>		<b>5,236.5</b>	<b>3,950.7</b>
<b>Total current assets</b>		<b>104,391.4</b>	<b>73,630.5</b>
<b>TOTAL ASSETS</b>		<b>143,244.2</b>	<b>106,889.5</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

	Note	Dec. 31, 2007	Dec. 31, 2006
<b>Shareholders' equity</b>			
Share capital		500.0	500.0
Reserves		17.6	18.1
Retained earnings		3,467.3	3,261.3
Net income		100.1	231.9
<b>Total shareholders' equity</b>		<b>4,085.0</b>	<b>4,011.3</b>
<b>Non-current liabilities</b>			
	15		
Bond loans		41,152.6	23,176.7
Other liabilities to credit institutions		10,070.9	9,672.0
Liabilities to Group companies (within the Volvo Group)		50.5	137.6
Provision for post-employment benefits	14	1.9	1.0
<b>Total non-current liabilities</b>		<b>51,275.9</b>	<b>32,987.3</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	16	25,169.1	20,544.0
Accounts payable – trade		1.5	3.7
Liabilities to Group companies (within the Volvo Group)		59,533.8	46,629.4
Other current liabilities	17	3,178.9	2,713.8
<b>Total current liabilities</b>		<b>87,883.3</b>	<b>69,890.9</b>
<b>Total shareholders' equity and liabilities</b>		<b>143,244.2</b>	<b>106,889.5</b>

## CHANGE IN SHAREHOLDERS' EQUITY

Group	Note	Share capital	Reserves (Translation differences)	Retained earnings	Total shareholders' equity
<b>Shareholders' equity, Jan. 1, 2006</b>		<b>500.0</b>	<b>31.5</b>	<b>3,434.1</b>	<b>3,965.6</b>
Translation differences		-	-13.4	-	-13.4
<i>Net income recognized directly in shareholders' equity</i>		-	-13.4		-13.4
Net income for the year		-	-	231.9	231.9
<i>Total recognized income and expenses for the period</i>			-13.4	231.9	218.5
Group contributions granted and received	13	-	-	-240.0	-240.0
Tax effect of Group contributions granted and received		-	-	67.2	67.2
<b>Shareholders' equity, Dec. 31, 2006</b>		<b>500.0</b>	<b>18.1</b>	<b>3,493.2</b>	<b>4,011.3</b>
Translation differences		-	-0.5	-	-0.5
<i>Net income recognized directly in shareholders' equity</i>			-0.5		-0.5
Net income for the year		-	-	100.1	100.1
<i>Total recognized income and expenses for the period</i>			-0.5	100.1	99.6
Group contributions granted and received	13	-	-	-36.0	-36.0
Tax effect of Group contributions granted and received		-	-	10.1	10.1
<b>Shareholders' equity, Dec. 31, 2007</b>		<b>500.0</b>	<b>17.6</b>	<b>3,567.4</b>	<b>4,085.0</b>
<b>Parent Company</b>	<b>Note</b>	<b>Share capital</b>	<b>Legal reserves</b>	<b>Unrestricted equity</b>	<b>Total shareholders' equity</b>
<b>Shareholders' equity, Jan. 1, 2006</b>		<b>500.0</b>	<b>100.0</b>	<b>3,393.5</b>	<b>3,993.5</b>
Net income for the year		-	-	222.5	222.5
<i>Total recognized income and expenses for the period</i>		-	-	222.5	222.5
Group contributions granted and received	13	-	-	-240.0	-240.0
Tax effect of Group contributions granted and received		-	-	67.2	67.2
<b>Shareholders' equity, Dec. 31, 2006</b>		<b>500.0</b>	<b>100.0</b>	<b>3,443.2</b>	<b>4,043.2</b>
Net income for the year		-	-	80.4	80.4
<i>Total recognized income and expenses for the period</i>		-	-	80.4	80.4
Group contributions granted and received	13	-	-	-36.0	-36.0
Tax effect of Group contributions granted and received		-	-	10.1	10.1
<b>Shareholders' equity, Dec. 31, 2007</b>		<b>500.0</b>	<b>100.0</b>	<b>3,497.7</b>	<b>4,097.7</b>

**Cash-flow statements**

	Note 20	Group 2007	2006	Parent Company 2007	2006
<b>ACTIVITIES DURING THE YEAR</b>					
Interest received		5,621.9	3,796.2	5,600.4	3,766.6
Interest paid		-5,321.1	-4,065.9	-5,316.5	-4,046.6
Income taxes paid		-30.1	-6.9	-30.9	-6.1
Payments to suppliers and employees		-106.1	-92.7	-93.1	-78.4
Items not affecting cash flow		-139.5	288.8	-159.5	284.7
		<b>25.1</b>	<b>-80.5</b>	<b>0.4</b>	<b>-79.8</b>
Increase (-)/decrease (+) in short-term marketable securities		3,688.0	8,061.1	3,688.0	8,061.1
Increase (-)/decrease (+) in current receivables		-859.0	59.8	-967.8	270.4
Increase (+)/decrease (-) in current liabilities		657.3	-624.8	716.5	-683.9
Increase (-)/decrease (+) in lending to Group companies		-40,760.0	-853.8	-38,392.4	-1,374.3
Increase (+)/decrease (-) borrowing from Group companies		15,561.5	-240.3	14,048.5	394.5
Increase (-)/decrease (+) in long-term receivables		136.6	95.6	167.7	99.4
Increase (+)/decrease (-) in other provisions		-	-	-	-
<b>Cash flow from operating activities</b>		<b>-21,575.6</b>	<b>6,417.1</b>	<b>-20,739.5</b>	<b>6,687.4</b>
Investments in machinery and equipment		-2.7	-0.6	-1.4	-
<b>Cash flow from investing activities</b>		<b>-2.7</b>	<b>-0.6</b>	<b>-1.4</b>	<b>-</b>
Group contributions received(+)/granted(-)		-172.8	-115.2	-172.8	-115.2
Issue of interest-bearing securities		72,046.8	16,312.8	72,046.6	15,989.8
Repayment of interest-bearing securities		-48,432.0	-	-48,120.0	-
			20,394.1		19,939.8
Increase in other borrowing		4,686.4	2,674.9	1,690.3	1,975.2
Decrease in other borrowing		-5,289.1	-3,601.9	-3,470.2	-3,327.3
<b>Cash flow from financing activities</b>		<b>22,839.3</b>	<b>-5,123.5</b>	<b>21,973.9</b>	<b>-5,417.3</b>
Cash flow during the year		1,286.1	1,293.0	1,233.4	1,270.1
Cash and cash equivalents, January 1		3,950.7	2,659.3	3,916.7	2,646.6
Exchange-rate differences in cash and cash equivalents		-0.3	-1.6	-	-
<b>Cash and cash equivalents, December 31</b>		<b>5,236.5</b>	<b>3,950.7</b>	<b>5,150.1</b>	<b>3,916.7</b>

**Parent Company income statements**

	<b>Note</b>	<b>2007</b>	<b>2006</b>
Interest income	3	5,578.6	4,055.8
Interest expense	4	-5,234.1	-3,635.0
Financial instruments valued at fair value recognized in income statement	2	-327.8	-338.4
Amortization of loan value adjustment		98.2	244.6
<b>Net interest income</b>		<b>114.9</b>	<b>327.0</b>
Net result of other financial transactions		90.0	63.2
<b>Gross income</b>		<b>204.9</b>	<b>390.2</b>
Administrative expenses	5, 23	-93.0	-81.2
Other operating expenses		-0.5	-0.5
<b>Operating income</b>		<b>111.4</b>	<b>308.5</b>
Tax on income for the year	6	-31.0	-86.0
<b>Net income</b>		<b>80.4</b>	<b>222.5</b>

**Parent Company balance sheets**

	Note	Dec. 31, 2007	Dec. 31, 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Tangible assets</b>			
Equipment	8	1.6	0.6
<b>Financial assets</b>			
Participations in subsidiaries	9	224.6	224.6
Receivables from Group companies (within the Volvo Group)		37,683.2	32,172.8
Other long-term receivables	10	1,001.6	1,169.4
<b>Total financial assets</b>		<b>38,909.4</b>	<b>33,566.8</b>
<b>Total non-current assets</b>		<b>38,911.0</b>	<b>33,567.4</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies (within the Volvo Group)		79,449.0	46,534.4
Other current receivables	11	3,479.0	2,700.5
<b>Total current receivables</b>		<b>82,928.0</b>	<b>49,234.9</b>
<b>Marketable securities</b>	12	<b>16,280.1</b>	<b>19,968.1</b>
<b>Cash and bank balances</b>		<b>5,150.1</b>	<b>3,916.7</b>
<b>Total current assets</b>		<b>104,358.2</b>	<b>73,119.7</b>
<b>TOTAL ASSETS</b>		<b>143,269.2</b>	<b>106,687.1</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

	Note	Dec. 31, 2007	Dec. 31, 2006
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital (5,000,000 Series A shares, par value SEK 100)		500.0	500.0
Legal reserves		100.0	100.0
<b>Total restricted equity</b>		<b>600.0</b>	<b>600.0</b>
<b>Unrestricted equity</b>			
Retained earnings brought forward		3,417.3	3,220.7
Net income		80.4	222.5
<b>Total unrestricted equity</b>		<b>3,497.7</b>	<b>3,443.2</b>
<b>Total shareholders' equity</b>		<b>4,097.7</b>	<b>4,043.2</b>
<b>Non-current liabilities</b>			
	15		
Bond loans		41,152.6	23,176.7
Other liabilities to credit institutions		6,431.9	7,718.6
Liabilities to Group companies (within the Volvo Group)		3,684.2	2,086.3
Pension commitments		1.2	0.1
<b>Total non-current liabilities</b>		<b>51,269.9</b>	<b>32,981.7</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	16	25,168.1	19,710.7
Accounts payable – trade		1.5	3.7
Liabilities to Group companies (within the Volvo Group)		59,568.8	47,307.1
Other current liabilities	17	3,163.2	2,640.7
<b>Total current liabilities</b>		<b>87,901.6</b>	<b>69,662.2</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>143,269.2</b>	<b>106,687.1</b>

## Notes to the Financial Statements, Group and Parent Company

### Note 1 Accounting and valuation principles

The consolidated financial statements for Volvo Treasury AB and its subsidiary (Volvo Treasury) have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. By EU directive, as of 2005 all listed companies within the EU must apply IFRS. Companies in Sweden whose loan programs are listed must report in accordance with IFRS as of 2007 – however, Volvo Treasury AB has opted to report in accordance with IFRS as of 2005, to harmonize its reporting with its reporting to AB Volvo. This annual report is prepared in accordance with IAS 1, Presentation of Financial Statements, and in accordance with the Swedish Companies Act. The income statement has been adapted to provide a relevant presentation of the results of the operations. The Swedish Financial Accounting Standards Council's RR30, Supplementary Rules for Groups, was also applied.

In the preparation of these financial statements, the company management has made certain estimates and assumptions that affect the value of assets and liabilities as well as contingent liabilities at the balance sheet date. Reported amounts for income and expenses in the reporting period are also affected. The actual future outcome of certain transactions may differ from the estimated outcome when these financial statements were issued. Any such differences will affect the financial statements for future fiscal periods.

#### New accounting principles 2007

Effective in 2007 Volvo Treasury applies the new standard IFRS 7, Financial instruments: Disclosures and classification. IFRS 7 does not entail any change in the reporting and valuation of financial instruments. On the other hand, certain disclosure requirements have been expanded, particularly regarding the exposure and management of risk relating to financial instruments.

#### New accounting principles 2008 and 2009

When preparing the annual report as of December 31, 2007, a number of standards have been published, but have not yet become effective. These are not considered to have any significant impact on Volvo Treasury's financial reporting.

**Consolidated financial statements**

The consolidated financial statements comprise the Parent Company and subsidiaries in which Volvo Treasury AB holds more than 50% of the voting rights or in which Volvo Treasury otherwise has a controlling influence.

The consolidated financial statements have been prepared in accordance with the principles set forth in IAS 27, Consolidated and separate financial statements. Accordingly, intra-Group transactions are eliminated. All business combinations are accounted for in accordance with the purchase method.

Reporting of company acquisitions is in accordance with IFRS 3 Business Combinations. The acquisition method prescribed in IFRS 3 requires a detailed acquisition analysis in which all assets and liabilities are valued at fair value at the date of acquisition. In accordance with the transition rules in IFRS 1, the Company has chosen not to restate earlier acquisitions prior to the transition date of January 1, 2004 to IFRS. No new acquisitions were made after January 1, 2004.

**Translation to Swedish kronor of foreign companies**

Volvo Treasury AB's functional currency is Swedish kronor. All reporting in Group companies for Group purposes is made in the currency where the company has the majority of its revenues and expenses – normally the currency of the country where the company is located. Volvo Treasury AB's and the Volvo Treasury Group's reporting currency is Swedish kronor. In preparing the consolidated financial statements, all items in the income statements of foreign subsidiaries are translated to Swedish kronor at the average exchange rates during the year (average rate). All balance sheet items are translated at exchange rates at the respective year-ends (year-end rate). The differences in consolidated shareholders' equity arising as a result of variations between year-end exchange rates are charged or credited directly to shareholders' equity.

The exchange rates used in the consolidated financial statements are as follows:

Country	Currency	Average	Average	As per Dec. 31	
		rate 2007	rate 2006	2007	2006
Singapore	1 SGD	4.48418	4.64146	4.47000	4.48500

**Reporting of financial assets and liabilities**

IAS 39 requires that all financial assets and liabilities be classified in one of the categories defined in the recommendation. These categories are:

- Financial assets valued at fair value recognized in income statement. Valued at fair value
- Loan receivables and accounts receivable. Valued at accrued acquisition value less any impairment, if applicable, which is recognized in the income statement.
- Investments held to maturity. Valued at accrued acquisition value less any impairment, if applicable, which is recognized in the income statement. Interest and amortization of accrued acquisition value is reported applying the effective interest-rate method.
- Financial assets available for sale. Valued at fair value with value change reported in shareholders' equity to the extent that the decline in value is not significant or has been in effect for a lengthy period, which is recognized in the income statement.

Financial transactions are reported in the balance sheet on the settlement date, and subsequent re-valuation between the contract date and the settlement date is recognized in the income statement.

Liabilities are valued either at fair value recognized in the income statement, providing certain conditions are fulfilled, or at their accrued acquisition value. Volvo Treasury has no debts, except derivatives with negative values, which are valued in the category Financial liabilities valued at fair value recognized in the income statement.

Volvo Treasury reports marketable securities and derivatives in the category that is valued at fair value recognized in the income statement.

Loan receivables are reported at their accrued acquisition value.

Financial liabilities are reported at their accrued acquisition value. Transaction costs in connection with raising financial liabilities are amortized over the financial loan's duration as a financial expense using the effective interest method.

In calculating the fair values of financial instruments, Volvo Treasury has primarily used official rates or prices quoted on the capital markets. In their absence, the valuation has been made by discounting future cash flows at the market interest rate for each maturity.

Financial assets are derecognized from the balance sheet once essentially all risks and benefits have been transferred to an external party or when the receivable has been paid. Financial liabilities are derecognized from the balance sheet when they have been extinguished – that is, when the obligation has been met, annulled or has ceased to exist.

#### Receivables and liabilities in foreign currency

In the individual Group companies as well as in the consolidated accounts, receivables and liabilities in foreign currency are valued at period-end exchange rates. Translation differences arising in financial assets and liabilities are reported on the line Results of other financial transactions

Currency-related derivatives contracts are valued at the closing rate, whereby unrealized exchange-rate gains are reported as current receivables and unrealized exchange-rate losses are reported as current liabilities, if they are attributable to short-term contracts. Unrealized exchange-rate gains are reported as long-term receivables and unrealized exchange-rate losses are reported as long-term liabilities, if they are attributable to long-term contracts. The effect of re-evaluation on earnings is reported on the line Results of other financial transactions.

#### Interest income, interest expense and financial instruments valued at fair value recognized in the income statement and amortization of loan value adjustment

Interest income includes accrued and realized interest on interest-bearing assets and marketable securities. Interest expenses include accrued and realized interest on interest-bearing liabilities. Financial instruments valued at fair value recognized in the income statement include realized and unrealized interest income/expenses pertaining to short-term investments and derivatives contracts held to hedge interest-bearing assets and investments, loan receivables and financial liabilities. Amortization of loan value adjustment is attributable to the transitional effect booked for loans involved in hedging relationships, in accordance with Swedish GAAP as at January 1, 2005, when IAS 39 was applied for the first time.

#### **Hedge accounting**

Derivatives are initially recognized at fair value on the settlement date and are subsequently re-stated at their fair value. The method of recognizing the resulting gain or loss at revaluation depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Certain derivatives have been designated as hedges of the fair value of recognized liabilities (fair value hedge).

At the inception of the transaction, the relationship between hedging instruments and hedged items is documented, as well as its risk management objectives and strategy for undertaking various hedging transactions. The assessment is also documented, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

See Note 21 for further description of fair value of derivatives that are being used for hedging. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

#### Fair value hedge

Changes in the fair value of derivatives that are formally designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged liability that is attributable to the hedged risk. Fair value hedge accounting is only applied for hedging fixed-interest risk on borrowings. The gain or loss relating to the effective portion, as well as the ineffective portion, of interest-rate swaps hedging fixed-rate borrowings is recognized in the income statement within "Financial instruments valued at fair value recognized in income statement." Changes in the fair value of the hedge fixed-rate borrowings attributable to interest rate risk are also recognized in the income statement within "Financial instruments valued at fair value recognized in income statement." If a hedge no longer meets the criteria for hedge accounting, the adjustment in the carrying amount for a hedge item is distributed in the income statement over the remaining term.

Under the more complex rules in IAS39, Volvo Treasury has chosen to apply hedge accounting for financial instruments used to hedge interest and currency risks on loans only for cases when it, after an individual assessment, is considered adequate from a risk-perspective. For cases in which hedge accounting is not applied, unrealized gains and losses up to the maturity date of the financial instrument will be charged to the income statement. Refer to Note 21 for further description of financial risks and instruments.

#### **Valuation, depreciation, amortization and impairments of intangible and tangible fixed assets**

Volvo Treasury reports tangible fixed assets at their acquisition value, less depreciation.

Depreciation is based on the historical cost of the assets, adjusted in appropriate cases by impairments, and estimated useful lives.

#### Depreciation periods

Equipment                      5 years

**Pensions and similar obligations (Post-employment benefits)**

Volvo Treasury applies IAS 19, Employee Benefits, for pensions and similar obligations. In accordance with IAS 19, actuarial calculations should be made for all defined-benefit plans in order to determine the present value of obligations for benefits un-vested by its current and former employees. The actuarial calculations are prepared annually and are based upon actuarial assumptions that are determined close to the balance sheet date each year. Changes in the present value of obligations due to revised actuarial assumptions are treated as actuarial gains or losses which are amortized over the employees' average remaining service period to the extent these exceed the corridor value for each plan. Deviations between expected return on plan assets and actual return are treated as actuarial gains or losses. Provisions for post-employment benefits in Volvo Treasury's balance sheet correspond to the present value of obligations at year-end, less fair value of plan assets, unrecognized actuarial gains or losses and unrecognized unvested past service costs. The corridor value limit is set as the highest of 10% of the present value of the obligation at the beginning of the period or 10% of the asset's fair value at the beginning of the period.

In accordance with the IFRS transitional rules, the carrying amount of the liability is determined at January 1, 2004 in accordance with IAS 19 and the actuarial gains and losses set at zero. As a supplement to IAS 19, Volvo Treasury applies URA 43 Reporting of special employer's contribution and tax on returns, in accordance with the recommendation from the Swedish Financial Accounting Standards Council, in calculating the Swedish pension liabilities.

For defined-contribution plans, premiums are expensed as incurred.

**Deferred taxes, appropriations, untaxed reserves**

Tax legislation in Sweden and other countries sometimes contains rules other than those identified with generally accepted accounting principles, and which pertain to the timing of taxation and measurement of certain commercial transactions. Deferred taxes are provided for on differences that arise between the taxable value and reported value of assets and liabilities (temporary differences) as well as on tax-loss carryforwards. However, with regards to the valuation of deferred tax assets, that is, the value of future tax reductions, these items are recognized provided that it is probable that the amounts can be utilized against future taxable income. Tax legislation in Sweden and certain other countries allows companies to postpone tax payment through appropriations to untaxed reserves. The consolidated balance sheet treats such appropriations as temporary differences – that is, there is a division between deferred tax liability and shareholders' equity (restricted reserves). In the consolidated income statement, any appropriation to or dissolution of untaxed reserves is distributed between deferred tax and the net income for the year.

**Group contributions**

Under certain circumstances, profits may be transferred in the form of Group contributions between companies within the same group. Contributions paid are normally a tax-deductible cost for the giver and taxable income for the receiver.

Group contributions are reported in accordance with URA 7, Group contributions and shareholders' contributions, whereby Group contributions are reported directly in shareholders' equity. The tax effect of Group contributions paid and received is also reported directly in shareholders' equity.

**Cash-flow statement**

The cash-flow statement is prepared in accordance with IAS 7. Cash-flow statement, direct method. The cash-flow statements of foreign Group companies are translated at the average rate. In order to be classified as cash and cash equivalents in the cash-flow statement, an investment must be highly liquid, carry a low risk of change in its value and mature within three months of the time of the investment. For Volvo Treasury, only cash and bank balances are reported as cash and cash equivalents, since its short-term investments had maturities of more than three months at the time of investment.

Marketable securities comprise interest-bearing securities, the majority of which with terms exceeding three months. However, these securities have high liquidity and can easily be converted to cash. In accordance with IAS 7, certain investments in marketable securities are excluded from the definition of cash and cash equivalents in the cash-flow statement if the date of maturity of such instruments is later than three months after the investment was made.

**Segment reporting**

Volvo Treasury's operations are conducted within a single line of business and consequently do not give rise to segment reporting. Geographically, the operations are conducted primarily within two segments – Sweden and Singapore. Since the operations in Singapore are limited in scope, segment reporting as per IAS 14, Segment reporting, is not applied. The Parent Company represents the Swedish operations. The difference between the Group and the Parent Company consists primarily of the Singapore operations.

**Share-related payments**

Volvo Treasury AB's President is included in incentive programs of the Volvo Group. The President is currently included in one program. The details of this program are presented in Note 34 of the AB Volvo Annual Report. The cost of this program, based on the actual value of the benefit at the time of its allotment, is reported in accordance with IFRS 2 during the vesting period and is charged to the income statement through offset accounting in shareholders' equity within the category of retained earnings for programs to be settled with shares, which is the case for the program in which the Company's President participates. In addition to the cost of the program, the cost of social security contributions is also charged to the Company.

**Parent Company**

The Parent Company applies the Annual Accounts Act and as of January 1, 2005 the Swedish Financial Accounting Standards Council's RR 32, Accounting for legal entities, with retroactive restatement from January 1, 2004. The standard means that legal entities whose securities on the closing date are listed on a Swedish stock exchange or other authorized marketplace as main rule shall apply the IFRS/IAS as applied in the consolidated accounts.

Volvo Treasury has adopted IAS 19 Employee Benefits in its financial reporting. The Parent Company is still applying the principles of FAR's RR 4 recommendation, Accounting of pensions liabilities and pension costs, as in prior years. Consequently, there are differences between Volvo Treasury Group and the Parent Company in the accounting for defined-benefit pension plans as well as in valuation of plan assets invested in the Volvo Pension Foundation.

**Note 2 - Key sources of estimation uncertainty****Key sources of estimation uncertainty**

Volvo Treasury's significant accounting principles are set out in Note 1, Accounting Principles and conform to IFRS as adopted by the EU. The preparation of Volvo Treasury's consolidated financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and provisions at the date of the financial statements. In preparing these financial statements, Volvo Treasury's management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The application of these accounting principles involves the exercise of judgment and use of assumptions as future uncertainties and, as a result, actual results could differ from these estimates. In accordance with IAS 1, preparers are required to provide additional disclosure of accounting principles in which estimates, judgments and assumptions are particularly sensitive and which, if actual results are different, may have a material impact on the financial statements. The accounting principles applied by Volvo Treasury that are deemed to meet these criteria are discussed below.

**Valuation of financial instruments**

As presented in Note 1, Volvo Treasury applies IAS 39. Financial Instruments: Recognition and Measurement. In accordance with this standard all derivatives shall be reported at fair value in the balance sheet. In establishing the fair values of financial instruments, Volvo Treasury has primarily used official rates or prices quoted on the capital markets. In their absence, the valuation has been made by discounting future cash flows at the market interest rate for each maturity. All reported fair values are calculated values that will not necessarily be realized. The policy for matching of assets and liabilities and how derivatives are used and the sensitivity analyses in changes in the interest rates on the Company's liquid assets and liabilities for the Volvo's Group's industrial segment are shown in Note 21. Assets and liabilities received for the Volvo Group's customer financing segment are matched, whereby the effects of changes in interest and currency rates do not have any effect on the Company's net financial position.

**Pensions and other post-employment benefits**

Provisions and costs for post-employment benefits, i.e., mainly pensions and health-care benefits, are dependent on assumptions used by actuaries in calculating such amounts. The appropriate assumptions and actuarial calculations are made separately for each population in the respective countries of Volvo's operations. The assumptions include discount rates, health care cost trends, inflation, salary growth, long-term return on plan assets, retirement rates, mortality rates and other factors. Discount rate assumptions are based on government bond yields available at December 31, 2007. The actuarial assumptions are reviewed on an annual basis and modifications are made to them when it is deemed appropriate to do so. The Volvo Treasury Group is included in this annual review. Actual results that differ from management's assumptions are accumulated and amortized over future periods.

**Note 3 Interest income**

	<b>Group</b>		<b>Parent Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Interest	5,617.7	4,093.2	5,578.6	4,055.8
<b>Total</b>	<b>5,617.7</b>	<b>4,093.2</b>	<b>5,578.6</b>	<b>4,055.8</b>
<b>Of which, Volvo Group companies</b>				
Interest	4,677.2	3,268.5	4,653.3	3,256.1
<b>Total</b>	<b>4,677.2</b>	<b>3,268.5</b>	<b>4,653.3</b>	<b>3,256.1</b>

**Note 4 Interest expense**

	<b>Group</b>		<b>Parent Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Interest	5,257.2	3,650.1	5,234.1	3,635.0
<b>Total</b>	<b>5,257.2</b>	<b>3,650.1</b>	<b>5,234.1</b>	<b>3,635.0</b>
<b>Of which, Volvo Group companies</b>				
Interest	1,907.9	1,274.4	2,027.8	1,358.7
<b>Total</b>	<b>1,907.9</b>	<b>1,274.4</b>	<b>2,027.8</b>	<b>1,358.7</b>

**Note 5 Administrative expenses****Wages, salaries, other remuneration and social costs**

	<b>2007</b>			<b>2006</b>		
	<b>Wages, salaries and other remuneration</b>	<b>Social costs (of which, pension costs)</b>		<b>Wages, salaries and other remuneration</b>	<b>Social costs (of which, pension costs)</b>	
Parent Company	35.6	19.2	(11.4)	31.4	20.3	(11.1)
Subsidiaries	4.3	2.2	(0.9)	5.1	2.2	(0.5)
<b>Group</b>	<b>39.9</b>	<b>21.4</b>	<b>(12.3)</b>	<b>36.5</b>	<b>22.5</b>	<b>(11.6)</b>

Of the Parent Company's pension costs, 1.3 (1.3) pertains to the Board and President. The corresponding amounts for the Group are 2.0 (1.8).

The cost of non-monetary benefits in the Group amounted to 4.0 (3.8), of which benefits to the Board of Directors and the President amounted to 1.6 (1.2). The cost of non-monetary benefits in the Parent Company amounted to 2.1 (2.2), of which benefits to the Board of Directors and the President amounted to 0.2 (0.2).

Since 2004, the Volvo Group has an annual share-based incentive program, approved by the Annual General Meeting. The Board considers that it is in the company's own interest that the senior executives are given personal incentives that are based on the fulfillment of certain financial goals for the Group. The Annual General Meeting in 2006 approved that 2,000 shares were allotted to Volvo Treasury AB's President in March 2007. A similar program with allotment on February 29, 2008 was approved by the 2007 Annual General Meeting. Volvo Treasury AB's President was allotted 10,000 shares in this program. The cost for the 2006/2007 and 2007/2008 share-related incentives programs amounted to SEK 0.6 M and SEK 1.0 M, respectively. These costs are reported in accordance with IFRS 2. Details relating to these programs are presented in Note 34 of the AB Volvo 2007 Annual Report.

Wages, salaries and other remuneration by country and among Board members, etc, and other employees:

	<b>2007</b>			<b>2006</b>		
	<b>Board of Directors and President (of which bonuses, etc.)</b>		<b>Other employees</b>	<b>Board of Directors and President (of which bonuses, etc.)</b>		<b>Other employees</b>
<b>Parent Company</b>						
Sweden	3.3	(0.7)	31.5	3.1	(0.6)	28.3
Total in Parent Company	3.3	(0.7)	31.5	3.1	(0.6)	28.3
<b>Subsidiaries, outside Sweden</b>						
Singapore	1.4	(0.6)	2.9	1.7	(0.6)	3.4
Total in subsidiaries	1.4	(0.6)	2.9	1.7	(0.6)	3.4
<b>Group total</b>	<b>4.7</b>	<b>(1.3)</b>	<b>34.4</b>	<b>4.8</b>	<b>(1.2)</b>	<b>31.7</b>

In accordance with a resolution adopted at the Annual General Meeting 2007, no fees should be paid to the Board of Directors. Accordingly, wages, salaries and other remuneration to the Board of Directors and the President in the Parent Company relates to the President.

The President has a 12-month notice of termination from Volvo Treasury AB, and six months in the case of a resignation.

### Depreciation

Depreciation of tangible fixed assets amounted to 0.9 (0.9) in the Group and to 0.4 (0.3) in the Parent Company.

### Fees and compensation for costs

Audit assignments involve examination of the annual report and financial accounting and the administration of the Board of Directors and President, other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or implementation of such other tasks. All other work is defined as "Other assignments."

	Group		Parent Company	
	2007	2006	2007	2006
Audit assignments, PricewaterhouseCoopers	1.1	0.8	0.7	0.4
Other assignments, PricewaterhouseCoopers	0.9	1.8	0.4	1.3

### Note 6 Tax on income for the year

	Group		Parent Company	
	2007	2006	2007	2006
Current tax for the period	-35.8	-88.0	-31.6	-88.1
Adjustment of current tax for prior periods	0.2	-	0.2	-
Deferred tax arising or reversed during the period	0.4	2.1	0.4	2.1
<b>Total</b>	<b>-35.2</b>	<b>-85.9</b>	<b>-31.0</b>	<b>-86.0</b>

Tax attributable to Group contributions increased (increased) unrestricted reserves by 10.1 (67.2) in the Group and increased (increased) equity by 10.1 (67.2) in the Parent Company.

The main reasons for differences between tax according to current tax rate (28%) and income tax for the period are disclosed in the table below.

	<b>Group</b>		<b>Parent Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Income before taxes	<b>135.3</b>	<b>317.8</b>	<b>111.4</b>	<b>308.5</b>
Tax according to current tax rate (28%)	-37.9	-89.0	-31.2	-86.4
Difference due to different tax rates	0.5	-	-	-
Other non-taxable income	0.2	2.5	-	0.1
Other non-deductible expenses	-0.6	-1.1	-0.5	-1.1
Taxes related to prior year	0.2	0.4	0.2	-
Revaluation of deferred tax assets	0.4	1.9	0.4	2.1
Other, net	2.0	-0.6	0.1	-0.7
<b>Income tax for the period</b>	<b>-35.2</b>	<b>-85.9</b>	<b>-31.0</b>	<b>-86.0</b>

#### **Note 7      Deferred tax**

Reversal of deferred tax liability in the Group has reduced the income tax in the consolidated income statement for the period by 0.4 (2.1).

Temporary differences related to provisions for pensions amounts to 3.0 (2.5) for the Group and are reported in the item "Other long-term receivables."

#### **Note 8      Tangible assets**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>
<b>Equipment</b>				
Opening acquisition value	7.8	8.4	4.4	4.4
Purchases	2.7	0.6	1.4	-
Sales and scrapping	-5.3	-1.0	-2.8	-
Translation difference	-	-0.2	-	-
<b>Closing accumulated acquisition value</b>	<b>5.2</b>	<b>7.8</b>	<b>3.0</b>	<b>4.4</b>
Opening accumulated depreciation	-5.3	-5.2	-3.7	-3.5
Sales and scrapping	4.3	0.7	2.7	-
Depreciation for the year	-0.9	-0.9	-0.4	-0.3
Translation difference	-	0.1	-	-
<b>Closing accumulated depreciation according to plan</b>	<b>-1.9</b>	<b>-5.3</b>	<b>-1.4</b>	<b>-3.8</b>
<b>Closing residual value according to plan</b>	<b>3.3</b>	<b>2.5</b>	<b>1.6</b>	<b>0.6</b>

**Note 9 Financial assets****Participations in subsidiaries**

	<b>Parent Company</b>	
	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>
Opening acquisition value	224.6	224.6
<b>Closing accumulated acquisition value</b>	<b>224.6</b>	<b>224.6</b>
<b>Closing residual value according to plan</b>	<b>224.6</b>	<b>224.6</b>

	<b>Registered office in</b>	<b>Percentage holding</b>	<b>Voting share</b>	<b>No, of rights participations /shares</b>	<b>Carrying amount, SEK 000s</b>
Volvo Treasury Asia Ltd.	Singapore	100%	100 %	20,025,000	224,608
<b>Total</b>					<b>224,608</b>

**Note 10 Other long-term receivables**

Other long-term receivables in the Group and Parent Company pertain in all significant respects to unrealized exchange rate gains on derivatives entered into to hedge receivables and liabilities in foreign currencies.

**Note 11 Other current receivables**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>
Tax assets	0.8	-	0.8	-
Accrued interest income and prepaid interest expenses	775.7	967.8	775.1	965.3
Other accrued income and prepaid expenses	2.3	4.6	1.9	4.4
Conduit loans*	102.2	382.5	-	-
Unrealized gains on derivative contracts	2,863.9	1,733.2	2,700.0	1,729.7
Other current receivables	1.3	1.1	1.2	1.1
<b>Total</b>	<b>3,746.2</b>	<b>3,089.2</b>	<b>3,479.0</b>	<b>2,700.5</b>

\* Lending to bank for subsequent lending to Group companies (within the Volvo Group) with corresponding amount, term and fixed interest.

**Note 12      Marketable securities**

Marketable securities consist of interest-bearing securities, distributed as follows:

	<b>Group</b>		<b>Parent Company</b>	
	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>
Government securities	569.6	2,049.0	569.6	2,049.0
Banks and financial institutions	6,290.9	6,847.0	6,290.9	6,846.9
Real estate financial institutions	9,419.6	11,072.2	9,419.6	11,072.2
<b>Total</b>	<b>16,280.1</b>	<b>19,968.2</b>	<b>16,280.1</b>	<b>19,968.1</b>

**Note 13      Group contributions**

Group contributions of - (100) were received from Sotrof AB and 36 (340) was granted to AB Volvo.

**Note 14 Provisions for post-employment benefits**

Post-employment benefits, such as pensions and other benefits, are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined-contribution plans. The remaining post-employment benefits are defined-benefit plans, where the obligations remain within the Volvo Group or are transferred to the Group's own pension trusts. Costs and the obligations at the end of period for defined-benefit plans are calculated based on actuarial assumptions and are measured on a discounted basis. One large-scale defined-benefit plan applies to salaried employees in Sweden (mainly through the Swedish ITP pension plan).

Applicable assumptions for actuarial calculations (Sweden)

	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>
Discount rate	4.5	4.0
Expected return on plan assets	6.0	6.0
Expected salary increase	3.2	3.2
Inflation	2.0	1.5

	<b>2007</b>	<b>2006</b>
<b>Pension costs during the year</b>		
Current service costs	-1.1	-1.1
Interest costs	-1.0	-0.9
Expected return on plan assets	1.1	1.0
Actuarial gains and losses	-	-
Unvested past service costs	-	-
Curtailments and settlements	-	-
Termination benefits	-	-
<b>Total pension costs for defined-benefit plans</b>	<b>-1.0</b>	<b>-1.1</b>
Pension costs for defined-contribution plans	-10.4	-10.0
<b>Total pension costs</b>	<b>-11.4</b>	<b>-11.1</b>

Actuarial gains and losses for each plan are reported as income or expenses when the accumulated amount exceeds the so-called corridor. The income or expenses are then recognized over the expected average remaining service period of the employees.

<b>Obligations in defined-benefit plans</b>	<b>2007</b>	<b>2006</b>
Obligations at January 1	23.9	21.7
Service costs	1.1	1.1
Interest costs	1.0	0.9
Unvested past service costs	-	-
Termination benefits	-	-
Curtailments	-	-
Employee contributions	-	-
Actuarial gains (-) and losses (+)	1.8	0.4
Benefits paid	-0.2	-0.1
<b>Obligations at December 31</b>	<b>27.6</b>	<b>23.9</b>
Of which, funded defined-benefit plans	27.5	23.8
<b>Fair value of plan assets in funded plans</b>	<b>2007</b>	<b>2006</b>
Plan assets at January 1	19.0	17.3
Actual return on plan assets	-0.2	1.7
Employer contribution	-	-
Expected return on plan assets	1.1	-
Benefits paid	-	-
<b>Plan assets at December 31</b>	<b>19.9</b>	<b>19.0</b>
<b>Net provisions for post-employment benefits</b>	<b>2007</b>	<b>2006</b>
Funded status at December 31	7.7	4.9
Unrecognized actuarial (gains) and losses	-5.8	-3.9
Unrecognized past service costs	-	-
<b>Net provisions for post-employment benefits at December 31</b>	<b>1.9</b>	<b>1.0</b>
- of which, reported as		
Prepaid pensions	-	-
Provisions for post-employment benefits and similar obligations	1.9	1.0

**Note 15 Non-current liabilities**

<b>Group</b>	<b>Bond loans</b>	<b>Other liabilities to credit institutions</b>	<b>of which, derivative contracts</b>	<b>Liabilities to companies in the Volvo Group</b>
<b>Due date</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2007</b>
2009	14,864.5	2,440.4	3.5	3.5
2010	8,029.7	1,539.1	104.9	104.9
2011	2,651.3	2,203.9	65.0	65.0
2012	-	1,270.2	19.4	19.4
2013	-	650.0	2.9	2.9
2014-	15,607.1	1,967.3	108.3	108.3
<b>Total</b>	<b>41,152.6</b>	<b>10,070.9</b>	<b>304.0</b>	<b>304.0</b>
<b>Parent Company</b>	<b>Bond loans</b>	<b>Other liabilities to credit institutions</b>	<b>of which, derivative contracts</b>	<b>Liabilities to Group companies and companies in the Volvo Group</b>
<b>Due date</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2007</b>
2009	14,864.5	2,440.2	3.3	3.2
2010	8,029.7	1,534.4	100.1	3.2
2011	2,651.3	1,208.0	64.8	1,039.7
2012	-	138.2	19.3	1,132.0
2013	-	2.9	2.9	647.1
2014-	15,607.1	1,108.2	108.2	859.0
<b>Total</b>	<b>41,152.6</b>	<b>6,431.9</b>	<b>298.6</b>	<b>3,684.2</b>

Unrealized exchange-rate losses and market-value adjustment referring to derivative contracts with remaining maturities of more than one year are also reported under Long-term liabilities.

The following list shows the Group's and Parent Company's non-current liabilities in which the largest loans are distributed by currency. Information on loan terms is as of December 31, 2007.

Bond loans	Actual interest rate,	Effective interest rate,	Group		Parent Company	
	Dec 31, 2007, %	Dec 31, 2007, %	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
EUR 1997-2007/2009-2017	4.06-6.13	4.06-6.13	27,015.4	11,623.2	27,015.4	11,623.2
SEK 2004-2007/2009-2017	4.00-4.94	4.00-5.02	13,398.5	8,973.0	13,398.5	8,973.0
USD 2007-2007/2010-2010	5.13-5.13	5.22-5.22	646.7	1,613.7	646.7	1,613.7
JPY 2001-2001/2011-2011	2.70-2.70	2.70-2.70	57.3	231.4	57.3	231.4
Other bond loans			34.7	735.4	34.7	735.4
			<b>41,152.6</b>	<b>23,176.7</b>	<b>41,152.6</b>	<b>23,176.7</b>
Other liabilities to credit institutions	Actual interest rate,	Effective interest rate,	Group		Parent Company	
	Dec 31, 2007, %	Dec 31, 2007, %	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
EUR 2006-2007/2010-2011	4.97-5.10	5.03-5.19	1,469.8	2,083.6	474.1	1,132.5
USD 1999-2007/2009-2012	4.86-5.45	5.36-5.41	3,482.3	4,418.3	2,350.3	4,074.6
CHF 2006-2006/2009-2011	3.04-3.09	3.07-3.12	1,140.9	1,127.4	1,140.9	1,127.4
DKK 2006-2006/2009-2011	5.06-5.11	5.15-5.20	305.2	388.6	305.2	388.6
GBP 2005-2005/2010-2010	6.34-6.34	6.48-6.48	387.3	809.6	387.3	809.6
JPY 2006-2007/2013-2015	1.21-1.26	1.22-1.27	1,506.0	653.9	-	-
SEK 2007-2007/2017-2017	4.95-4.95	5.03-5.03	1,000.0	-	1,000.0	-
NOK 2007-2007/2009-2012	6.33-6.51	6.46-6.65	475.4	-	475.4	-
Other loans			304.0	190.6	298.7	185.9
			<b>10,070.9</b>	<b>9,672.0</b>	<b>6,431.9</b>	<b>7,718.6</b>

The list below shows the currency distribution of the Group's and the Parent Company's long-term liabilities with consideration taken to currency derivatives (nominal amounts) linked to these liabilities. The currency distribution refers to outstanding long-term liabilities at December 31, 2007.

Group	Group			Parent Company	Parent Company		
	Loan	Derivative	Total		Loan	Derivative	Total
EUR	28,540.3	-13,787.8	14,752.5	EUR	27,544.6	-13,937.6	13,607.0
SEK	14,398.5	5,558.6	19,957.1	SEK	14,398.5	5,558.6	19,957.1
USD	4,129.0	7,879.9	12,008.9	USD	2,997.0	7,912.0	10,908.9
Other	3,906.9	-1,170.0	2,736.8	Other	2,400.8	-1,057.4	1,343.5
	<b>50,974.7</b>	<b>-1,519.4</b>	<b>49,455.3</b>		<b>47,341.0</b>	<b>-1,524.5</b>	<b>45,816.5</b>

The list below shows expected future cash-flows including derivatives related to financial liabilities. Capital flow refers to expected payments of loans and derivatives. Interest flow refers to the future interest payments on loans and derivatives based on interest rates expected by the market. The interest flow is reported within cash flow from operating activities.

**Future Volvo external cash flow including derivatives related to financial liabilities**

Group	Parent Company		Group	Parent Company	
	Capital flow	Interest flow		Capital flow	Interest flow
2008	-23,811	-2,877	2008	-24,140	-2,739
2009	-16,524	-1,977	2009	-16,530	-1,859
2010	-9,501	-1,429	2010	-9,503	-1,296
2011	-4,787	-1,134	2011	-3,800	-991
2012	-1,416	-969	2012	-286	-885
2013	-1,113	-916	2013	-142	-881
2014-	-17,258	-2,401	2014-	-16,399	-2,371

Current liabilities to Group companies (within the Volvo Group) refers to borrowing through group accounts which are not included in capital flow 2008 in the list above.

**Note 16 Credit institute current liabilities**

	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Bank loans	4.4	520.0	-	-
Other loans	24,922.7	19,879.4	24,927.1	19,571.8
Unrealized exchange loss on derivative contracts	242.0	144.6	241.0	138.9
<b>Total</b>	<b>25,169.1</b>	<b>20,544.0</b>	<b>25,168.1</b>	<b>19,710.7</b>

Overdraft facilities amount to 1,428.0 (1,390.9) in the Group and 1,419.1 (1,381.9) in the Parent Company.

**Note 17 Other current liabilities**

	Group		Parent Company	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Tax liability	5.0	9.2	-	9.1
Wages, salaries and tax-at-source	14.8	12.5	14.8	12.3
Accrued interest expenses	1,217.8	1,398.0	1,203.6	1,391.0
Accrued expenses and deferred income	74.6	13.6	71.4	10.3
Unrealized loss on foreign exchange derivative contracts	1,865.7	1,279.8	1,872.4	1,217.3
Other current liabilities	1.0	0.7	1.0	0.7
<b>Total</b>	<b>3,178.9</b>	<b>2,713.8</b>	<b>3,163.2</b>	<b>2,640.7</b>

**Note 18 Pledged assets**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>
<b>For own obligations</b>				
Security balance, Financial futures	18.4	18.1	18.4	18.1
Optionsmäklarna (OM)	80.0	80.0	80.0	80.0
<b>Total pledged assets</b>	<b>98.4</b>	<b>98.1</b>	<b>98.4</b>	<b>98.1</b>

**Note 19 Contingent liabilities**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>
Contingent liabilities on behalf of other Group companies	853.4	416.7	853.4	416.7
Other contingent liabilities	7.8	0.7	7.8	0.7
<b>Total contingent liabilities</b>	<b>861.2</b>	<b>417.4</b>	<b>861.2</b>	<b>417.4</b>
Contingent liabilities received from other Group companies, which reduce net obligations	-853.4	-416.7	-853.4	-416.7

**Other contingent liabilities**

Volvo Group Re (Luxembourg) SA ("Volvo Re") was divested during the year 2004. Volvo Treasury AB owned 1% of the shares and Volvo Group Insurance Försäkrings AB ("VGI") 99%. Prior to the sales VGI assumed the risks in Volvo Re. In conjunction with the sale, an undertaking was agreed that the purchaser can make claims on Volvo Treasury AB and VGI jointly for any guarantee demands that arise in Volvo Re through and including December 21, 2014. If VTAB receives a claim for such an obligation, VGI shall compensate VTAB in a corresponding amount.

**Note 20 Cash-flow statements****Adjustment for items not included in cash flow**

	<b>Group</b>		<b>Parent Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Depreciation and scrapping	1.9	1.4	0.4	0.3
Unrealized change in value of financial instruments	-143.1	286.5	-161.0	284.4
Provision for pensions	1.7	0.9	1.1	-
<b>Total items not included in cash flow</b>	<b>-139.5</b>	<b>288.8</b>	<b>-159.5</b>	<b>284.7</b>

**Note 21 Financial risks and instruments**

Volvo Treasury is exposed, through its operations, to various financial risks. Group-wide policies, which are updated and established annually, provide the foundation for the management of these risks. Volvo Treasury conducts its operations within established risk mandates and limits. The following section describes the implication of different financial risks and the goals and policies involved in managing these risks. Volvo Treasury's accounting principles pertaining to financial instruments are described in Note 1. As explained in Note 1, Volvo Treasury applies IAS 39, Financial instruments: recognition and measurement. According to this recommendation, derivatives must be reported at fair value in the balance sheet. In its calculations of the fair value of financial instruments, Volvo Treasury has primarily used official exchange rates or prices quoted on the capital market. In cases where such information is not available, the value has been established through discounting future cash flows at the market interest rate for the particular term involved. For instruments with terms of less than three months, the reported value has been considered a good approximation of the fair value. All stated fair values represent estimated values, which will not necessarily be realized.

As explained in Note 1, under the more complex rules in IAS39, Volvo Treasury has chosen to apply hedge accounting for financial instruments used to hedge interest and currency risks on loans only for cases when, after an individual assessment, it is considered adequate from a risk-perspective. For cases in which hedge accounting is not applied, unrealized gains and losses up to the maturity date of the financial instrument will be charged to the income statement.

**Currency risk***Financial currency exposure*

Loans and investments are effected in different currencies – on the capital markets and with companies in the Volvo Group. Investments and borrowing are mainly in SEK, EUR and USD. Different types of derivatives are used to minimize financial currency exposure. Using derivatives such as currency swaps and currency futures enables Volvo Treasury to meet the Group's borrowing and lending requirements in different currencies, without increasing the Company's own risk.

*Currency exposure of shareholders' equity*

The consolidated value of assets and liabilities in foreign subsidiaries is affected by exchange rates in conjunction with translation into Swedish kronor. Net assets in foreign subsidiaries amounted to SEK 224.6 M at year-end 2007. Of this amount, SEK 0 M was hedged through loans in foreign currencies, which is in line with the policy established by the Company's Board of Directors.

**Interest-rate risk**

"Interest-rate risk" refers to the risk that changes in interest rates will affect the consolidated earnings and cash flow (cash-flow risk) or the fair value of financial assets and liabilities (price risk).

Matching the maturities and interest-fixing terms of financial assets and liabilities reduces the exposure to cash-flow risk and price risk.

Lending to the Volvo Group customer finance operations involves a range of maturities and interest-fixing terms. This lending is financed through short and long-term borrowing via the capital market at floating and fixed interest rates. Within the established limits, financing must match lending in terms of maturities. Interest-fixing terms between borrowing and lending are matched through the use of derivatives such as interest swaps, exchange-rate swaps, forward contracts and standardized interest-rate forward contracts. Financial assets and liabilities related to the Volvo Group's customer finance operations are matched so as to minimize the exposure to cash-flow risk and price risk. As a result, an assumption that the market interest rates for all currencies were to suddenly rise one percentage point from the interest level at December 31, 2007, the market value of the portfolio would be affected positively in an amount of SEK 3 M. Accordingly, the interest change would not have any material effect on Volvo Treasury's profit after net financial items during a 12-month period.

Borrowing and lending from and to the industrial operations of the Volvo Group primarily involves floating interest rates via the Volvo Group accounts in various currencies. The duration on this borrowing and lending is short-term. Volvo Treasury administrates Volvo Group accounts, which implies that surpluses and deficits with respect to external banks are offset through short-term currency transactions and that any excess liquidity is invested in short-term and long-term money and capital market vehicles.

Financing for the Volvo Group's industrial operations involves a fixed as well as a floating interest rate. Short and long-term borrowing is carried out via the capital markets and through bilateral loans. The use of derivatives such as interest swaps and currency interest swaps creates an interest-fixing term corresponding to six months. Accordingly, the average fixed-interest period is about three months. After taking derivatives into account, the average effective interest rate at year-end on financing outstanding for the Volvo Group's industrial operations was 5.8%. If the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2007, the market value of financing for the Volvo Group's industrial operations would be affected positively by SEK 67 M.

Surplus liquidity within the Volvo Group is managed by Volvo Treasury. This management involves investment in interest-bearing securities on the money and capital markets. The investments involve securities of varying duration and interest-fixing terms. The use of derivatives such as interest rate swaps, standardized interest-rate forward contracts and FRAs (forward-rate agreements) results in an interest-fixing term corresponding to six months. Taking derivatives into account, the average effective interest rate on these liquid assets at December 31, 2007, was 4.6%. If the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2007, the market value of investments in the money and capital markets would be changed negatively by SEK 87 M.

As described above, the interest-fixing term is reduced in all financial assets and liabilities related to the industrial operations of the Volvo Group to a floating interest rate. As a result, an assumption that the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2007 would have no significant impact on Volvo Treasury's profit after net financial items during a 12-month period.

It should be noted that the above assessment of profit-sensitivity ignores possible effects of Volvo Treasury's decision to normally not apply hedge accounting as per IAS 39 for derivatives used to hedge loan receivables and financial liabilities. Short-term earnings effects could arise since all

derivatives are marked to market in the income statement. Volvo Treasury's accounting principles as regards derivatives are described in Note 1.

Carry amounts in the balance sheet, fair values and other specifications pertaining to derivatives used in the management of currency and interest-rate risks related to financial assets and liabilities are shown in the adjacent table.

### **Credit risks**

The Volvo Group's surplus liquidity is managed by Volvo Treasury and invested in the money and capital markets. All investments must meet the requirements of low credit risk and high liquidity. In accordance with Volvo's credit policy, counterparties for both investments and derivative transactions must have achieved a rating of A or better from one of the well-established credit rating institutions.

Lending to companies within the Volvo Group complies with the limits established for the particular counterparty.

The use of derivatives leads to a counterparty risk – that is, a risk that the counterparty will not fulfill its part of the contract, implying that a potential profit is not paid. Master netting agreements are signed with the various counterparties whenever possible, to reduce the exposure. The counterparty risk exposure of forward contracts is limited through daily or monthly cash transfers corresponding to changes in the value of open contracts. The estimated gross exposure to counterparty risks for currency forward contracts, interest rate swaps and interest-rate forward contracts, and options at December 31, 2007, amounted to 2,050, 2,489 and 64 for the Group, and to 2,024, 2,476 and 64 for the Parent Company.

### **Liquidity risks**

Volvo Treasury is careful to maintain strong financial preparedness. A good balance between short- and long-term borrowing, and borrowing preparedness in the form of credit facilities, are maintained, to hedge the long-term financing requirement.

Some of Volvo Treasury's long-term loan agreements contain clauses stipulating a right for the lender to request repayment in advance under certain conditions following a change of the control of the company. In Volvo Treasury's opinion, it has been necessary in certain cases to accept these conditions to receive financing on otherwise acceptable terms.

**Outstanding forward exchange contracts and option contracts for hedging of commercial currency risks within the Volvo Group**

	<b>Group December 31, 2007</b>			<b>Group December 31, 2006</b>		
	Nominal amount	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value
Foreign exchange forward contracts						
- receivable position	51,129.6	1,672.3	1,672.3	41,144.1	1,125.1	1,125.1
- payable position	50,970.3	-1,655.1	-1,655.1	40,159.3	-1,104.4	-1,104.4
Options – purchased						
- receivable position	1,968.6	30.3	30.3	7,489.0	98.3	98.3
- payable position	-	-	-	-	-	-
Options – written						
- receivable position	-	-	-	110.0	-	-
- payable position	1,968.6	-30.3	-30.3	7,379.0	-98.3	-98.3
<b>Total</b>		<b>17.2</b>	<b>17.2</b>		<b>20.7</b>	<b>20.7</b>

	<b>Parent Company December 31, 2007</b>			<b>Parent Company December 31, 2006</b>		
	Nominal amount	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value
Foreign exchange forward contracts						
- receivable position	50,237.3	1,648.1	1,648.1	40,360.4	1,101.6	1,101.6
- payable position	50,213.8	-1,631.1	-1,631.1	39,339.8	-1,081.5	-1,081.5
Options – purchased						
- receivable position	1,968.6	30.3	30.3	7,489.0	98.3	98.3
- payable position	-	-	-	-	-	-
Options – written						
- receivable position	-	-	-	110.0	-	-
- payable position	1,968.6	-30.3	-30.3	7,379.0	-98.3	-98.3
<b>Total</b>		<b>17.0</b>	<b>17.0</b>		<b>20.1</b>	<b>20.1</b>

According to Volvo's currency-risk policy, the Group companies (within the Volvo Group) enter into derivative contracts with Volvo Treasury to minimize the risk of negative effects on the Volvo Group operating income. Volvo Treasury hedges these derivatives by entering into currency derivatives with Volvo external counterparties. This means that outstanding currency derivatives in the table above will not have any significant impact on Volvo Treasury's net future capital and interest flows. According to Volvo's currency policy, contracts are concluded with maturities up to 12 months.

**Outstanding derivative instruments for hedging of financial currency and interest rate risks related to financial assets and liabilities**

	Group December 31, 2007			Group December 31, 2006		
	Nominal amount	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value
Interest-rate swaps						
- receivable position	96,432.1	2,481.2	2,481.2	78,826.4	2,298.2	2,298.2
- payable position	30,204.0	-359.3	-359.3	28,393.1	-602.3	-602.3
Interest-rate forwards and futures						
- receivable position	21,777.0	7.5	7.5	114,886.3	209.4	209.4
- payable position	23,174.3	-5.6	-5.6	79,146.2	-198.1	-198.1
Foreign exchange forward contracts						
- receivable position	19,260.3	377.2	377.2	15,103.0	110.2	110.2
- payable position	27,246.0	-423.1	-423.1	18,960.0	-132.8	-132.8
Options purchased, caps, and floors						
- receivable position	1,433.3	33.2	33.2	969.7	37.6	37.6
- payable position	1,721.4	-34.4	-34.4	818.3	-23.7	-23.7
Options written, caps and floors						
- receivable position	646.9	2.3	2.3	606.6	2.6	2.6
- payable position	155.2	-0.4	-0.4	442.3	-5.4	-5.4
<b>Total</b>		<b>2,078.6</b>	<b>2,078.6</b>		<b>1,695.7</b>	<b>1,695.7</b>

	Parent Company December 31, 2007			Parent Company December 31, 2006		
	Nominal amount	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value
Interest-rate swaps						
- receivable position	95,763.0	2,468.6	2,468.6	78,810.0	2,297.7	2,297.7
- payable position	30,040.1	-354.3	-354.3	27,979.3	-597.6	-597.6
Interest-rate forwards and futures						
- receivable position	21,777.0	7.5	7.5	114,886.3	209.3	209.3
- payable position	22,636.8	-5.6	-5.6	79,146.2	-198.1	-198.1
Foreign exchange forward contracts						
- receivable position	18,895.5	375.5	375.5	14,612.9	107.0	107.0
- payable position	27,094.7	-421.4	-421.4	18,201.7	-4.6	-4.6
Options purchased, caps, and floors						
- receivable position	1,433.3	33.2	33.2	969.7	37.6	37.6
- payable position	1,074.5	-32.1	-32.1	474.6	-21.6	-21.6
Options written, caps and floors						
- receivable position	-	-	-	259.0	0.6	0.6
- payable position	155.2	-0.4	-0.4	442.3	-5.4	-5.4
<b>Total</b>		<b>2,071.0</b>	<b>2,071.0</b>		<b>1,824.9</b>	<b>1,824.9</b>

The nominal amount represents the gross amount of the contract. The outstanding contracts have been valued at mark-to-market. All reported fair values are calculated values that will not necessarily be realized.

Volvo Treasury has chosen to apply hedge accounting for a loan of EUR 1 billion borrowed during the second quarter 2007. Fair value of the outstanding hedge instrument amounts to 159 (0) and is reported in the Interest-rate swaps category in the table above.

### Carrying amounts and fair values of financial instruments

	Group December 31, 2007		Group December 31, 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term receivables and loans	1,038.4	1,038.4	1,175.5	1,175.5
- of which, derivative instruments for which the value is also shown in preceding table	1,012.7	1,012.7	1,167.9	1,167.9
Short-term receivables and loans	8,982.6	8,982.6	7,039.9	7,039.9
- of which, derivative instruments for which the value is also shown in preceding table	3,584.7	3,584.7	2,569.6	2,569.6
Marketable securities	16,280.1	16,280.1	19,968.2	19,968.2
Long-term loans and debts	51,223.5	51,541.9	32,848.7	33,126.8
- of which, derivative instruments for which the value is also shown in preceding table	304.0	304.0	190.6	190.6
Short-term debts and loans	28,349.5	28,082.7	23,261.5	23,288.7
- of which, derivative instruments for which the value is also shown in preceding table	2,198.6	2,198.6	3,437.0	3,437.0
Receivables from Group companies	116,939.8	117,096.9	78,703.4	78,737.0
- of which, derivative instruments for which the value is also shown in preceding table	16.5	16.5	10.9	10.9
Liabilities to Group companies	59,584.3	59,584.6	46,767.0	46,768.4
- of which, derivative instruments for which the value is also shown in preceding table	14.4	14.4	14.6	14.6
	Parent Company December 31, 2007		Parent Company December 31, 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term receivables and loans	1,001.6	1,001.6	1,169.4	1,169.4
- of which, derivative instruments for which the value is also shown in preceding table	999.1	999.1	1,167.2	1,167.2
Short-term receivables and loans	8,629.0	8,629.0	6,617.2	6,617.2
- of which, derivative instruments for which the value is also shown in preceding table	3,581.8	3,581.8	2,568.8	2,568.8
Marketable securities	16,280.1	16,280.1	19,968.1	19,968.1
Long-term loans and debts	47,584.5	47,847.3	30,895.3	31,165.4
- of which, derivative instruments for which the value is also shown in preceding table	298.6	298.6	185.9	185.9
Short-term debts and loans	28,332.8	28,067.0	22,355.1	22,386.3
- of which, derivative instruments for which the value is also shown in preceding table	2,194.7	2,194.7	3,434.8	3,434.8
Receivables from Group companies	117,132.2	117,291.1	78,707.2	78,740.4
- of which, derivative instruments for which the value is also shown in preceding table	16.5	16.5	10.4	10.4
Liabilities to Group companies	63,253.0	63,353.5	49,393.4	49,420.2
- of which, derivative instruments for which the value is also shown in preceding table	14.4	14.4	9.8	9.8

All derivative instruments are reported in the Balance Sheet,

**Gains, losses, interest income and expenses related to financial instruments**

Group	2007				2006			
	Gains/ Losses	Interest income	Interest expenses	Total, net	Gains/ Losses	Interest income	Interest expenses	Total, net
<b>Financial assets and liabilities at fair value through profit and loss*</b>								
Marketable securities	882.8	-	-		787.4	-	-	
Derivatives for financial exposure	-351.1	-	-		-481.1	-	-	
<b>Loans originated by the company</b>	-	4,692.0	-		-	3,293.1	-	
<b>Cash and cash equivalents</b>	-	25.4	-		-	20.2	-	
<b>Financial liabilities valued at amortized cost</b>	4.7	-	-5,105.1		23.6	-	-3,291.8	
<b>Effect on income</b>	<b>536.4</b>	<b>4,717.4</b>	<b>-5,105.1</b>	<b>148.8</b>	<b>329.9</b>	<b>3,313.3</b>	<b>-3,291.8</b>	<b>351.4</b>
<b>Parent Company</b>								
<b>Financial assets and liabilities at fair value through profit and loss*</b>								
Marketable securities	882.8	-	-		787.4	-	-	
Derivatives for financial exposure	-355.3	-	-		-473.6	-	-	
<b>Loans originated by the company</b>	-	4,653.3	-		-	3,256.1	-	
<b>Cash and cash equivalents</b>	-	25.2	-		-	19.9	-	
<b>Financial liabilities valued at amortized cost</b>	4.8	-	-5,095.8		23.7	-	-3,286.6	
<b>Effect on income</b>	<b>532.3</b>	<b>4,678.4</b>	<b>-5,095.8</b>	<b>114.9</b>	<b>337.6</b>	<b>3,276.0</b>	<b>-3,286.6</b>	<b>327.0</b>

\* Gains/losses includes interest income as well as revaluation to fair value.

**Net effect of foreign exchange gains and losses**

	Group		Parent Company	
	2007	2006	2007	2006
Derivative instruments	1,338.6	2,012.7	1,356.6	2,029.5
Cash and cash equivalents	-216.4	402.8	-216.4	402.9
Loans originated by the company and Financial liabilities valued at amortized cost - Volvo internal	-63.1	-4,647.4	-79.3	-4,594.2
Loans originated by the company and Financial liabilities valued at amortized cost - Volvo external	-967.1	2,294.4	-970.8	2,225.1
<b>Net effect</b>	<b>92.0</b>	<b>62.4</b>	<b>90.0</b>	<b>63.2</b>

**Note 22 Information about Parent Company**

The Parent Company of the Group of which Volvo Treasury AB is a subsidiary and for which the consolidated accounts are prepared is AB Volvo (publ) (556012-5790), with registered office in Göteborg, Sweden.

**Note 23 Operational leasing**

Future lease payments pertaining to non-cancelable leasing contracts at year-end amounted to 7.5 (9.5) for the Group and 6.2 (8.7) for the Parent Company. Leasing expenses for the year amounted to 4.4 (4.3) for the Group and 3.9 (3.7) for the Parent Company.

Future lease payments for operational leasing are apportioned as follows:

	<b>Group</b>	<b>Parent Company</b>
2008	4.2	3.4
2009-2012	3.3	2.8
2013 and later	-	-
<b>Total</b>	<b>7.5</b>	<b>6.2</b>

**Note 24 Average number of employees**

	<b>2007</b>		<b>2006</b>	
	No. of employees	Of whom, men	No. of employees	Of whom, men
<b>Parent Company</b>				
Gothenburg	48	27	48	26
<b>Total</b>	<b>48</b>	<b>27</b>	<b>48</b>	<b>26</b>
<b>Subsidiaries outside Sweden</b>				
Singapore	8	4	8	5
<b>Total</b>	<b>8</b>	<b>4</b>	<b>8</b>	<b>5</b>
<b>Group total</b>	<b>56</b>	<b>31</b>	<b>56</b>	<b>31</b>

**Note 25 Absence due to illness**

<b>Parent Company</b>	<b>Jan. 1, 2006 – Dec. 31, 2007</b>	<b>Jan. 1, 2005 – Dec. 31, 2006</b>
Total absence due to illness	0.77%	0.95%
- of which, long-term absence > 60 days	0.00%	0.00%
Absence due to illness for men	0.87%	0.55%
Absence due to illness for women	0.65%	1.41%
Absence due to illness for employees 30-49 years of age	0.84%	0.81%

**Note 26 Board members and other senior executives**

	<b>Dec. 31, 2007</b>			
	<b>No. of Board members*</b>	<b>Of whom, men</b>	<b>No. of President and other executives*</b>	<b>Of whom, men</b>
<b>Parent Company</b>				
Sweden	7	7	3	3
<b>Total</b>	<b>7</b>	<b>7</b>	<b>3</b>	<b>3</b>
<b>Subsidiaries outside Sweden</b>				
Singapore	4	4	4	2
Australia	4	4	1	1
<b>Total</b>	<b>8</b>	<b>8</b>	<b>5</b>	<b>3</b>
<b>Group total</b>	<b>15</b>	<b>15</b>	<b>8</b>	<b>6</b>

\* The same persons are to a certain extent represented in the figures for the different companies. Excluding this aspect, the total number of Board members is 12 (of whom 12 are men) and the number of senior executives is 7 (of whom 5 are men).

**Note 27 Transaction with closely related parties**

Volvo Treasury AB (publ) is a wholly owned subsidiary of AB Volvo (publ) Göteborg (556012-5790). The Company is the Parent Company of Volvo Treasury Asia Ltd.

The Volvo Treasury group is a unit within the AB Volvo Group that supports the Volvo companies with services related to treasury and cash management. All financial transactions with companies within the AB Volvo group are carried out on market terms. The Treasury group conducts most of the financial transactions of the Volvo Group. The group is responsible for all interest-bearing assets and liabilities as well as all foreign exchange and funding operations within the Volvo Group.

Outstanding receivables and liabilities to companies within the Volvo Group are shown in the balance sheet. Revenues and expenses attributable to companies within the Volvo Group are shown in Notes 3 and 4.

During the year, net lending to Group companies increased by about SEK 25.4 billion. During the preceding year, net lending increased by approximately SEK 1.4 billion.

Net interest income for the year amounted to SEK 148.8 M, compared with SEK 351.4 M in the preceding year.

The Income Statement and Balance Sheets will be presented at the Annual General Meeting.

The Board of Directors and the President certify that the annual report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards, and present a true and fair view of the position and profit or loss of the Company and the Group, and that the Board of Directors' Report gives a fair review of the development and performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies of the Group face.

Gothenburg, April 25, 2008

Anders Osberg  
President

Pär Östberg  
Chairman

Brian Dumbill

Mikael Bratt

Thomas Alexandersson

Karl-Axel Skantz

Rikard Bentelius

Our auditors' report was submitted on April 25, 2008  
PricewaterhouseCoopers AB

Göran Tidström  
Authorized Public Accountant

Johan Rippe  
Authorized Public Accountant