

**VOLVO TREASURY  
GROUP**

**INTERIM REPORT**

**January - June 2008**

**INTERIM REPORT JANUARY 1 – JUNE 30 2008**

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.

Condensed statements of income, balance sheets and cash flow statements, according to financial statements not reviewed by the auditors, are displayed below.

All amounts are shown in millions of Swedish kronor (SEK M). The preceding year's figures are shown within parentheses in the text.

**CONSOLIDATED INCOME STATEMENTS**

	<b>First six months 2008</b>	<b>First six months 2007</b>	<b>Jan-Dec 2007</b>
Interest income	3,092.2	2,594.2	5,617.7
Interest expenses	-2,927.8	-2,376.3	-5,257.2
Financial instruments valued at fair value recognized in income statement	81.1	-161.6	-309.9
Amortization of loan value adjustment	<u>24.7</u>	<u>73.4</u>	<u>98.2</u>
<b>Net interest income</b>	<b>270.2</b>	<b>129.7</b>	<b>148.8</b>
Net result of other financial transactions	<u>45.8</u>	<u>45.8</u>	<u>92.0</u>
<b>Gross income</b>	<b>316.0</b>	<b>175.5</b>	<b>240.8</b>
Administrative expenses	-55.0	-53.0	-105.4
Other operating income	-	0.3	0.1
Other operating expenses	-	-	<u>-0.2</u>
<b>Operating income</b>	<b>261.0</b>	<b>122.8</b>	<b>135.3</b>
Estimated tax	<u>-30.5</u>	<u>-43.0</u>	<u>-35.2</u>
<b>Net income</b>	<b>230.5</b>	<b>79.8</b>	<b>100.1</b>

**CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>Dec 31, 2007</b>
<b>Assets</b>			
Tangible assets	2.9	3.4	3.3
Financial assets	39,531.5	37,315.8	38,849.5
Current receivables	92,316.0	74,544.9	82,874.8
Marketable securities	15,478.3	21,636.2	16,280.1
Cash and bank balances	<u>1,477.8</u>	<u>3,186.8</u>	<u>5,236.5</u>
<b>Total assets</b>	<b>148,806.5</b>	<b>136,687.1</b>	<b>143,244.2</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	4,313.0	4,091.5	4,085.0
Non-current liabilities	56,312.4	56,519.8	51,275.9
Current liabilities	<u>88,181.1</u>	<u>76,075.8</u>	<u>87,883.3</u>
<b>Total shareholders' equity and liabilities</b>	<b>148,806.5</b>	<b>136,687.1</b>	<b>143,244.2</b>

## CONSOLIDATED CASH FLOW STATEMENTS

	First six months 2008	First six months 2007	Jan-Dec 2007
<b>Activities during the period</b>			
Cash flow from operating activities	-10,730.6	-29,398.0	-21,550.5
Cash flow from investing activities	0.0	-1.4	-2.7
Cash flow from financing activities	<u>6,973.1</u>	<u>28,635.1</u>	<u>22,839.3</u>
<b>Cash flow during the period</b>	<b>-3,757.7</b>	<b>-764.3</b>	<b>1,286.1</b>
Liquid funds, January 1	5,236.5	3,950.7	3,950.7
Exchange-rate differences in liquid funds	<u>-1.2</u>	<u>0.4</u>	<u>-0.3</u>
<b>Liquid funds at the end of the period</b>	<b>1,477.8</b>	<b>3,186.8</b>	<b>5,236.5</b>

## CHANGE IN SHAREHOLDERS' EQUITY

Group	First six months 2008	First six months 2007	Jan-Dec 2007
Balance at January 1	4,085.0	4,011.3	4,011.3
Translation differences	-2.5	0.4	-0.5
<i>Net income recognized directly in shareholders' equity</i>	-2.5	0.4	-0.5
Net income for the period	230.5	79.8	100.1
<i>Total recognized income and expenses for the period</i>	228.0	80.2	99.6
Group contributions granted and received	-	-	-36.0
Tax effect of Group contributions granted and received	=	=	<u>10.1</u>
<b>Balance at the end of the period</b>	<b>4,313.0</b>	<b>4,091.5</b>	<b>4,085.0</b>

## PARENT COMPANY INCOME STATEMENTS

	First six months 2008	First six months 2007	Jan-Dec 2007
Interest income	3,086.8	2,572.8	5,578.6
Interest expenses	-2,937.9	-2,362.5	-5,234.1
Financial instruments valued at fair value recognized in income statement	78.5	-161.4	-327.8
Amortization of loan value adjustment	<u>24.7</u>	<u>73.2</u>	<u>98.2</u>
<b>Net interest income</b>	<b>252.1</b>	<b>122.1</b>	<b>114.9</b>
Net result of other financial transactions	<u>42.7</u>	<u>45.5</u>	<u>90.0</u>
<b>Gross income</b>	<b>294.8</b>	<b>167.6</b>	<b>204.9</b>
Administrative expenses	-47.9	-46.3	-93.0
Other operating income	-	-	-
Other operating expenses	-	-	<u>-0.5</u>
<b>Operating income</b>	<b>246.9</b>	<b>121.3</b>	<b>111.4</b>
Estimated tax	<u>-27.8</u>	<u>-42.9</u>	<u>-31.0</u>
<b>Net income</b>	<b>219.1</b>	<b>78.4</b>	<b>80.4</b>

## PARENT COMPANY BALANCE SHEETS

	June 30, 2008	June 30, 2007	Dec 31, 2007
<b>Assets</b>			
Tangible assets	1.4	1.8	1.6
Financial assets	39,588.7	37,475.6	38,909.4
Current receivables	92,352.7	73,791.3	82,928.0
Marketable securities	15,478.3	21,636.2	16,280.1
Cash and bank balances	<u>1,437.3</u>	<u>3,176.7</u>	<u>5,150.1</u>
<b>Total assets</b>	<b>148,858.4</b>	<b>136,081.6</b>	<b>143,269.2</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	4,316.8	4,121.7	4,097.7
Non-current liabilities	56,305.1	56,513.2	51,269.9
Current liabilities	<u>88,236.5</u>	<u>75,446.7</u>	<u>87,901.6</u>
<b>Total shareholders' equity and liabilities</b>	<b>148,858.4</b>	<b>136,081.6</b>	<b>143,269.2</b>

## ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Annual Accounts Act. In preparing this report, the Volvo Treasury Group has applied the accounting principles presented in Note 1 of the Volvo Treasury Group Annual Report 2007.

### **New accounting principles in 2008**

When preparing the interim report as of June 30, 2008 and in accordance with considerations presented in the Volvo Treasury Group Annual Report 2007, Note 1, regarding new accounting principles for 2008, a number of standards have been published, but have not yet become effective. This are not considered to have any significant impact on Volvo Treasury's financial reporting.

## RISKS AND UNCERTAINTIES

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favourable profitability. Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. The Volvo Treasury Group works continuously to identify, measure, manage and report risk, and in some cases the Treasury Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Treasury Group's control, the aim is to minimize the consequences. The risks to which the Treasury Group are exposed are mainly the category **Financial risks** – such as currency risk, interest risk, credit risk and liquidity risk. For a more elaborated account for these risks and the management of these, please refer to the Financial risks and instruments section on pages 31-33 in the 2007 Annual Report for the Volvo Treasury Group and the Risk Management section on pages 48-50 in the 2007 Annual Report for the Volvo Group.

**COMMENTS CONSOLIDATED ACCOUNTS**

Income before taxes for the first six months of 2008 amounted to SEK 261.0 M (122.8).

Investment in equipment amounted to SEK 0.0 M (2.1).

Cash and bank accounts amounted to SEK 1,477.8 M, a decrease since year-end of SEK 3,758.7 M.

The number of employees at the end of June was 59 (56).

**COMMENTS PARENT COMPANY**

Interest income for the period amounted to SEK 3,086.8 M (2,572.8).

Income before taxes for the first six months of 2008 amounted to SEK 246.9 M (121.3).

Investment in equipment amounted to SEK 0.0 M (1.4).

Cash and bank accounts amounted to SEK 1,437.3 M, a decrease since year-end of SEK 3,712.8 M.

The total holding of marketable securities at the end of June amounted to SEK 15,478.3 M, compared with SEK 16,280.1 M at year-end, a decrease of SEK 801.8 M.

Financing is obtained both through loans to external and internal counterparties. The main part of the internal borrowing is obtained via cash pools. The total lending has increased with SEK 4,942.8 M since year-end.

The number of employees at the end of June was 50 (48).

The Board of Directors and the CEO certify that the half-yearly financial report gives a fair review of the 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 in the Group face.

Gothenburg, August 29, 2008

VOLVO TREASURY AB (publ)

Anders Osberg  
President and  
Board member

Mikael Bratt  
Chairman of the board

Brian Dumbill  
Board member

Christer Johansson  
Board member

Thomas Alexandersson  
Board member

Karl-Axel Skantz  
Board member

Rikard Bentelius  
Board member