

**YEAR-END REPORT 2007**

**AB Volvofinans (publ)**  
**Corp. Reg. No.: 556069-0967**  
**January 1 - December 31, 2007**

As stipulated by the Securities Market Act (SFS 2007:528), AB Volvofinans is obliged to make this information public.  
The information was submitted for release on February 29, at 2:00 PM.

**STATEMENT BY THE PRESIDENT**

When we entered fiscal year 2007, we left our best year ever, in terms of earnings, behind us. Earnings in 2006 amounted to SEK 299.8 M and Group lending, which consists mainly of vehicle financing, totaled SEK 24.2 billion.

However, we had a number of comprehensive tasks ahead of us, in addition to our ordinary business activities. We were preparing to launch our Basel II project (the new regulations governing capital adequacy) through both external and internal efforts designed to fully utilize our new credit rating system, VF Score. In parallel, we planned to apply for permission from the Financial Supervisory Authority to work in compliance with the new IRK risk classification system. For accounting purposes, it was essential to start utilizing all of the new International Financial Reporting Standards. Volvofinans Konto AB was also required to seek permission to conduct banking activities and to include the activities in the parent company.

Ford Credit, part owner of the company, conducted negotiations during the year to sell 80% of their shares (40% of the total shareholdings) to the state-owned Sixth AP-Fund, a transaction that was announced in July and offered promising new business opportunities for Volvofinans.

In parallel, we devoted a great deal of time and effort to adapt the organization to the new conditions created by our decision to conduct banking operations in a unified Volvofinans, and eliminate the so-called group exemption. As a result of the latter change, the nation's Volvo dealers now also sell other car models – in addition to Volvo and Renault – including Ford, Jaguar, Land-Rover, Hyundai and Mazda.

I am very pleased to announce that, despite our heavy workload, we achieved another record year, with earnings of SEK 305.8 M (299.8), based on a marginal increase in lending, which totaled SEK 24.8 billion (24.2). It should also be noted that Volvofinans does not place any special priority on efforts to maximize earnings from its internal activities, but rather works with sales support and, in turn, provides support for profitability growth in the dealership chain.

Ford Motor Company and our part owner Ford Credit continue to struggle with profitability problems, which have been a burden for Volvofinans for the past several years. With the new ownership constellation comprising Volverkinvest (50%), Sixth AP-Fund (40%) and Ford Credit (10%), we have received a credit rating from Moody's that will greatly facilitate our borrowing. With the government-controlled Sixth AP Fund's 40-percent ownership share, which is defined as long-term, we received an upgrade of Volvofinans from A3/P-2 Negative to Stable.

Moody's states, in summary, that "the evaluation is based on Volvofinans' leading position in the specialized niche comprising vehicle financing, which is driven by successful sales of Volvo cars for 48 years" and notes further that "the operations are well-diversified and not exclusively dependent on Volvo. Other activities generate about 60% of pre-tax earnings." Moody's also cited "Volvofinans' sound financial base" and sees a major advantage in the acquisition by "the government-controlled Sixth AP-Fund of 40% of all shares in Volvofinans from FCI (Ford Credit International)."

In view of the actions taken and events that occurred during 2007, Volvofinans and Volvo car dealers in Sweden are moving with greater potential toward new business opportunities. The Swedish network of Volvo dealerships today comprises 70 dealerships with 200 sales outlets and 9,200 employees. Total sales during 2007 amounted to SEK 35 billion, with a combined profit of slightly more than SEK 800 M. Profitability is generally good, with sales financing and fuel sales as strong contributing factors.

The market for passenger cars in Sweden has grown every year since 2001, and 2007 was no exception. With 63,963 new registrations (plus 14% from 2006), and a market share of 20.8% (19.7), Volvo was the market leader in Sweden for the 49th consecutive year.

Renault SA is now taking over the agency from Volvo Cars Sweden, but Volvo dealers will continue to sell the Renault product offering, and Volvofinans has signed a cooperation agreement with Renault. During 2007, 11,409 new Renault cars were registered, a decline in market share from 4 to 3.1%. In cooperation with the Volvo dealers, Renault is now focusing strongly on efforts to increase its market shares to the high levels it held previously. Sales of Ford cars rose 7.3%, from 16,999 to 18,245 new cars. The percentage of "environmental cars," which use E85 or diesel fuel, increased sharply. Volvo, Ford and Renault all have highly attractive offerings of environmental cars.

The truck market in Sweden remained strong. A total of 2,697 new Volvo trucks (over 7 tons) were registered during the year (market share 42.6%). The market for trucks, which requires highly efficient organizations, is being concentrated gradually in larger units. Volvo Truck Center (owned by AB Volvo) accounts for nearly 40% of sales today, while the Liljedahl Group, Persson Invest and Rejmes Group account for a combined 35% of sales. Accordingly, 75% of truck operations are now concentrated in large, efficient organizations.

Volvofinans Konto Bank AB is now in the process of becoming a fully integrated unit of Volvofinans and, as a result, we can synchronize the operations with other units, systems, IT-support, etc. During 2007, about 60,000 new Volvo Cards were issued, increasing the total number of credit card purchases to approximately 455,000 per month, year-round. The Volvo Truck Card is growing continuously, both in terms of users and purchases. There are now 19,000 truck cards in "traffic" and several large trucking companies are joining the ranks.

A new Volvofinans stands on strong legs today, with a new and more unified organization, more clearly defined rules and regulations, effective systems and optimal IT-support. All the pieces are in place and we can now start to trim the operations based on IRK and VF Score.

Our "old" business concept stated that "through product and sales financing, we shall promote sales of Volvo and Renault products in the Swedish market." The new Articles of Association provide scope to include other cars models in addition to Volvo and Renault and, as a result, we can now revise the business concept to "through product and sales financing, with favorable profitability, actively support sales of the products sold in Volvo dealerships in the Swedish market". This means that all car models will gain access to a much larger market through the Volvo dealerships, and enable us to further reduce our "concentration risk".

We now have a solid platform for further expansion, with a business-oriented and streamlined organization, stable and financially strong owners and nearly 50 years of experience. Our goal now is to become the only obvious choice for the Volvo dealerships' customers, which is expressed in our vision as follows: "Volvofinans shall be regarded by its customers, owners and cooperation partners as a market leader in motor vehicle financing and concepts related to the sales that comprise Volvo's dealership operations".

Göteborg, February 2008



Bert Björn  
President  
AB Volvofinans

**YEAR-END REPORT 2007**

**OWNERSHIP/OPERATIONS**

AB Volvofinans has been 50% owned since the company was started in 1959 by the Swedish Volvo dealerships, through their holding company, AB Volverkinvest. The Sixth AP Fund has owned 40% of the company since September 2007, and Ford Credit International owns 10% (previously 50%).

Through product and sales financing, with favorable profitability, Volvofinans' primary task is to actively support sales of the products sold by the Swedish Volvo dealerships in the Swedish market.

AB Volvofinans and its subsidiary, Volvofinans Konto AB, are authorized credit market companies under supervision by the Swedish Financial Supervisory Authority (Finansinspektionen). In December, Volvofinans Konto AB was granted permission by the Swedish Financial Supervisory Authority to conduct banking activities and changed its name to Volvofinans Konto Bank AB.

Volvofinans Konto Bank AB conducts credit card operations and administers and markets primarily the payment and benefits card used in Volvo dealership operations – the Volvo Card.

At a meeting in September, the Board of Directors of AB Volvofinans resolved to merge the operations of AB Volvofinans and Volvofinans Konto Bank AB.

**VOLUMES / LENDING**

Sales of new cars in Sweden rose 8.5% compared with the preceding year. A total of 306,799 cars (282,766) were registered. The number of new Volvo and

Renault registrations rose to 73,376 (67,241), for a combined market share of 23.9% (23.8).

The truck market for heavy vehicles (>7 tons) grew 8% compared with the preceding year, and a total of 6,331 trucks (5,871) were registered, of which 2,697 were Volvo. Volvo's market share was approximately 42.6% (45.2), making Volvo the dominant player in the Swedish truck market for heavy vehicles. The successful launch by Volvofinans of the Volvo Dealers' Truck Card is continuing according to plan. During the period under review, goods and services purchased using the 19,000 cards amounted to approximately SEK 369 M.

The total contract portfolio (loans and leasing contracts) amounted to 205,609 (211,406). The portfolio's share of truck and bus contracts amounts to 8,835 contracts (9,238), or slightly more than 4%.

Of the total number of car sales, new and used, by the Swedish Volvo dealers, 42.6% (46.7) generate financial contracts for Volvofinans. Penetration of new and used cars is 45.6% and 39.1%, respectively.

Volvofinans finances the Swedish Volvo dealers' truck sales, excluding the portion conducted through the Volvo Truck Center, which is owned by AB Volvo. The penetration for new trucks amounted to 28%, with a corresponding penetration of 54% for used trucks.

The Volvo Card continues to show positive expansion and growth, which creates increased card and lending volumes. Lending increased by 1% compared with the preceding year. The number of active accounts is half a million every month, and total consumption of goods and services using the Volvo Card in 2007 amounted to approximately SEK 9.7 billion.

The number of corporate customers for which Svensk Vagnparksfinans handles the vehicle administration has remained at a consistently high level. At year-end 2007, 32,338 cars (31,593) cars were administered with cost follow-up.

The Group's lending volume at year-end 2007 amounted to SEK 24.8 billion, compared with SEK 24.2 billion a year earlier.

The truck and bus portion of lending amounted to SEK 3.5 billion (3.6), corresponding to 14% of total lending.

The Group's primary segments are the business areas comprising the car and truck markets. The geographic distribution reflects that of the Group as a whole. Operating revenue, operating income, the number of contracts and lending volume for the Volvofinans business areas are presented below. Operating income is defined as the net of interest income, interest expense, net leasing income, dividends received, net income from financial transactions, commission income and commission expense.

| <b>Jan - Dec 2007</b>    | <b>Cars</b> | <b>Trucks</b> |
|--------------------------|-------------|---------------|
| Operating revenue, SEK T | 561,756     | 38,773        |
| Operating income, SEK T  | 278,643     | 27,144        |
| Number of contracts      | 229,112     | 8,835         |
| Lending volume Ø, SEK M  | 20,974      | 3,911         |

**INCOME**

Volvofinans Group income before loan losses rose 4% to SEK 312.8 M (300.2). The improvement was attributable to somewhat higher operating margins despite intense competition.

Income before appropriations and tax during the year increased 2% to SEK 305.8 M (301.4).

**CREDIT RISKS AND LOAN LOSSES**

Confirmed customer losses pertaining primarily to credit card operations increased due to higher business volumes. Loss levels, however, remained at extremely low comparative levels. Recovered losses pertain primarily to liquidity for presold, previously written-off losses. Risk reserves relating to contracts and credit card accounts are created based on group-wide valuations.

The Group's credit risk remains extremely low, since most credit risks and residual value risks are carried by the Volvo dealers.

The Group's problem credits pertain only to credit card receivables. These have been fully reserved and amounted to SEK 78.0 M (68.7). The number of collection-service customers is low, amounting to 8,575 (8,134) at year-end 2007. The increase in problem credits is due to increasingly higher fuel prices and increased customer access to longer credit periods. There are no credits for which interest concessions have been negotiated, nor has there been any seizure of property to protect a claim. Credit losses are presented in the following table:

| Amounts in SEK T                           | GROUP          |              | PARENT COMPANY |               |
|--------------------------------------------|----------------|--------------|----------------|---------------|
|                                            | 2007           | 2006         | 2007           | 2006          |
| <b>Confirmed credit losses</b>             |                |              |                |               |
| Confirmed credit losses                    | - 12,726       | - 9,333      | - 284          | - 7           |
| Recovered losses                           | <u>2,602</u>   | <u>1,833</u> | <u>72</u>      | <u>67</u>     |
|                                            | - 10,124       | - 7,500      | - 212          | 60            |
| <b>Credit risk provisions</b>              |                |              |                |               |
| Reservations for anticipated credit losses | <u>3,124</u>   | <u>8,665</u> | <u>9,809</u>   | <u>10,757</u> |
| <b>CREDIT LOSSES, net</b>                  | <b>- 7,000</b> | <b>1,165</b> | <b>9,597</b>   | <b>10,817</b> |

**CAPITAL PROCUREMENT**

All of the Group's market programs for borrowing were utilized with good demand during the year. The international credit concerns that impacted the Swedish monetary and capital market during the last four months of the year had only marginal effects on Volvofinans' borrowing. The Volvofinans Group's primary capital procurements are made through three market programs totaling SEK 29.7 billion and via borrowing from banks.

Volvofinans' Nordic Commercial Paper Program, with a limit amount of SEK 15.0 billion, enables the Group to issue loans in the Scandinavian currencies and euro. For borrowing in the European money market, we employ our Euro Commercial Paper Program, which has a limit amount of EUR 500 M. Commercial papers issued during the year amounted to a combined value of SEK 18 billion.

For long-term borrowing, the Group employs its MTN program, with a limit amount of SEK 10 billion. Ten bond issues amounting to SEK 2.8 billion were executed during the year with maturity terms from 1 to 5 years.

Total financing obtained through our three market programs amounted to SEK 13.1 billion at year-end.

As a complement to borrowing in the market, long-term credits are provided directly by banks or through bank syndicates. At year-end 2007, this financing amounted to SEK 5.8 billion. Volvofinans has relationships with about 20 Swedish and international banks.

Of total capital procurements at year-end, 60% was long-term borrowing.

Short-term borrowing, with remaining maturities of less than one year, are always covered by unutilized bank facilities. The total volume of available bank facilities at year-end 2007 amounted to SEK 11.3 billion, of which SEK 7.1 billion referred to bilateral facilities with the Group's core banks, SEK 3 billion was in the form of a syndicated credit facility and, finally, SEK 1.2 billion in the form of an agreement with the owners concerning liquidity contributions.

## YEAR-END REPORT 2007

## FINANCIAL RISKS

Since the Group operates in the financial sector, its operations are continuously exposed to a number of financial risks. These risks are briefly described in the following:

*Liquidity risk* is the risk that Volvofinans' payment obligations cannot be met at maturity without a significant increase in repayment cost, or, in the worst-case scenario, cannot be met at all. To assure its repayment capacity, Volvofinans has entered agreements with banks for credit facilities that may be utilized at short notice.

*Interest-rate risk* is the present and future risk that net interest income declines due to an unfavorable interest rate change. Interest-rate risk arises when the fixed interest-rate periods and/or the interest bases for lending and borrowing do not coincide. Most of Volvofinans' credits and all borrowings carry short-term interest rates and, accordingly, there is no significant interest-rate risk. For fixed-interest rate credits or credits with an interest rate cap, derivative instruments are used to ensure close adherence to short-term interest rates.

*Currency risk* arises as a result of unfavorable fluctuations in exchange rates. All lending by Volvofinans is denominated in SEK. When financing occurs in foreign currencies, the currency risk is hedged, which means that Volvofinans is not exposed to any exchange-rate fluctuations.

## RATING

Volvofinans has international credit ratings from Moody's Investors Service as follows:

- Short-term financing: P-2
- Long-term financing: A3

On July 18, shortly after the new ownership structure was announced, Moody's changed its outlook for the ratings from "Negative" to "Stable." According to Moody's, this favorable change was based on four factors:

- Ford Credit International has retained an ownership stake in Volvofinans, which means the company can continue to benefit from Ford's expertise in car financing.
- Ford is no longer able to exercise a strong influence on the company's operations.
- Ford will now allow financing of other car brands sold in Swedish dealerships, which will enable Volvofinans to further diversify its business.
- All three owners have indicated that they view their shareholding as a long-term holding, which lends stability to the company and its strategy.

Detailed analyses from Moody's Investors Service are presented on the Volvofinans website, [www.volvofinans.se](http://www.volvofinans.se)

## CAPITAL ADEQUACY

Effective February 1, 2007, new regulations for capital adequacy and major exposures were introduced. In accordance with the new regulations, capital adequacy is linked more strongly to the institute's total risk profile, which means a lower level of minimum capital adequacy for Volvofinans.

Effective from Q3 2007, Volvofinans computes capital adequacy for its credit risk based on the standard method, whereby all exposures are distributed among 15 exposure classifications with different risk weights for each classification.

Effective from Q3 2007, capital adequacy is computed in accordance with the basic method, whereby the capital adequacy requirement amounts to 15% of the Group's average operating income over the past three fiscal years.

## EVENTS AFTER 2007 FISCAL YEAR-END

In February 2008, AB Volvofinans submitted a banking operations application to the Swedish Financial Supervisory Authority.

*The report for March 31 will be published on May 30, 2008 and will be available on our website. [www.volvofinans.se](http://www.volvofinans.se)*

For additional information, contact Bert Björn, President of AB Volvofinans, +46-31-83 88 00, or [info@volvofinans.se](mailto:info@volvofinans.se).

*This report was not reviewed by the auditors.*

## CAPITAL ADEQUACY

| Amounts in SEK M                                                  | Group*           | Parent<br>Company* | Group**          | Parent<br>Company** |
|-------------------------------------------------------------------|------------------|--------------------|------------------|---------------------|
|                                                                   | Dec. 31,<br>2007 | Dec. 31,<br>2007   | Dec. 31,<br>2006 | Dec. 31,<br>2006    |
| <b>Capital base</b>                                               |                  |                    |                  |                     |
| Capital base                                                      | 2,808            | 2,790              | 2,733            | 2,720               |
| Core capital                                                      | 2,613            | 2,595              | 2,423            | 2,410               |
| Supplementary capital                                             | 195              | 195                | 310              | 310                 |
| <b>Capital requirement</b>                                        |                  |                    |                  |                     |
| Capital requirement for credit risk<br>as per standardized method | 1,708            | 1,614              | -                | -                   |
| Capital requirement for operative<br>risk as per base method      | 83               | 43                 | -                | -                   |
| Total minimum capital requirement<br>as per Basel II              | 1,791            | 1,657              | -                | -                   |
| Total minimum capital requirement<br>as per Basel I               | 2,053            | 1,911              | 1,980            | 1,841               |
| <b>Capital adequacy measurement</b>                               |                  |                    |                  |                     |
| Capital adequacy quotient                                         | 1.57             | 1.68               | 1.38             | 1.48                |
| Capital adequacy ratio, %                                         | 13.16            | 13.82              | 11.04            | 11.82               |
| Core capital ratio, %                                             | 12.24            | 12.86              | 9.79             | 10.48               |

\* In accordance with Basel II Standardized

\*\* In accordance with Basel I

**INCOME STATEMENT, GROUP**

| Amounts in SEK T                                    | 2007              | 2007            | 2007              | 2006              | 2006            | 2006              |
|-----------------------------------------------------|-------------------|-----------------|-------------------|-------------------|-----------------|-------------------|
|                                                     | Jan - Dec         | Oct - Dec       | Jan - Sep         | Jan - Dec         | Oct - Dec       | Jan - Sep         |
| Interest income                                     | 941,721           | 255,199         | 686,522           | 743,129           | 207,343         | 535,786           |
| Leasing income                                      | 1,712,237         | 449,716         | 1,262,522         | 1,530,397         | 399,888         | 1,130,509         |
| Interest expense                                    | -817,413          | -242,944        | -574,469          | -572,230          | -167,295        | -404,935          |
| Dividends received                                  | 2,762             | 2,670           | 92                | 1,472             | 1,416           | 56                |
| Net income from financial transactions*             | 4,547             | 793             | 3,755             | 5,624             | 575             | 5,049             |
| Commission income                                   | 261,046           | 67,906          | 193,140           | 255,627           | 64,941          | 190,686           |
| Commission expense                                  | -15,012           | -3,705          | -11,307           | -14,696           | -1,790          | -12,906           |
| <b>Total operating income</b>                       | <b>2,089,889</b>  | <b>529,634</b>  | <b>1,560,255</b>  | <b>1,949,324</b>  | <b>505,078</b>  | <b>1,444,246</b>  |
| General administrative expenses                     | -246,249          | -65,826         | -180,423          | -226,749          | -58,469         | -168,280          |
| Depreciation of tangible fixed assets               | -1,489,361        | -386,247        | -1,103,114        | -1,378,323        | -354,839        | -1,023,484        |
| Other operating expenses                            | -41,493           | -9,671          | -31,822           | -44,047           | -14,978         | -29,070           |
| <b>Total operating expenses</b>                     | <b>-1,777,102</b> | <b>-461,744</b> | <b>-1,315,358</b> | <b>-1,649,119</b> | <b>-428,286</b> | <b>-1,220,833</b> |
| <b>Income before credit losses</b>                  | <b>312,787</b>    | <b>67,890</b>   | <b>244,897</b>    | <b>300,205</b>    | <b>76,792</b>   | <b>223,412</b>    |
| Credit losses, net                                  | -7,000            | -2,987          | -4,013            | 1,166             | 6,895           | -5,729            |
| <b>Income before taxes</b>                          | <b>305,787</b>    | <b>64,903</b>   | <b>240,884</b>    | <b>301,370</b>    | <b>83,687</b>   | <b>217,683</b>    |
| Estimated tax                                       | -82,816           | -15,369         | -67,447           | -84,513           | -23,562         | -60,951           |
| <b>Income</b>                                       | <b>222,971</b>    | <b>49,534</b>   | <b>173,436</b>    | <b>216,857</b>    | <b>60,125</b>   | <b>156,732</b>    |
| * Net income from financial transactions            | 2007              | 2007            | 2007              | 2006              | 2006            | 2006              |
|                                                     | Jan-Dec           | Oct-Dec         | Jan-Sep           | Jan-Dec           | Oct-Dec         | Jan-Sep           |
| Currency-related                                    | 3,574             | 938             | 2,636             | 4,016             | 452             | 3,564             |
| Interest-bearing securities and related derivatives | 973               | -146            | 1,119             | 1,608             | 123             | 1,485             |
|                                                     | <b>4,547</b>      | <b>793</b>      | <b>3,755</b>      | <b>5,624</b>      | <b>575</b>      | <b>5,049</b>      |

## INCOME STATEMENT, PARENT COMPANY

| Amounts in SEK T                                    | 2007              | 2007            | 2007              | 2006              | 2006            | 2006              |
|-----------------------------------------------------|-------------------|-----------------|-------------------|-------------------|-----------------|-------------------|
|                                                     | Jan - Dec         | Oct - Dec       | Jan - Sep         | Jan - Dec         | Oct - Dec       | Jan - Sep         |
| Interest income                                     | 678,700           | 186,410         | 492,290           | 567,309           | 161,079         | 406,231           |
| Leasing income                                      | 2,391,150         | 621,634         | 1,769,516         | 2,232,216         | 573,197         | 1,659,019         |
| Interest expense                                    | -809,234          | -240,835        | -568,399          | -566,029          | -165,593        | -400,437          |
| Dividends received                                  | 1,119             | 1,027           | 92                | 600               | 544             | 56                |
| Net income from financial transactions*             | 4,547             | 793             | 3,755             | 5,624             | 575             | 5,049             |
| Commission income                                   | 80,265            | 20,615          | 59,651            | 78,446            | 20,329          | 58,117            |
| Commission expense                                  | -10,312           | -2,428          | -7,884            | -9,921            | -600            | -9,321            |
| <b>Total operating income</b>                       | <b>2,336,236</b>  | <b>587,214</b>  | <b>1,749,021</b>  | <b>2,308,245</b>  | <b>589,531</b>  | <b>1,718,714</b>  |
| General administrative expenses                     | -84,247           | -21,921         | -62,326           | -78,926           | -20,830         | -58,097           |
| Depreciation of tangible fixed assets               | -2,058,356        | -528,368        | -1,529,988        | -1,988,804        | -502,788        | -1,486,016        |
| Other operating expenses                            | -10,993           | -247            | -10,746           | -13,461           | -6,081          | -7,380            |
| <b>Total operating expenses</b>                     | <b>-2,153,596</b> | <b>-550,536</b> | <b>-1,603,060</b> | <b>-2,081,191</b> | <b>-529,699</b> | <b>-1,551,493</b> |
| <b>Income before credit losses</b>                  | <b>182,640</b>    | <b>36,679</b>   | <b>145,961</b>    | <b>227,054</b>    | <b>59,833</b>   | <b>167,221</b>    |
| Credit losses, net                                  | 9,597             | 1,877           | 7,719             | 10,817            | 2,680           | 8,138             |
| <b>Income before appropriations and taxes</b>       | <b>192,236</b>    | <b>38,556</b>   | <b>153,680</b>    | <b>237,872</b>    | <b>62,512</b>   | <b>175,359</b>    |
| Appropriations                                      | -178,200          | -               | -                 | -167,000          | -               | -                 |
| Estimated tax                                       | -4,402            | 38,629          | -43,030           | -20,101           | 28,999          | -49,101           |
| <b>Income</b>                                       | <b>9,635</b>      | <b>77,185</b>   | <b>110,650</b>    | <b>50,770</b>     | <b>91,512</b>   | <b>126,259</b>    |
| * Net income from financial transactions            | 2007              | 2007            | 2007              | 2006              | 2006            | 2006              |
|                                                     | Jan - Dec         | Oct - Dec       | Jan - Sep         | Jan - Dec         | Oct - Dec       | Jan - Sep         |
| Currency-related                                    | 3,574             | 938             | 2,636             | 4,016             | 2,422           | 1,594             |
| Interest-bearing securities and related derivatives | 973               | -146            | 1,119             | 1,608             | 330             | 1,278             |
|                                                     | <b>4,547</b>      | <b>793</b>      | <b>3,755</b>      | <b>5,624</b>      | <b>2,752</b>    | <b>2,872</b>      |

\*\* Taxes

Tax expenses in Q4 were affected by appropriations.

## BALANCE SHEET

| Amounts in SEK T                              | GROUP               |                     | PARENT COMPANY      |                     |
|-----------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                               | 2007<br>December 31 | 2006<br>December 31 | 2007<br>December 31 | 2006<br>December 31 |
| Lending, incl. leasing objects                | 24,884,481          | 24,203,764          | 23,214,326          | 22,540,154          |
| Lending, Group companies                      | -                   | -                   | 685,143             | 884,041             |
| Other assets*                                 | 988,386             | 737,040             | 1,120,225           | 893,907             |
| <b>Total assets</b>                           | <b>25,872,866</b>   | <b>24,940,804</b>   | <b>25,019,694</b>   | <b>24,318,101</b>   |
| Borrowing                                     | 20,592,749          | 19,909,371          | 20,413,846          | 19,709,252          |
| Other liabilities*                            | 1,614,600           | 1,343,576           | 958,469             | 933,964             |
| Subordinated loan                             | 194,981             | 459,588             | 194,981             | 459,588             |
| Deffered tax                                  | 824,283             | 774,387             | 824,283             | 774,387             |
| Guarantee fund loan                           | 200,000             | 200,000             | 200,000             | 200,000             |
| Shareholders' equity                          | 2,351,586           | 2,157,265           | 2,338,614           | 2,145,165           |
| <b>Income before appropriations and taxes</b> | <b>94,667</b>       | <b>96,617</b>       | <b>89,501</b>       | <b>95,745</b>       |
| <b>Total liabilities and equity</b>           | <b>25,872,866</b>   | <b>24,940,804</b>   | <b>25,019,694</b>   | <b>24,318,101</b>   |

\* of which, derivative instruments with positive and negative market values, respectively.

|                                                    | 2007<br>December 31 | 2006<br>December 31 |
|----------------------------------------------------|---------------------|---------------------|
| Derivative instruments with positive market values | 23,841              | 2,724               |
| Derivative instruments with negative market values | -57,861             | -96,754             |

## KEY RATIOS

| <u>Group</u>                              | <u>2007*</u><br><u>Full year</u> | <u>2006**</u><br><u>Full year</u> |
|-------------------------------------------|----------------------------------|-----------------------------------|
| Return on shareholders' equity, %         | 9.90                             | 10.65                             |
| Risk capital/total assets, %              | 13.48                            | 14.65                             |
| Income/Risk-weighted assets, %            | 1.43                             | 1.22                              |
| Capital adequacy quotient                 | 1.57                             | 1.38                              |
| Capital adequacy ratio, %                 | 13.16                            | 11.04                             |
| Core capital ratio, %                     | 12.24                            | 9.79                              |
| Loan losses as a percentage of lending, % | 0.03                             | -                                 |
| I/C ratio                                 | 1.98                             | 2.10                              |
| I/C ratio excluding credit losses         | 2.03                             | 2.09                              |

\* In accordance with Basel II Standardized

\*\* In accordance with Basel I

## CASH-FLOW STATEMENT

| Amounts in SEK T                                         | Group             |                   | Parent Company    |                   |
|----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                          | 2007              | 2006              | 2007              | 2006              |
| <b>ONGOING OPERATIONS</b>                                |                   |                   |                   |                   |
| Operating income                                         | 305,787           | 301,370           | 192,237           | 237,871           |
| Share in earnings of associated companies, equity method | -1,643            | -872              | -                 | -                 |
| Depreciation                                             | 1,489,361         | 1,378,323         | 2,058,356         | 1,988,804         |
| Other items not included in cash flow                    | 2,566             | -1,608            | -                 | -1,608            |
| Taxes paid                                               | -35,486           | -37,303           | -35,461           | -37,141           |
| <i>Change in operating assets and liabilities</i>        |                   |                   |                   |                   |
| Lending to credit institutions                           | -110,988          | 45,460            | 87,910            | 21,611            |
| Lending to general public                                | -127,053          | 443,606           | -255,711          | 490,269           |
| Other assets                                             | -221,061          | -46,263           | -207,219          | -44,828           |
| Liabilities, credit institutions                         | -23,950           | 168,258           | -23,950           | 168,258           |
| Funding from general public                              | 36,787            | -94,054           | 58,002            | -113,868          |
| Securities issued                                        | 670,542           | -463,240          | 670,542           | -463,240          |
| Other liabilities                                        | 271,023           | 56,966            | 24,505            | 66,886            |
| <b>Cash flow from ongoing operations</b>                 | <b>2,255,885</b>  | <b>1,750,643</b>  | <b>2,569,211</b>  | <b>2,313,014</b>  |
| <b>INVESTMENT OPERATIONS</b>                             |                   |                   |                   |                   |
| Changes in shares and participations                     | -1,027            | -544              | -1,027            | -25,544           |
| Changes in intangible fixed assets                       | -28,208           | -43,237           | -17,961           | -33,795           |
| Changes in tangible fixed assets                         | -1,931,449        | -1,474,661        | -2,365,945        | -2,083,940        |
| <b>Cash flow from investment operations</b>              | <b>-1,960,684</b> | <b>-1,518,442</b> | <b>-2,384,933</b> | <b>-2,143,279</b> |
| <b>FINANCING OPERATIONS</b>                              |                   |                   |                   |                   |
| Subordinated loan                                        | -264,607          | -204,000          | -264,607          | -204,000          |
| Shareholder contribution received                        |                   |                   |                   |                   |
| Dividend paid                                            | -30,600           | -28,200           | -30,600           | -28,200           |
| Group contribution                                       | -                 | -                 | 110,925           | 62,465            |
| <b>Cash flow from financing operations</b>               | <b>-295,207</b>   | <b>-232,200</b>   | <b>-184,282</b>   | <b>-169,735</b>   |
| <b>Cash flow for the year</b>                            | <b>-6</b>         | <b>1</b>          | <b>-4</b>         | <b>0</b>          |
| Cash and cash equivalents, January 1                     | 12                | 11                | 4                 | 4                 |
| Cash flow from ongoing operations                        | 2,255,885         | 1,750,643         | 2,569,211         | 2,313,014         |
| Cash flow from investment operations                     | -1,960,684        | -1,518,442        | -2,384,933        | -2,143,279        |
| Cash flow from financing operations                      | -295,207          | -232,200          | -184,282          | -169,735          |
| <b>Cash and cash equivalents at end of the year</b>      | <b>6</b>          | <b>12</b>         | <b>0</b>          | <b>4</b>          |

## CHANGE IN SHAREHOLDERS' EQUITY, GROUP

| Amounts in SEK T                                            | Share capital        | Retained earnings, incl. profit for the year        | Total equity        |
|-------------------------------------------------------------|----------------------|-----------------------------------------------------|---------------------|
| Equity, December 31, 2005                                   | 100,000              | 1,965,952                                           | <b>2,065,952</b>    |
| Effects of transition to IFRS IAS 39, Financial instruments |                      | -727                                                | <b>-727</b>         |
| <b>Equity, January 1, 2006, after adjustments</b>           | <b>100,000</b>       | <b>1,965,225</b>                                    | <b>2,065,225</b>    |
| Net profit for the year                                     |                      | 216,857                                             | <b>216,857</b>      |
| <b>Total changes before transactions with the owners</b>    | <b>100,000</b>       | <b>2,182,082</b>                                    | <b>2,282,082</b>    |
| Dividend                                                    |                      | -28,200                                             | <b>-28,200</b>      |
| <b>Equity, December 31, 2006</b>                            | <b>100,000</b>       | <b>2,153,882</b>                                    | <b>2,253,882</b>    |
| <b>Group</b>                                                | <b>Share capital</b> | <b>Retained earnings, incl. profit for the year</b> | <b>Total equity</b> |
| <b>Equity, January 1, 2007</b>                              | <b>100,000</b>       | <b>2,153,882</b>                                    | <b>2,253,882</b>    |
| Net profit for the year                                     |                      | 222,971                                             | <b>222,971</b>      |
| <b>Total changes before transactions with the owners</b>    | <b>100,000</b>       | <b>2,376,853</b>                                    | <b>2,476,853</b>    |
| Dividend                                                    |                      | -30,600                                             | <b>-30,600</b>      |
| <b>Equity, December 31, 2007</b>                            | <b>100,000</b>       | <b>2,346,253</b>                                    | <b>2,446,253</b>    |



## ACCOUNTING PRINCIPLES

### GROUP

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From 2007, Volvofinans applies IFRS (International Financial Reporting Standards), as endorsed by the EU. This interim report was prepared in accordance with IAS 34. All comparative figures are restated in accordance with IFRS. The main difference is that derivative instruments, such as interest-swap and interest-cap contracts, are reported at market value. Volvofinans applies hedge accounting for fixed-interest borrowing swapped for floating interest. This means that the hedged instruments are recognized at fair value, taking into account the risk that is hedged. The new regulations entail a slight change in the appearance of the balance sheet and income statement. Derivative instruments are divided into positive and negative market values and are reported gross in the balance sheet. The same applies for accrued interest on swaps. The income statement becomes somewhat more volatile and a new item, net income from financial transactions, shows value changes driven by fluctuations in exchange rates and market rates pertaining to

our borrowing and related derivative instruments. Consequently, the new valuation principles resulted in a negative effect of SEK 1.0 M on profit brought forward at Dec. 31, 2005, and a positive effect of SEK 0.6 M at December 31, 2006. Accordingly, there was a positive change in income for 2006 of SEK 1.6 M. All amounts are pre-tax. Total assets increased by SEK 23.3 M at Dec. 31, 2005, and the corresponding figure was SEK 14.5 M at Dec. 31, 2006.

The transition to IFRS also affected the classification of interest expense in the income statement. For 2006, SEK 6.7 M was reclassified from commission expense to interest expense. This pertains to expenses in conjunction with market borrowings.

In accordance with IAS 17, leasing contracts were classified as either operational or financial leasing contracts. Consequently, certain leasing contracts that were previously classified as operational are now classified as financial. This implies that a certain portion of the leasing net has been reclassified as interest income. For full-

year 2006, SEK 88.3 M was transferred from the leasing net to interest income.

### PARENT COMPANY

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The same accounting principles and calculation premises are applied as in the most recent Annual Report. The Parent Company is subject to the Annual Accounts Act and to the Swedish Financial Accounting Standards Council's Recommendation RR 32:05, Reporting of legal entities. The application of RR 32 implies that in the interim report for the legal entity, the Parent Company applies all EU-approved IFRS standards and statements, as far as possible within the framework of the Annual Accounts Act, the Tryggandelagen (the Swedish law on safeguarding pension obligations) and considering the connection between accounting and taxation.

No significant events occurred after the close of the reporting period.

## BRIDGE BALANCE SHEET

## GROUP

| Amounts in SEK T                    | IFRS<br>December 2006 |                | Reported<br>December 2006 |
|-------------------------------------|-----------------------|----------------|---------------------------|
| Lending, incl. leasing objects      | 24,203,764            | 0              | 24,203,764                |
| Lending, Group companies            | -                     | -              | -                         |
| Other assets*                       | 737,040               | -14,457        | 751,497                   |
| <b>Total assets</b>                 | <b>24,940,804</b>     | <b>-14,457</b> | <b>24,955,261</b>         |
| Borrowing                           | 19,909,371            | -90,772        | 20,000,142                |
| Other liabilities*                  | 1,343,576             | 76,128         | 1,267,448                 |
| Subordinated loan                   | 459,588               | -412           | 460,000                   |
| Deferred tax                        | 774,387               | 168            | 774,219                   |
| Shareholders' equity                | 2,315,954             | 0              | 2,315,954                 |
| <b>Profit brought forward</b>       | <b>137,928</b>        | <b>431</b>     | <b>137,497</b>            |
| <b>Total liabilities and equity</b> | <b>24,940,804</b>     | <b>-14,457</b> | <b>24,955,261</b>         |

\* of which, derivative instruments with positive and negative market values, respectively.

|                                                    | 2006<br>December 31 |
|----------------------------------------------------|---------------------|
| Derivative instruments with positive market values | 2,724               |
| Derivative instruments with negative market values | -96,754             |

## BRIDGE INCOME STATEMENT

## GROUP

| Amounts in SEK T                                    | IFRS<br>2006     | IFRS<br>2006    | Reported<br>2006 |
|-----------------------------------------------------|------------------|-----------------|------------------|
| Interest income                                     | 744,601          | 88,344          | 656,257          |
| Leasing income                                      | 1,530,397        | -701,819        | 2,232,216        |
| Interest expense                                    | -572,230         | -10,702         | -561,528         |
| Dividends received                                  | 5,624            | 5,624           | 0                |
| Net income from financial transactions*             | 255,627          | 0               | 255,627          |
| Commission income                                   | -14,696          | 6,686           | -21,382          |
| Commission expense                                  | <b>1,949,324</b> | <b>-611,868</b> | <b>2,561,192</b> |
| General administrative expenses                     | 226,749          | 0               | 226,749          |
| Depreciation of tangible fixed assets               | 1,378,323        | -613,476        | 1,991,799        |
| Other operating expenses                            | 44,047           | 0               | 44,047           |
| <b>Total operating expenses</b>                     | <b>1,649,119</b> | <b>-613,476</b> | <b>2,262,595</b> |
| <b>Income before credit losses</b>                  | <b>300,205</b>   | <b>1,608</b>    | <b>298,596</b>   |
| Credit losses, net                                  | 1,166            | 0               | 1,166            |
| <b>Income before taxes</b>                          | <b>301,370</b>   | <b>1,608</b>    | <b>299,762</b>   |
| <br>                                                |                  |                 |                  |
| * Net income from financial transactions            | IFRS             | IFRS            | Reported         |
|                                                     | 2006             | 2006            | 2006             |
| Currency related                                    | 4,016            | 4,016           | 0                |
| Interest-bearing securities and related derivatives | 1,608            | 1,608           | 0                |
|                                                     | <b>5,624</b>     | <b>5,624</b>    | <b>0</b>         |

**VOLVOFINANS**

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