

- Strong sales increase in the fourth quarter, up 25% to SEK 84.6 billion (67.6)
Net sales for the full year increased by 10% to SEK 285.4 billion (258.8)
- In the fourth quarter, operating income rose 12% to SEK 5,775 M (5,170)
Operating income for the full year rose 9% to SEK 22,231 M (20,399)
- In the fourth quarter, income for the period rose 11% to SEK 4,094 M (3,701)
Income for the year declined by 8% to SEK 15,028 M (16,318)
- In the fourth quarter, diluted earnings per share rose to SEK 2.00 (1.83)
Diluted earnings per share for the full year amounted to SEK 7.37 (8.03)
- The Board of Directors proposes an ordinary dividend of SEK 5.50 per share
- In the fourth quarter, the Industrial Operations had a very strong operating cash flow amounting to SEK 12.4 billion (7.4)

The Volvo Group

Report on operations 2007

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	Fourth quarter		Year		Change in %
	2007	2006	2007	2006 ¹⁾	
Volvo Group					
Net sales					
Volvo Group	84,556	67,627	285,405	258,835	10
Operating income					
Volvo Group	5,775	5,170	22,231	20,399	9
Operating income					
Industrial operations	5,397	4,798	20,583	18,713	10
Operating income					
Customer Finance	378	372	1,649	1,686	(2)
Operating margin					
Volvo Group	6.8	7.6	7.8	7.9	
Income after financial items	5,609	5,226	21,557	20,299	6
Income for the period	4,094	3,701	15,028	16,318	(8)
Diluted earnings per share, SEK	2.00	1.83	7.37	8.03	
Return on shareholders' equity, %			18.1	19.6	

¹ 2006 included a reversal of a valuation reserve for deferred taxes and an adjustment of goodwill. As an effect, operating income in 2006 was negatively affected in the amount of SEK 1,712 M, while income taxes decreased by SEK 2,048 M. The total effect on income for the period was positive in the amount of SEK 336 M.

VOLVO

CEO's comments – strong growth and favorable profitability

The Volvo Group concluded an intense 2007 with a fourth quarter in which sales and operating income reached record levels. During the year we carried out several major acquisitions, established a strong presence in Asia, advanced our positions in important product segments, launched many new products and managed widely shifting demand trends in our main markets – continued growth in Europe and Asia and a sharp decline in North America. Following the acquisitions of Nissan Diesel, Lingong and Ingersoll Rand's road development division, we now have a significant industrial structure in Asia, with a presence in Japan, China and, when the expected cooperation with Eicher Motors is in operation, also in India. These are rapidly growing markets and we want to be part of that growth.

Favorable level of underlying profitability

In the fourth quarter, sales increased by 25% to SEK 84.6 billion and operating income rose 12% to SEK 5.8 billion. The operating margin of 6.8% was negatively affected by the development in North America, integration expenses, which initially yield lower profitability in acquired companies, and a provision for engine-related warranty expenses in North America amounting to SEK 370 M. The underlying profitability remained at a favorable level, which is a reflection on the positive development in most of our markets. During the fourth quarter, our industrial operations also had a very strong operating cash flow of SEK 12.4 billion. For the full year, the Group's sales increased by 10% to slightly more than SEK 285 billion, while operating income was up 9% to more than SEK 22 billion.

The split market conditions are most apparent in our truck operations, in which nearly all markets continued to show favorable development, with the exception of North America and Japan. We have good stability and high profitability in Europe, where we increased deliveries during the autumn, despite already strained production. We are expanding production capacity, particularly against the background of very high demand in Eastern Europe.

Following the acquisition of Nissan Diesel, Asia has grown to become our second largest truck market and we have continued high expectations about development there. In Asia, truck deliveries tripled in the fourth quarter. In North America, we introduced a new generation of engines during the year that comply with the world's most stringent emission legislation, and simultaneously implemented adaptations in the industrial system. Combined with weak demand, these measures affected profitability. We have adapted the operations to suit market conditions and have a high level of preparedness for handling changes in demand. On February 1, the members of the UAW union at the New River Valley plant decided to go on strike, and production at the plant has been halted. In the Group's other engine and truck plants in North America there is a temporary agreement since the old agreement expired.

We estimate that the truck market in Europe will grow by 5-10% compared with 2007, with the industry's delivery capacity as the limiting factor. The North American truck market is difficult to assess, but we estimate that it will be on about the same level as in 2007.

Intensive year for Construction Equipment

Construction Equipment made major advances in Asia following the acquisition of Lingong and Ingersoll Rand's road development division. Product renewal was substantial during the year. The product offering increased by 100 products from acquired companies, while at the same time new generations of existing machinery were launched – a total of 46. During the fourth quarter, Volvo CE had a very strong growth but profitability was impacted by increased production costs and costs related to the integration of acquired companies.

Buses have the new Euro 4-engines based on the new engine platforms in place and are far ahead in the environment area, including hybrid buses in the commercial phase. Buses are now being integrated closer to the truck companies and Volvo 3P, with a focus on joint solutions, reduced costs and increased profitability.



Volvo Penta continues to capture market shares in the marine segment and Volvo Aero ended the year strongly. Volvo Financial Services has stable profitability and delivered a return on equity of 15.9%.

Profitability generates shareholder value

In 2007, Volvo transferred slightly more than SEK 20 billion to shareholders through dividends and share redemptions. For 2007, the Board of Directors proposes an ordinary dividend of SEK 5.50 per share, corresponding to 74% of the year's profit. If the Annual General Meeting approves the dividend proposal, it would mean that the ordinary dividend has continuously increased by an average of 21% annually for the last 15 years. Profitability for the Volvo Group during 2007 will also benefit employees. They work hard for the continued successful development of the Group and will receive a distribution of SEK 450 M in the profit-sharing system.

We have entered 2008 with strong order books, a very strong product program and with an overall good demand in our main markets outside North America. The focus is now on ensuring our delivery capacity with a competitive cost base and on increasing productivity.

A handwritten signature in black ink, reading 'Leif Johansson'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Leif Johansson
President and CEO

Important events

Volvo signs letter of intent with Indian vehicle manufacturer Eicher Motors

In December, The Volvo Group signed a letter of intent with the Indian vehicle manufacturer Eicher Motors Limited regarding the establishment of a new Indian joint-venture company. According to the letter of intent, the joint-venture company will hold Eicher Motors Limited's entire truck and bus operations and the Volvo Group's Indian sales operations within trucks.

"The Indian market for heavy trucks is the fourth largest in the world and it is strategically highly important for the Volvo Group to have a presence and to offer Indian customers products that are specially adapted to their market and needs," says Volvo CEO Leif Johansson.

Volvo Aero acquires composite company to develop lighter aircraft engines

In December, Volvo Aero acquired the composite company Applied Composites AB (ACAB) in Linköping, which currently has approximately 70 employees. The aim of the acquisition is to use ACAB and its technology to develop and manufacture aircraft engine components in composite materials, which are significantly lighter than the comparable parts in metal.

"The acquisition is part of our investment in lightweight technologies, which will result in reduced fuel consumption and, consequently, lower emissions from aircraft," explains Olof Persson, President of Volvo Aero.

AB Volvo files for delisting from NASDAQ

In December, AB Volvo filed for delisting of the Volvo shares (ADRs) from the NASDAQ stock exchange in the United States. The delisting was effective as of December 13, 2007. After the delisting became effective, AB Volvo applied for deregistration of the Class B share from the US Securities and Exchange Commission, SEC.

Changes in Volvo Group Executive Committee

Volvo's CFO Pär Östberg is assuming responsibility for the Group's Asian truck operations in conjunction with the retirement of Jorma Halonen on April 1, 2008. Halonen's other duties will be distributed among the other members of the Group Executive Committee. A new CFO to succeed Pär Östberg will be appointed during the first quarter 2008.

Paul Vikner, currently President and CEO of Volvo's American subsidiary Mack Trucks, will leave his position on April 1, 2008. He will be succeeded by Dennis Slagle, currently head of Volvo Construction Equipment's operations in North America, who will also become a new member of Volvo's Group Executive Committee.

On December 1, 2007 Peter Karlsten took on the position as President and CEO of Volvo Powertrain, succeeding Lars-Göran Moberg, who retired. Peter Karlsten also assumed the role as Senior Vice President Technology for the Volvo Group and become a member of the Group Executive Committee.

Important events reported earlier

- Volvo completes purchase of Nissan Diesel
- Volvo finalizes acquisition of Ingersoll Rand's road development equipment division
- Decisions on several major investments in production facilities in Russia, France and Sweden
- Annual General Meeting of AB Volvo
- Volvo divesting interest in Petro Stopping Centers
- Volvo is applying for delisting from the NASDAQ stock exchange
- Volvo decides on investments in production of engines and gearboxes



- Renault Trucks concludes truck-production agreement with Turkish company Karsan
- Volvo raises new financing
- Volvo Trucks invests billions of SEK in its Umeå cab plant
- Volvo delivers the first US10-compliant trucks to customer for field testing
- Volvo displays carbon-dioxide-neutral trucks
- Volvo's plant in Ghent first in the world with carbon-dioxide-neutral vehicle production

For further information regarding previously reported important events, please refer to Volvo Group's report on the first three months, first six months and first nine months of 2007. Detailed information is also available at www.volvogroup.com



Volvo Group

Net sales

The Volvo Group's net sales increased by 25% to SEK 84,556 M during the fourth quarter of 2007, compared with SEK 67,627 M the corresponding quarter a year earlier.

The Volvo Group's net sales for the full year amounted to SEK 285,405 M (258,835).

Operating income

The Volvo Group's operating income increased by 12% to SEK 5,775 M in the fourth quarter (5,170). The Industrial Operations' operating income rose by 12% to SEK 5,397 M, compared to SEK 4,798 M in the preceding year. Operating income of the Volvo Group's Customer Finance increased by 2% to SEK 378 M (372). For detailed information on the development, see separate sections below.

For the full year, operating income rose by 9% to SEK 22,231 M (20,399). As a result of the Volvo Group's profitability level in 2007, SEK 450 M of the year's profits was reserved for the Group's employee profit-sharing program.

Net financial items

Net interest expense in the fourth quarter was SEK 60 M, compared with an income of SEK 62 M for the corresponding period in the preceding year. The increased interest expense is primarily attributable to increased debt as a result of acquisitions, share dividend and the share redemption program in 2007. Higher short-term interest rates in Sweden, where the Group's liquid funds are invested, and lower costs for post-employment benefits, owing to the transfers to pension foundations carried

Income Statement Volvo Group

SEK M	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Net sales						
Volvo Group	84,556	67,627	25	285,405	258,835	10
Operating Income						
Volvo Group	5,775	5,170	12	22,231	20,399	9
<i>Operating income</i>						
<i>Industrial Operations</i>	<i>5,397</i>	<i>4,798</i>	<i>12</i>	<i>20,583</i>	<i>18,713</i>	<i>10</i>
<i>Operating income</i>						
<i>Customer Finance</i>	<i>378</i>	<i>372</i>	<i>2</i>	<i>1,649</i>	<i>1,686</i>	<i>(2)</i>
Interest income and similar credits	257	193	33	952	666	43
Interest expense and similar credits	(317)	(131)	141	(1,122)	(585)	92
Other financial income and costs	(106)	(7)	-	(505)	(181)	-
Income after financial items	5,609	5,226	7	21,557	20,299	6
Taxes	(1,515)	(1,525)	(1)	(6,528)	(3,981)	64
Income for the period	4,094	3,701	11	15,028	16,318	(8)

out in the preceding year, had a positive effect on net interest expense.

During the quarter, market valuation of derivatives used for the customer financing portfolio had a negative effect on Other financial income and expenses in an amount of SEK 131 M. The negative impact is mainly due to lower US long-term interest rates. In the preceding year the effect was positive in an amount of SEK 19 M.

Income taxes

The tax expense in the fourth quarter regarding both current and deferred tax amounted to SEK 1,515 M (1,525). The tax rate during the quarter was 27%.

Income for the period and earnings per share

Income for the period amounted to SEK 4,094 M (3,701) in the fourth quarter of 2007. Income increased as a result of higher operating income partly offset by higher interest expenses and the negative impact from market valuation of derivatives as described above. Basic earnings per share in the fourth quarter amounted to SEK 2.00 (1.83). Assuming that the incentive program is fully exercised earnings per share after full dilution was SEK 2.00 (1.83).

Income for the year amounted to SEK 15,028 M (16,318). Basic earnings per share for the full year amounted to SEK 7.37 (8.04). Assuming that the incentive program is fully exercised earnings per share after full dilution was SEK 7.37 (8.03).



Volvo Group's Industrial Operations

- continued good growth

In the fourth quarter, net sales for the Volvo Group's Industrial Operations increased by 26% to SEK 82,346 M (65,287). Adjusted for changes in currency exchange rates and acquired and divested units, net sales increased by 13%. Nissan Diesel contributed to net sales with SEK 7,849 M during the quarter, Ingersoll Rand's road development equipment contributed SEK 1,038 M and Lingong contributed SEK 1,066 M.

In Europe the positive development continued with sales increasing 20% in Western Europe and 72% in Eastern Europe. During the fourth quarter Eastern Europe accounted for 11% of Group sales, compared with 8% in the fourth quarter of 2006. In North America net sales during the fourth quarter continued to be low primarily as a consequence of decreased truck sales and the lower rate of the US-dollar.

For the full year, net sales for the Volvo Group's Industrial Operations rose by 11% to SEK 276,795 M (249,020). Adjusted for changes in currency exchange rates, and acquired and divested units, net sales rose by 4%.

In the fourth quarter, Trucks' net sales increased by 27% to SEK 57,012 M (45,023), Construction Equipment's rose by 39% to SEK 15,523 M (11,170), Buses by 13% to SEK 5,173 M (4,586) and Volvo Penta's by 9% to SEK 2,859 M (2,612). On the other hand, net sales in Volvo Aero declined by 6% to SEK 1,992 M (2,126).

Operating income increased

In the fourth quarter of 2007, operating income for the Volvo Group's Industrial Operations amounted to SEK 5,397 M, which was 12% higher than the fourth quarter of 2006. The operating margin for the Industrial Operations amounted to 6.6% (7.4).

Demand for the Group's products was very good in Europe, South America and large parts of Asia, which in combination with very competitive products resulted in a continued favorable price realization. An advantageous prod-

Net sales by market area

SEK M	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Western Europe	36,012	29,959	20	124,239	114,689	8
Eastern Europe	8,916	5,172	72	27,116	16,042	69
North America	13,398	17,302	(23)	49,435	73,433	(33)
South America	5,145	3,289	56	15,638	12,533	25
Asia	11,560	5,675	104	42,429	19,610	116
Other markets	7,315	3,890	88	17,938	12,713	41
Total Industrial operations	82,346	65,287	26	276,795	249,020	11

As of the fourth quarter 2007, Nissan Diesel's sales are distributed per market area, whereas during the second and third quarter having been reported under market area Asia. Sales for the full year 2007 are correctly reported, but a correction has been made during the fourth quarter resulting in a reduction of sales in Asia of SEK 2.4 billion, an increase in Other markets by SEK 1.8 billion, an increase in North America of SEK 0.5 billion and an increase in South America by SEK 0.1 billion.

Income Statement Industrial Operations

SEK M	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Net sales	82,346	65,287	26	276,795	249,020	11
Cost of sales	(63,900)	(50,854)	26	(214,160)	(192,400)	11
Gross income	18,446	14,433	28	62,635	56,620	11
Gross margin, %	22.4	22.1	-	22.6	22.7	-
Research and development expenses	(3,443)	(2,380)	45	(11,059)	(8,354)	32
Selling expenses	(7,700)	(5,169)	49	(24,671)	(19,999)	23
Administrative expenses	(1,916)	(1,763)	9	(7,092)	(6,481)	9
Other operating income and expenses	(8)	(361)	-	249	(3,274)	-
Income from investments in associated companies	3	27	(89)	428	61	-
Income from other investments	15	13	15	93	141	(34)
Operating income	5,397	4,798	12	20,583	18,713	10
Operating margin, %	6.6	7.4	-	7.4	7.5	-

uct and market mix, with increased sales in Europe, made a positive contribution to the Group's earnings, and at the same time the Volvo Group's dealer operations and the products and services in the aftermarket business continue to show increased profitability. The strong demand in these markets has led to very high capacity utilization in the European industrial system resulting in higher production costs through overtime work, extra shifts and increased outsourcing activities.

In North America the operating income was affected by continued low demand and low

deliveries of trucks. Also during the fourth quarter of 2007, there was an increase in warranty reserves of SEK 370 M for some phased-out legacy engines and for truck engines produced for the North American market during 2007.

In the seasonally weak fourth quarter, Nissan Diesel's operations generated a contribution to operating income amounting to SEK 300 M, excluding negative effects from purchase price allocation (PPA) adjustments amounting to SEK 94 M. The PPA adjustments, mainly consisting of amortization of intangible and tangi-

ble assets, included a positive one-time effect of SEK 47 M as a consequence of additional adjustments to the PPA. A change in the consolidation method of Nissan Diesel's foreign subsidiaries had a positive impact on operating income amounting to SEK 63 M in the fourth quarter. For further information see Corporate acquisitions and divestments on page 27.

In the fourth quarter, Ingersoll Rand road development equipment operations posted an operating loss amounting to SEK 74 M, excluding negative effects from PPA adjustments amounting to SEK 45 M, whereof SEK 24 M is attributable to amortization of intangible and tangible assets and SEK 21 M is attributable to revaluation of inventories. The operating income was negatively affected by integration costs and weak demand in North America in a seasonally weak quarter.

In the fourth quarter of 2007, research and development expenses amounted to SEK 3,443 M (2,379). The net of research and development expense capitalization and amortization had a negative impact of SEK 325 M compared with a positive impact of SEK 258 M in the fourth quarter of 2006 due to lower capitalization and increased amortization.

The increase in selling and administrative expenses is primarily an effect of the acquired companies.

The combined effect of changed exchange rates, particularly for the USD, had an adverse effect on operating income of approximately SEK 200 M in the fourth quarter of 2007, compared with the same period in 2006.

In the fourth quarter of 2006 operating income was positively affected by SEK 357 from the positive outcome of an export credits

dispute in Brazil while at the same time being negatively affected by SEK 100 M from costs for capacity reductions in North America and SEK 258 M for reserves for the closure of Volvo Aero's operations in Bromma.

Strong operating cash flow in industrial operations

In the fourth quarter of 2007, operating cash flow from the industrial operations amounted to SEK 12.4 billion (7.4), as a consequence of significantly reduced working capital.

For the full year 2007, operating cash flow from the industrial operations amounted to SEK 15.2 billion (12.6).

Volvo Group's Customer Finance - solid performance

Total new financing volume in the fourth quarter of 2007 amounted to SEK 12.2 billion (10.1). In total, 13,928 new Volvo units (12,264) were financed during the quarter. In the markets where financing is offered, the average penetration rate in the fourth quarter was 24% (22).

During 2007, it was determined that Volvo should recognize SEK 3.0 billion in customer finance receivables, transferred to an external party by Nissan Diesel, based on the proportional share of the risks and rewards retained by Volvo. A corresponding amount is reported as a financial liability. For further information, see page 27.

At December 31, 2007 total assets in Customer Finance amounted to SEK 95 billion (80). Excluding the Nissan Diesel receivables, the credit portfolio grew by 12.6% (5.3), adjusted for exchange-rate movements.

Operating income in the fourth quarter amounted to SEK 378 M (372). Return on shareholders' equity for the rolling 12 months was 15.9% (13.2). The equity ratio at the end of

Income Statement Customer Finance

SEK M	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Finance and lease income	1,972	1,807	9	7,705	7,648	1
Finance and lease expenses	(1,168)	(1,006)	16	(4,535)	(4,487)	1
Gross income	804	801	0	3,170	3,161	0
Selling and administrative expenses	(364)	(347)	5	(1,437)	(1,286)	12
Credit provision expenses	(56)	(99)	(43)	(125)	(190)	(34)
Other operating income and expenses	(6)	17	-	41	1	-
Operating income	378	372	2	1,649	1,686	(2)
Income taxes	(66)	(149)	(55)	(502)	(589)	(15)
Income for the period	312	223	40	1,147	1,097	5
Return on Equity, 12 month moving values				15.9	13.2	-

the fourth quarter was 8.1% (10.2).

Write-offs in the fourth quarter amounted to SEK 72 M (74). The write-off ratio through December 31, 2007 was 0.29% (0.33). On December 31, 2007, the total credit reserves were 1.59% of the credit portfolio (2.01).

In the fourth quarter of 2007, income taxes include the reversal of an income tax reserve in France amounting to SEK 40 M. The same amount was reserved during the fourth quarter of 2006.

Volvo Group financial position

Strong growth and financial performance

In 2007, Volvo Financial Services (VFS) maintained the operating income level and improved the return on equity. VFS achieved good penetration levels and record new business volume. VFS has successfully increased its relevance in its markets, particularly in North America, where penetration was 25% (17) in the fourth quarter. During the fourth quarter, the credit portfolio increased by 10% in Europe, and the first financing contracts were concluded in the new business in Slovakia. Record volume in Eastern Europe led to an increase in the credit portfolio of 20% in the region. In addition, the Volvo Group acquisitions around the world provide opportunities to offer both wholesale and retail finance products to the new customers and dealer networks.

Overall, write-offs and delinquency remain at low levels within the credit portfolio although the continued turmoil in the financial markets and the slowdown in the global economy is expected to impact the transportation sector. Some softening is being experienced in North America, although delinquency, repossessions and write-offs are still at comparatively normal levels. VFS is monitoring the situation very carefully in order to react swiftly and decisively.

In Europe the process of transforming the organization is underway in order to align more closely with the other Business Areas and to be able to take advantage of organic growth opportunities.

The Volvo Group's Industrial Operations net financial debt amounted to SEK 4.3 billion at December 31, 2007, a decrease by 12.1 billion compared to the end of the third quarter 2007. Driver of this change is the strong cash flow during the fourth quarter, as a consequence of significantly reduced working capital. Compared to year-end 2006, the Industrial Operations net financial debt increased by SEK 27.4 billion as a consequence of the acquisitions and the transfer of capital to the shareholders during 2007.

During the fourth quarter the Volvo Group's total assets increased by SEK 18.8 billion. Liquid funds increased by SEK 6.1 billion and customer finance receivables by SEK 8.5 billion, of which SEK 3.0 billion are attributable to the adjustment of the acquisition balance of Nissan Diesel. For further information, see page 27.

During the fourth quarter the remaining minority (4%) in Nissan Diesel was purchased for an amount of SEK 0.4 billion, and at the end of 2007 Nissan Diesel is owned to 100% by AB Volvo.

At the end of the fourth quarter, the equity ratio in the customer finance operations was 8.1% (10.2). At December 31, 2007 shareholder's equity in the Group amounted to 82.8 billion.

Related-party transactions

Sales to associated companies amounted to SEK 1,096 M and purchasing from associated companies amounted to SEK 98 M during 2007. On December 31, 2007, receivables from associated companies amounted to SEK 397 M and liabilities to associated companies to SEK 19 M. Sales to related-party Renault SA amounted to SEK 151 M and purchasing from Renault SA to SEK 2 950 M during 2007. Receivables from Renault SA amounted to SEK 40 M and liabilities to Renault SA to SEK 1,089 M, at December 31, 2007.

Number of employees

On December 31, 2007, the Volvo Group had 101,698 employees, compared with 83,187 at year-end 2006. The increase is mainly related to acquired companies.

Business area overview

Net sales by business area SEK M	Fourth quarter		Change in %	Change in % ¹	Year	
	2007	2006			2007	2006
Trucks	57,012	45,023	27	11	187,892	171,265
Construction Equipment	15,523	11,170	39	23	53,633	42,131
Buses	5,173	4,586	13	16	16,608	17,271
Volvo Penta	2,859	2,612	9	10	11,719	10,774
Volvo Aero	1,992	2,126	(6)	10	7,646	8,233
Eliminations and other	(213)	(231)	-	-	(703)	(655)
Industrial operations	82,346	65,287	26	13	276,795	249,020
Customer Finance	1,972	1,807	9	-	7,705	7,648
Reclassifications and eliminations	238	533	-	-	905	2,168
Volvo Group	84,556	67,627	25	-	285,405	258,835

¹ Adjusted for exchange rates and acquired and divested units.

Operating income by business area SEK M	Fourth quarter		Change in %	Year	
	2007	2006		2007	2006
Trucks ¹	4,144	3,575	16	15,193	14,828
Construction Equipment	1,035	1,047	(1)	4,218	4,072
Buses	93	211	(56)	231	745
Volvo Penta	177	227	(22)	1,173	1,106
Volvo Aero	196	(147)	-	529	359
Group headquarter functions and other	(248)	(115)	-	(761)	(684)
Industrial operations¹	5,397	4,798	12	20,583	20,426
Goodwill adjustment	-	0	-	-	(1,712)
Industrial operations	5,397	4,798	12	20,583	18,713
Customer Finance	378	372	2	1,649	1,686
Volvo Group	5,775	5,170	12	22,231	20,399

¹ Excluding adjustment of goodwill in the subsidiary Mack Trucks in 2006.

Operating income by business area %	Fourth quarter		Year	
	2007	2006	2007	2006
Trucks ¹	7.3	7.9	8.1	8.7
Construction Equipment	6.7	9.4	7.9	9.7
Buses	1.8	4.6	1.4	4.3
Volvo Penta	6.2	8.7	10.0	10.3
Volvo Aero	9.8	(6.9)	6.9	4.4
Industrial operations¹	6.6	7.3	7.4	8.2
Industrial operations	6.6	7.3	7.4	7.5
Volvo Group	6.8	7.6	7.8	7.9

¹ Excluding adjustment of goodwill in the subsidiary Mack Trucks in 2006.

Trucks

- continued strong underlying profitability

- Continued growth with good profitability in Europe
- Weak sales and profit levels in North America
- Significant increase in warranty reserves for North America

Diverging market development

Demand is on very high levels on most of the world's larger truck markets, with the exception of North America and Japan. During 2007, the European market continued to develop strongly, and the total number of registrations in the EU, Norway and Switzerland increased by 9% to 328,557 heavy trucks (301,570). The development was especially strong in Eastern Europe where the rapid economic growth and an increased transport need drive demand for heavy trucks.

During 2007, the total market for heavy trucks (Class 8) in North America declined by 40% to 207,847 trucks, compared with 348,866 trucks in 2006. The decrease is a consequence of large pre-buy volumes during 2006, the softer US economy with lower freight volumes during 2007 and a drop-off in housing construction.

In Brazil the market grew by 45% to 57,817 heavy trucks (39,873). In Asia the positive development continued in China whereas the market in Japan declined. According to preliminary figures, the Chinese market for trucks over 14 tons grew by 58% to approximately 490,000 trucks (310,000). In India the market continued on a high level and amounted to 193,105 trucks

SEK M	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Europe	32,313	24,933	30	108,651	93,282	16
North America	7,966	12,097	(34)	27,255	50,605	(46)
South America	3,691	2,535	46	11,483	9,213	25
Asia	6,854	2,830	142	26,593	8,975	196
Other markets	6,188	2,628	136	13,910	9,190	51
Total	57,012	45,023	27	187,892	171,265	10

(196,519). The Japanese market for heavy trucks amounted to 42,717 vehicles (49,295), which was a 13% decrease. Demand for trucks is very strong in the Middle East. As of September, the import of heavy trucks to the region increased by 38% to 29,000 trucks (21,000) with Saudi Arabia and Turkey recording growth of 38% and 63% respectively.

The total European market (EU29) is currently limited by the production capacity of the industry, where order backlogs are substantial and delivery times are long. The strained production in Europe affects the supply of trucks also on markets in Asia, the Middle East and South America. Order backlogs for 2008 indicate a continued growth in the European heavy truck market by some 5-10% compared with 2007.

As expected, demand in North America

remains low, reflecting the weakening economy. This has resulted in lower profitability in the transport industry along with a relatively high level of inventories of new trucks at the dealers. Forecasting the market is difficult, but current expectations are a demand for trucks in 2008 on the same level as in 2007.

Continued high level of order bookings in Europe

During the fourth quarter, the truck operation's order bookings increased by 23% to 76,417 trucks (61,999). Excluding Nissan Diesel, order bookings increased by 3%. Order bookings in Europe declined by 8%, in comparison with the exceptionally strong fourth quarter of 2006, which was affected by pre-buys prior to price-increases announced by Renault Trucks. The levelling-off comes after a long period of con-





tinually increasing orders, which has led to long delivery times.

Even though order bookings in North America rose in comparison to 2006, they continued to be on a low level with construction trucks being affected the most.

Nissan Diesel's order bookings declined by 32% as a consequence of fewer orders of light trucks from Nissan Motors. Excluding the Nissan Motors business, order bookings declined by 5%.

Deliveries increased

The delivery pace of the truck operations increased substantially during the fourth quarter on all markets but North America. Capacity utilization in the European plants was in general very high. During the second half of 2007 efforts have been made to increase capacity in the European production system even further.

In total, 76,525 trucks were delivered during the quarter, compared with 58,789 trucks in the same period of the preceding year. The large increases in Asia and Other markets is mainly an effect of Nissan Diesel being included in the deliveries. Excluding Nissan Diesel, deliveries in Asia were down by 2% and by 4% in Other markets.

During the fourth quarter, Nissan Diesel's total deliveries declined to 14,585 trucks compared with 17,780 trucks the same period in the preceding year. The lower deliveries are a consequence of significantly lower sales of light trucks to Nissan Motors, which was partly offset by increased deliveries of heavy-duty trucks.

Order bookings per market

Number of trucks	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Europe	41,403	44,888	(8)	174,987	141,039	24
North America	8,512	7,517	13	24,886	45,587	(45)
South America	5,483	3,174	73	17,390	11,829	47
Asia	4,641	3,491	33	15,909	14,140	13
Other markets	4,066	2,929	39	11,930	11,716	2
Summa	64,105	61,999	3	245,102	224,311	9
Nissan Diesel ¹	12,312	-	-	37,894	-	-
Total	76,417	61,999	23	282,996	224,311	26

¹ Nissan Diesel was not part of the Volvo Group during 2006. Nissan Diesel's order bookings amounted to 18,084 trucks during the fourth quarter of 2006 and to 53,973 trucks during the second to fourth quarter of 2006.

Deliveries per market¹

Number of trucks	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Europe	39,740	30,358	31	128,070	114,417	12
North America	11,222	17,672	(36)	33,280	70,499	(53)
South America	4,819	2,863	68	15,264	11,646	31
Asia	14,097	4,590	207	39,916	12,817	211
Other markets	6,647	3,306	101	19,826	10,552	88
Total	76,525	58,789	30	236,356	219,931	7

¹ Nissan Diesel is included in the deliveries during the second to fourth quarter of 2007, but not in the figures for 2006.

North American deliveries decreased as a consequence of lower demand. Even though dealer inventories of trucks equipped with engines compliant with the old emission legislation (US04) decreased during the quarter, they remain at higher levels than expected. The Group's North American truck operations continues to focus on converting existing dealer inventory into retail sales and giving customers experience with trucks equipped with the new generation of engines (US07) to spur orders.

Good profitability in Europe

During the fourth quarter, the truck operation's net sales amounted to SEK 57,012 M, which was an increase of 27% compared with SEK 45,023 during the same quarter in 2006. Nissan Diesel contributed with SEK 7,849 M to net sales. Adjusted for changes in exchange rates and Nissan Diesel, net sales increased by 11%.

Operating income rose by 16% to SEK 4,144 M (3,575). Operating margin amounted to 7.3%



(7.9). The good demand and competitive products contributed to favorable price realization in Europe, South America and large parts of Asia. An advantageous product and market mix with increased deliveries in Europe also contributed to the higher earnings as did the increased profitability in the dealer network and the after-market business. On the other hand, operating income was negatively affected by increased research and development expenses, which is a consequence of higher amortization of previously capitalized R&D expenses and lower capitalization of current R&D expenses.

The production increase in Europe resulted in higher production costs through overtime, extra shifts and increased outsourcing activities. In North America the operating income was affected by continued low deliveries of trucks and an increase in warranty reserves for phased-out legacy engines and quality issues on truck engines produced for the North American market during 2007.

Nissan Diesel's operations contributed SEK 300 M to operating income during the season-

ally weak fourth quarter, excluding negative effects from purchase price allocation adjustments (PPA) amounting to a total of SEK 94 M attributable to amortization of intangible and tangible assets. A change in the consolidation method of Nissan Diesel's foreign subsidiaries had a positive impact on operating income amounting to SEK 63 M in the fourth quarter. For further information, see page 28. Nissan Diesel had an operating margin of 3.8% before PPA adjustments.

Net sales for the full year increased by 10% to SEK 187,892 M (171,265). Operating income amounted to SEK 15,193 M (14,828 excluding adjustment of goodwill in Mack Trucks), while the operating margin was 8.1% (8.7).

New generations of heavy trucks in Europe

In December 2007, Volvo Trucks announced the launch of a new generation of heavy trucks in Europe. Both the Volvo FH, the company's best-seller in the long-haul segment, and the Volvo FH16, the flagship model with the mar-

ket's highest torque, are being significantly upgraded. Production start is scheduled for autumn 2008. However, customers could start placing orders for the new trucks already in December.

Also in December 2007, Renault Trucks announced the launch of a new Renault Magnum, featuring an upgraded cab. Production will start mid 2008. However customers could place orders for the new trucks already in December.

After a brief rate increase in late 2007 to address orders that weren't filled due to production disturbances earlier in the year, the production rate at the New River Valley plant as of February was to be returned to a level better adapted to current demand. The decision means that 500 to 600 employees should have been released during February. However, as of February 1, 2008 the production at the plant has been halted after a decision by the American autoworker's union UAW to go on strike. For further information, see page 26.

Construction Equipment - strong growth

- Sales up 39%
- Operating income affected by product introductions, integration costs and currency
- Extensive product renewal in 2007



Heavy equipment in North America down 20%

The total European market increased by 4% and the Asian market by 24% with a strong contribution from China, up 76%. Other markets rose by 40%. In North America the total market declined by 7%, primarily due to lower activities in the housing construction market.

Market conditions for 2008 are expected to remain favorable, although not as good as 2007. The European market is expected to grow 0-5% in 2008. North America is expected to decline with another 5-10% whilst the rest of the world is expected to compensate for the U.S. down-turn with an expected growth of 10-15%.

During the fourth quarter, order bookings remained on a good level and the value of the order book at December 31 was 48% higher than the same date the preceding year, excluding Lingong and Ingersoll Rand's road development equipment division.

Increased sales

Net sales in Construction Equipment rose by 39% to SEK 15,523 M (11,170) in the fourth quarter. Adjusted for changes in the exchange rates and the acquisitions of Lingong and Ingersoll Rand's, road division, net sales rose by 23%.

Operating income declined by 1% to SEK 1,035 M (1,047) and the operating margin was 6.7% (9.4). The operating income was negatively impacted by increased production costs, introduction of new components, integration costs and exchange rates.

In the fourth quarter, the acquired Ingersoll Rand's road development equipment division

Net sales by market area, Construction Equipment

SEK M	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Europe	7,826	5,685	38	25,294	20,326	24
North America	2,422	2,202	10	11,170	11,280	(1)
South America	684	370	85	2,155	1,358	59
Asia	3,781	1,996	89	12,179	6,903	76
Other markets	810	917	(12)	2,835	2,264	25
Total	15,523	11,170	39	53,633	42,131	27

Total market development in the fourth quarter

Unit sales in %	Europe	North America	Asia	Other markets	Total
Heavy equipment	6	(20)	34	23	12
Compact equipment	4	(0)	17	60	40
Total	4	(7)	24	40	12

had sales of SEK 1,038 M and an operating loss of SEK 74 M excluding negative acquisition adjustments of SEK 45 M. In the seasonally weak fourth quarter the result was negatively impacted by integration costs and a weak US market, while Lingong's sales amounted to SEK 1,066 M and operating income was SEK 49 M.

For the full year 2007 Construction Equipment's sales increased 27% to SEK 53,633 M (42,131), operating income rose 4% to SEK 4,218 M (4,072) and the operating margin was 7.9% (9.7).

Focusing on integration and profitability

During 2007 Volvo CE reached a milestone of over SEK 50 billion in sales and an operating income of more than SEK 4 billion. The product offering increased by 100 products from acquired companies, while at the same time new generations of existing machinery were launched - a total of 46.

The number of units sold including Lingong and Ingersoll Rand Road Development increased by 72% to over 64,000 (37,000). During this year of unprecedented organic growth and acquisitions, Volvo CE has succeeded in establishing a strong foothold in Asia through the acquisition of Lingong and entered into the road construction equipment business as one of the world's leading manufacturers.

Focus in 2008 will be on integration to drive synergies and improve profitability. Activities to improve the profit level include the elimination of production bottlenecks to improve industrial productivity, cost reductions and active price management.

In November Volvo CE launched the range of re-branded road machinery in Volvo livery at the EXCON exhibition in India. Investment in infrastructure and highways in particular, is high on the agenda in one of the world's fastest growing economies.

Buses – sales increased but profitability weakened

- Increased deliveries
- Operating income impacted by campaign costs and losses in Mexico
- Big interest in Hybrids

Varying market trends

Trends in the bus markets vary in the different regions. During the second half of 2007, the North American coach market declined by 30%. The city bus market remains steady and demand for hybrids rose in the US and Canada. In South America, the intercity and coach market in Brazil rose 80% compared with 2006. The rest of South America shows a high level of activity, but about 5-10% lower than in 2006. In Asia, primarily India and China, continued growth was noted. Exports from China to the rest of Asia and competition from other low-cost producers became increasingly more intense. The Mexican coach market declined by 25% during 2007. There is strong interest in the Bus Rapid Transport segment. The situation in Europe was mixed. Volvo Buses core markets, the Nordic countries, UK and Central Europe, are declining, while Southern and Eastern Europe show increased growth.

Higher deliveries but lower order bookings

Volvo Buses' order bookings in the fourth quarter amounted to 2,717 buses, compared with 3,258 in the preceding year, a 17% decline. The order bookings declined primarily in Europe, North America and China. During the quarter, 3,412 buses (2,464) were delivered, an increase of 38%. All regions posted higher

SEK M	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Europe	2,365	2,339	1	7,767	7,924	(2)
North America	1,456	1,339	9	4,630	4,910	(6)
South America	667	279	139	1,623	1,537	6
Asia	473	387	22	1,802	2,003	(10)
Other markets	212	242	(12)	786	897	(12)
Total	5,173	4,586	13	16,608	17,271	(4)

deliveries, except Mexico and Asia Pacific. The order backlog at the end of the fourth quarter was 4,720 (5,631), a decline of 16%.

Weaker earnings in fourth quarter

Net sales in the fourth quarter increased by 13% to SEK 5,173 M, compared with SEK 4,586 M a year earlier. Adjusted for changed exchange rates, net sales increased by 16%. Operating income declined to SEK 93 M (211) impacted by costs for disruptions related to product projects and engines, weak results in Mexico and a negative currency development.

For the full year 2007, net sales declined 4% to SEK 16,608 M (17,271). Operating income amounted to SEK 231 M (745), and the operating margin was 1.4 % (4.3).

Staffan Jufors, president of Volvo Trucks, has been appointed new Chairman of the Board of Volvo Buses, with the aim of supporting Volvo Buses profitability development and increasing synergies with the Group's truck operations.

Volvo Buses is implementing strong profitability programs in all regions. Areas in focus are to reduce product costs in all markets, establish new work methods linked to Volvo Buses' production principles and to optimize Volvo Buses' industrial system.

Production started in the new bus plant in Bangalore, India, during the fourth quarter. The company, which is a joint venture with Jaico Automobiles, will sell complete Volvo buses, with bodies added at the new plant. The plant will manufacture products for the Indian market as well as for export to such markets as Africa, the Middle East and Southeast Asia.

During the fourth quarter, Prevost Car took a major stride toward increased component commonality with the rest of Volvo Buses through beginning to offer its customers Prevost buses with Volvo Powertrain's US-manufactured 13-liter engine.



Volvo Penta - increased sales

- Somewhat weaker overall market for marine engines
- Strong growth for industrial engines
- A 9% increase in sales

Stronger marine market in Europe, weaker in the US

The overall European market for marine engines continued to be strong during the fourth quarter, mainly due to strong demand for larger leisure boats from around 35 feet and up. In the US, on the other hand, a continuous weakening total market for marine engines was noted.

Total demand for industrial engines strengthened in Europe and the Far East and in many other developing markets such as India and Turkey.

SEK M	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Europe	1,640	1,487	10	6,798	6,111	11
North America	646	591	9	2,674	2,815	(5)
South America	91	70	30	274	221	24
Asia	391	384	2	1,624	1,359	19
Other markets	91	80	14	349	268	30
Total	2,859	2,612	9	11,719	10,774	9

Volvo Penta has continued to strengthen its market share on the marine side, not least on the market for gasoline-powered engines in the US. In the inboard segment, Volvo Penta has strengthened its position considerably thanks to a strong development for the IPS drive system. During the fourth quarter, the number of IPS systems was 80% higher than during the corresponding period the preceding year.

On December 31, 2007, the volume in the order book was on the same level as a year earlier.

Sales increased by 9%

During the fourth quarter, Volvo Penta's sales amounted to SEK 2,859 M (2,612), which was an increase of 9% compared with the preceding year. Adjusted for exchange-rate differences net sales increased by 10%. Sales among the business segments were: Marine Leisure SEK 1,773 M (1,609), Marine Commercial SEK 306 M (275) and Industrial SEK 780 M (718).

Operating income amounted to SEK 177 M (227). Operating income was negatively

Volvo Aero - strong fourth quarter

- Strong top line growth in the component business
- Order book in component business increased by 19%
- Acquisition of Applied Composites AB

Substantial backlog for large aero engines

World airline passenger traffic increased 4.8% in November and 4.7 % in the first eleven months of 2007. Order bookings for large commercial jets continued to increase and the backlog at the end of the year grew to 6,848 aircraft. At current production rates, the backlog represents about seven years. Continuing demand for new commercial jet aircraft is also pushing up engine requirements. The engine

order book increased to 14,404 large engines at the end of December, an increase of 35%. Deliveries of large commercial aircraft increased 7%, to 894 aircraft in 2007.

The success for Volvo Aero's largest commercial engine project (GENx) continued, as a result of the sales success of Boeing 787 and 747-8. The GENx engine program has now accumulated 1,112 engines on the 787 and 747-8, which corresponds to an increase in the order book by more than 40% compared to a



SEK M	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Europe	969	964	1	3,462	3,798	(9)
North America	914	1,037	(12)	3,723	3,815	(2)
South America	18	31	(42)	127	173	(27)
Asia	63	71	(11)	234	356	(34)
Other markets	28	23	22	100	91	10
Total	1,992	2,126	(6)	7,646	8,233	(7)



affected by decided investments in future logistics and IT infrastructure in order to secure higher capacity utilisation and shorter lead times. The operating margin amounted to 6.2% (8.7).

For the full year 2007, net sales increased 9% to SEK 11,719 M (10,774). Operating income rose 6% to SEK 1,173 M (1,106), and the operating margin was 10.0% (10.3).

New power generation engines

During the fourth quarter, Volvo Penta launched a new 13-liter industrial engine based on the Volvo Group's common diesel engine platform. The new engine is available in three versions adapted for diesel powered generation engines – gensets – Volvo Penta's most important segment within industrial engines. During the quarter, Volvo Penta also launched upgraded versions of its 16-liter marine genset for commercial vessels.

year ago. In January, Boeing confirmed that first flight of the 787 has been delayed to around the end of the second quarter. Deliveries are expected to begin early 2009.

For Volvo Aero, order bookings remain strong and the value of the order book in the component business at December 31 was 19% higher than at the same date in the preceding year.

Commercial component business continues to grow

During the fourth quarter, Volvo Aero's sales amounted to SEK 1,992 M, (2,126) which was 6% lower than in the same period the preceding year, mainly due to currency and the Bromma plant closure. Adjusted for currency and the closure of the Bromma plant, sales rose by 10%.

Operating income increased to SEK 196 M (-147) and the operating margin to 9.8% (-6.9). Despite higher material cost, the component business continued to show good profitability

and high volumes in the fourth quarter. In addition, strong military volumes and improved profitability within the aftermarket business contributed to the result. Last year's income was impacted by provisions of SEK 258 M for the closure of the Bromma plant.

For the full year, net sales decreased by 7% to SEK 7,646 M (8,233). Operating income increased by 47% to SEK 529 M (359). The operating margin increased to 6.9 % (4.4).

Volvo Aero acquired a composite company to develop lighter aircraft engines

In December, the composite company Applied Composites AB (ACAB) in Linköping, Sweden was acquired, as part of Volvo Aero's investment in lightweight technologies. In addition, the acquisition provides the whole Volvo Group with composite light weight technologies.

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Income statements Volvo Group fourth quarter

SEK M	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Net sales	82,346	65,287	1,972	1,807	239	533	84,556	67,627
Cost of sales	(63,900)	(50,854)	(1,168)	(1,006)	(239)	(533)	(65,306)	(52,393)
Gross income	18,446	14,433	804	801	0	0	19,250	15,234
Research and development expenses	(3,443)	(2,380)	0	0	0	0	(3,443)	(2,380)
Selling expenses	(7,700)	(5,170)	(348)	(306)	0	0	(8,048)	(5,475)
Administrative expenses	(1,916)	(1,764)	(16)	(41)	0	0	(1,932)	(1,805)
Other operating income and expenses	(8)	(361)	(62)	(83)	0	0	(71)	(444)
Income from investments in associated companies	3	26	0	1	0	0	3	27
Income from other investments	14	13	0	0	0	0	14	13
Operating income	5,397	4,798	378	372	0	0	5,775	5,170
Interest income and similar credits	326	253	0	0	(69)	(60)	257	193
Interest expenses and similar charges	(385)	(191)	0	0	69	60	(317)	(131)
Other financial income and expenses	(106)	(7)	0	0	0	0	(106)	(7)
Income after financial items	5,232	4,854	378	372	0	0	5,609	5,226
Income taxes	(1,450)	(1,377)	(66)	(149)	0	0	(1,515)	(1,525)
Income for the period*	3,782	3,476	312	223	0	0	4,094	3,701
* Attributable to:								
Equity holders of the parent company							4,059	3,697
Minority interests							35	4
							4,094	3,701
Basic earnings per share, SEK							2,00	1,83
Diluted earnings per share, SEK							2,00	1,83

Income statements Volvo Group year

SEK M	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Net sales	276,795	249,020	7,705	7,648	905	2,168	285,405	258,835
Cost of sales	(214,160)	(192,400)	(4,535)	(4,487)	(905)	(2,168)	(219,600)	(199,054)
Gross income	62,635	56,620	3,170	3,161	0	0	65,805	59,781
Research and development expenses	(11,059)	(8,354)	0	0	0	0	(11,059)	(8,354)
Selling expenses	(24,671)	(19,999)	(1,397)	(1,214)	0	0	(26,068)	(21,213)
Administrative expenses	(7,092)	(6,481)	(40)	(70)	0	0	(7,133)	(6,551)
Other operating income and expenses	249	(3,274)	(86)	(192)	0	0	163	(3,466)
Income from investments in associated companies	428	60	2	1	0	0	430	61
Income from other investments	93	141	0	0	0	0	93	141
Operating income	20,583	18,713	1,649	1,686	0	0	22,231	20,399
Interest income and similar credits	1,105	897	0	0	(153)	(231)	952	666
Interest expenses and similar charges	(1,275)	(816)	0	0	153	231	(1,122)	(585)
Other financial income and expenses	(505)	(181)	0	0	0	0	(505)	(181)
Income after financial items	19,908	18,613	1,649	1,686	0	0	21,557	20,299
Income taxes	(6,027)	(3,392)	(502)	(589)	0	0	(6,528)	(3,981)
Income for the period*	13,881	15,221	1,147	1,097	0	0	15,028	16,318
* Attributable to:								
Equity holders of the parent company							14,933	16,268
Minority interests							96	50
							15,028	16,318
Basic earnings per share, SEK							7,37	8,04
Diluted earnings per share, SEK							7,37	8,03

Balance Sheets Volvo Group

SEK M	Industrial operations		Customer Finance		Elim and reclassifications		Total	
	Dec 31 2007	Dec 31 2006	Dec 31 2007	Dec 31 2006	Dec 31 2007	Dec 31 2006	Dec 31 2007	Dec 31 2006
Assets								
Non-current assets								
Intangible assets	36,441	19,054	67	62	0	0	36,508	19,117
Tangible assets								
Property, plant and equipment	47,132	34,291	78	88	0	0	47,210	34,379
Assets under operating leases	13,850	11,822	288	279	8,364	8,400	22,502	20,501
Financial assets								
Shares and participations	2,189	6,862	30	29	0	0	2,219	6,890
Long term customer financing receivables	444	582	47,870	39,276	(7,828)	(7,769)	40,486	32,089
Deferred tax assets	8,434	6,300	346	354	3	9	8,783	6,663
Other long-term receivables	5,601	4,958	39	27	(861)	(585)	4,779	4,400
Total non-current assets	114,091	83,869	48,718	40,115	(322)	55	162,487	124,039
Current assets								
Inventories	43,264	33,894	381	317	0	0	43,645	34,211
Short-term receivables								
Customer-financing receivables	789	611	42,695	36,979	(5,123)	(4,937)	38,361	32,653
Current tax assets	1,660	1,196	43	25	0	0	1,703	1,221
Other receivables	53,976	44,561	1,713	1,145	(11,272)	(11,307)	44,417	34,399
Non-current assets held for sale	-	805	-	-	-	-	-	805
Marketable securities	16,488	20,324	2	18	0	0	16,490	20,342
Cash and cash equivalents	13,538	9,618	1,053	1,203	(47)	(64)	14,544	10,757
Total current assets	129,715	111,009	45,887	39,687	(16,442)	(16,308)	159,160	134,388
Total assets	243,806	194,878	94,605	79,802	(16,764)	(16,253)	321,647	258,427
Shareholders' equity and liabilities								
Equity attributable to the equity holders of the parent company								
Minority interests	74,550	78,763	7,652	8,141	0	0	82,202	86,904
Total shareholders' equity*	75,129	79,047	7,652	8,141	0	0	82,781	87,188
Non-current provisions								
Provisions for post-employment benefits	9,746	8,664	28	28	0	0	9,774	8,692
Provisions for deferred taxes	7,868	3,315	1,259	1,107	0	0	9,127	4,422
Other non-current provisions	7,067	6,507	95	87	139	156	7,301	6,750
Non-current liabilities	41,339	24,458	42,285	32,654	(11,895)	(11,654)	71,729	45,457
Current provisions	10,437	9,643	129	48	90	109	10,656	9,799
Current liabilities								
Loans	40,539	25,615	4,382	2,675	(49)	(44)	44,872	28,247
Liabilities associated with assets held for sale	-	280	-	-	-	-	-	280
Trade payables	52,376	37,831	287	252	0	0	52,663	38,080
Current tax liabilities	0	1,164	451	637	0	0	451	1,801
Other current liabilities	(695)	(1,646)	38,037	34,173	(5,049)	(4,820)	32,293	27,711
Total shareholders' equity and liabilities	243,806	194,878	94,605	79,802	(16,764)	(16,253)	321,647	258,427
Contingent liabilities							8,153	7,726

2006 is restated according to new reporting structure for the Volvo Group. Shareholders' equity in Customer Finance operations have been adjusted by 650 compared to press release April 17, 2007.

Cash flow statements fourth quarter

SEK bn	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Operating activities								
Operating income	5.4	4.8	0.4	0.4	(0.1)	0.0	5.7	5.2
Depreciation and amortization	3.1	2.2	(0.1)	0.1	0.7	0.8	3.7	3.1
Other non-cash items	0.3	0.2	0.1	0.3	(0.2)	(0.3)	0.2	0.2
Change in working capital	8.9	3.8	(5.2)	(1.7)	0.4	(0.2)	4.1	1.9
Financial items and income taxes paid	(1.9)	(1.0)	(0.3)	(0.2)	0.4	(0.1)	(1.8)	(1.3)
Cash flow from operating activities	15.8	10.0	(5.1)	(1.1)	1.2	0.2	11.9	9.1
Investing activities								
Investments in fixed assets	(3.4)	(2.8)	(0.2)	0.0	0.1	0.0	(3.5)	(2.8)
Investment in leasing vehicles	(0.1)	(0.1)	(0.1)	(0.2)	(1.6)	(1.0)	(1.8)	(1.3)
Disposals of fixed assets and leasing vehicles	0.1	0.3	0.2	0.0	0.4	0.4	0.7	0.7
Operating cash flow	12.4	7.4	(5.2)	(1.3)	0.1	(0.4)	7.3	5.7
Investments and divestments of shares, net							0.0	0.0
Acquired and divested operations, net							(0.5)	0.1
Interest-bearing receivables incl marketable securities							(1.9)	(2.0)
Cash-flow after net investments							4.9	3.8
Financing activities								
Change in loans, net							(0.7)	(2.0)
Dividend to AB Volvo shareholders							-	-
Other							0.0	0.0
Change in cash and cash equivalents excl. translation differences							4.2	1.8
Translation difference on cash and cash equivalents							0.1	(0.2)
Change in cash and cash equivalents							4.3	1.6

Cash flow statement year

SEK bn	Industrial operations		Customer Finance		Elim and reclassifications		Volvo Group Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Operating activities								
Operating income	20.6	18.7	1.7	1.7	(0.1)	0.0	22.2	20.4
Depreciation and amortization	10.3	9.8	0.1	0.4	2.0	2.2	12.4	12.4
Other non-cash items	(0.4)	0.2	0.1	0.7	(0.2)	(0.2)	(0.5)	0.7
Change in working capital	(0.1)	(3.1)	(10.2)	(3.6)	0.4	(1.0)	(9.9)	(7.7)
Financial items and income taxes paid	(6.0)	(3.7)	(0.4)	(0.6)	0.5	0.0	(5.9)	(4.3)
Cash flow from operating activities	24.4	21.9	(8.7)	(1.4)	2.6	1.0	18.3	21.5
Investing activities								
Investments in fixed assets	(10.1)	(9.7)	0.0	(0.3)	0.0	0.0	(10.1)	(10.0)
Investment in leasing vehicles	(0.2)	(0.5)	(0.3)	(0.6)	(4.3)	(3.5)	(4.8)	(4.6)
Disposals of fixed assets and leasing vehicles	1.1	0.9	0.4	0.5	1.5	1.8	3.0	3.2
Operating cash flow	15.2	12.6	(8.6)	(1.8)	(0.2)	(0.7)	6.4	10.1
Investments and divestments of shares, net							0.4	(5.8)
Acquired and divested operations, net							(15.0)	0.5
Interest-bearing receivables incl marketable securities							3.6	7.7
Cash-flow after net investments							(4.6)	12.5
Financing activities								
Change in loans, net							28.7	(2.6)
Dividend and payment for redemption of shares to AB Volvo shareholders							(20.3)	(6.8)
Other							0.0	0.0
Change in cash and cash equivalents excl. translation differences							3.8	3.1
Translation difference on cash and cash equivalents							0.0	(0.5)
Change in cash and cash equivalents							3.8	2.6

Net financial position

SEK M	Industrial operations		Volvo Group	
	31 dec 2007	31 dec 2006	31 dec 2007	31 dec 2006
Long term customer finance receivables	-	-	40,486	32,089
Long term interest-bearing receivables	3,928	3,514	3,150	3,150
Short term customer finance receivables	-	-	38,361	32,653
Short term interest bearing receivables	9,773	9,751	1,380	966
Non-current assets held for sale, interest-bearing	0	5	0	5
Marketable securities	16,488	20,324	16,490	20,342
Cash and bank	13,538	9,618	14,544	10,757
Total financial assets	43,727	43,212	114,411	99,962
Provision for post employment benefits	9,746	8,664	9,774	8,692
Interest-bearing liabilities	38,286	11,465	108,318	66,957
Liabilities associated with assets held for sale, interest-bearing	0	7	0	7
Total financial debt	48,032	20,136	118,092	75,656
Net financial position	(4,305)	23,076	(3,681)	24,306

Changes in net financial position, Industrial operations

SEK bn	Fourth quarter 2007	Year 2007
Beginning of period	(16.4)	23.1
Cash flow from operating activities	15.8	24.4
Investments in fixed assets	(3.5)	(10.3)
Disposals	0.1	1.1
Operating cash-flow	12.4	15.2
Investments and divestments of shares, net	0.0	0.4
Acquired and divested operations, net	(0.5)	(25.9)
Capital injections to/from Customer Finance operations	0.3	2.1
Currency effect	(0.1)	1.0
Dividend and payment for redemption of shares to AB Volvo shareholders	0.0	(20.3)
Other	0.0	0.1
Total change	12.1	(27.4)
Net financial position at end of period	(4.3)	(4.3)

2006 is restated according to new reporting structure for the Volvo Group. Shareholders' equity in Customer Finance operations have been adjusted by 650 compared to press release April 17, 2007.

Change in shareholders equity

SEK bn	Year	
	2007	2006
Total equity at beginning of period	87.2	78.8
Shareholders' equity attributable to equity holders of the parent company at beginning of period	86.9	78.5
Translation differences	1.1	(2.7)
Translation differences on hedge instruments of net investments in foreign operations	(0.1)	0.1
Available-for-sale investments	(0.2)	0.4
Cash flow hedges	(0.3)	1.0
Net income recognized directly in equity	0.5	(1.2)
Income for the period	14.9	16.3
Total recognized income and expense for the period	15.4	15.1
Dividend and payment for redemption of shares to AB Volvo shareholders	(20.3)	(6.8)
Share-based payments	0.2	0.2
Change in consolidation of Nissan Diesel	0.0	-
Other changes in Nissan Diesel's equity	-	(0.1)
Other changes	0.0	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	82.2	86.9
Minority interests at beginning of period	0.3	0.3
Translation differences	0.0	0.0
Net income recognized directly in equity	0.0	0.0
Income for the period	0.1	0.0
Total recognized income and expense for the period	0.1	0.0
Cash dividend	(0.1)	0.0
Minority regarding new acquisitions	0.3	-
Other changes	0.0	0.0
Minority interests at end of period	0.6	0.3
Total equity at end of period	82.8	87.2

Key ratios

Industrial operations

	Year	
	2007	2006
Gross margin	22.6	22.7
Research and development expenses in % of net sales	4.0	3.4
Selling expenses in % of net sales	8.9	8.0
Administrative expenses in % of net sales	2.6	2.6
Operating margin	7.4	7.5
	Dec 31	Dec 31
	2007	2006
Return on operating capital, %, 12 months rolling values	26.4	34.3
Net financial position at end of period, SEK billion	(4.3)	23.1
Net financial position in % of shareholders' equity at end of period	(5.7)	29.2
Shareholders' equity as percentage of total assets, end of period	30.8	40.6

Customer finance

	Dec 31	Dec 31
	2007	2006
Return on shareholders' equity, %, 12 months rolling values	15.9	13.2
Shareholders' equity as percentage of total assets, end of period	8.1	10.2
Asset growth, % from preceding year end until end of period	18.5	(2.3)

Volvo Group

	Year	
	2007	2006
Gross margin	23.1	23.1
Research and development expenses in % of net sales	3.9	3.2
Selling expenses in % of net sales	9.1	8.2
Administrative expenses in % of net sales	2.5	2.5
Operating margin	7.8	7.9
	Dec 31	Dec 31
	2007	2006
Basic earnings per share, SEK, 12 months rolling values	7.37	8.04
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	41	43
Return on shareholders' equity, %, 12 months rolling values	18.1	19.6
Shareholders' equity at end of period as percentage of total assets	25.7	33.7

Share data

	Year	
	2007	2006
Basic earnings per share, SEK	7.37	8.04
Diluted earnings per share, SEK	7.37	8.03
Number of shares outstanding, million	2,026	404.8
Average number of shares during period, million	2,025	404.7
Average diluted number of shares during period	2,026	405.0
Number of company shares, held by AB Volvo	103	20.9
Average number of company shares, held by AB Volvo	103	21.1

Quarterly figures

SEK M unless otherwise stated

	4/2006	1/2007	2/2007	3/2007	4/2007
Industrial operations					
Net sales	65,287	58,857	69,339	66,253	82,346
Cost of sales	(50,854)	(45,175)	(53,706)	(51,379)	(63,900)
Gross income	14,433	13,682	15,633	14,874	18,446
Research and development expenses	(2,380)	(2,334)	(2,679)	(2,603)	(3,443)
Selling expenses	(5,169)	(4,972)	(5,793)	(6,206)	(7,700)
Administrative expenses	(1,763)	(1,822)	(1,706)	(1,649)	(1,916)
Other operating income and expenses	(362)	297	(122)	82	(8)
Income from investments in associated companies	26	81	317	27	3
Income from other investments	13	1	48	30	15
Operating income Industrial operations¹	4,798	4,933	5,698	4,555	5,397
Customer Finance					
Finance and lease income	1,807	1,805	1,894	2,034	1,972
Finance and lease expenses	(1,006)	(1,042)	(1,098)	(1,228)	(1,168)
Gross income	801	763	796	806	804
Selling and administrative expenses	(347)	(354)	(359)	(360)	(364)
Credit provision expenses	(99)	(33)	(32)	(5)	(56)
Other operating income and expenses	17	19	16	13	(6)
Operating income Customer Finance	372	395	421	454	378
Volvo Group					
Operating income	5,170	5,328	6,119	5,010	5,775
Interest income and similar credits	194	241	249	206	257
Interest expense and similar credits	(132)	(148)	(332)	(325)	(317)
Other financial income and costs	(6)	(14)	(65)	(320)	(106)
Income after financial items	5,226	5,407	5,971	4,571	5,610
Income taxes	(1,525)	(1,651)	(1,941)	(1,422)	(1,515)
Income for the period*	3,701	3,756	4,030	3,149	4,094
* Attributable to					
Equity holders of AB Volvo	3,697	3,753	4,003	3,118	4,059
Minority interests	4	3	27	31	35
	3,701	3,756	4,030	3,149	4,094

Share data

Earnings per share, SEK ¹	1.83	1.85	1.98	1.54	2.00
Number of shares outstanding, million	404.8	405.1	2,026	2,026	2,026
Average number of shares during period, million	404.8	404.9	2,026	2,026	2,026
Number of company shares, held by AB Volvo	20.9	20.6	103	103	103

Depreciation and amortization included above

Industrial operations	2,359	2,041	2,465	2,292	2,925
Customer Finance	81	37	36	92	-18
Classification Group versus segment Customer Finance ²	630	626	629	528	758
Total	3,070	2,704	3,130	2,912	3,665

Key operating ratios, Industrial operations

Gross margin, %	22.1	23.2	22.5	22.5	22.4
Research and development expenses in % of net sales	3.6	4.0	3.9	3.9	4.2
Selling expenses in % of net sales	7.9	8.4	8.4	9.4	9.4
Administrative expenses in % of net sales	2.7	3.1	2.5	2.5	2.3
Operating margin, %	7.3	8.4	8.2	6.9	6.6

1) Income per share is calculated as Income for the period (excl minority interests) divided by the weighted average number of shares outstanding during the period.
Previous quarters restated for share split.

2) Reclassification of financial leases in segment Financial Services to operational leases in the Group.

Quarterly figures - Net sales

SEK M	4/2006	1/2007	2/2007	3/2007	4/2007
Trucks	45,023	39,199	46,331	45,350	57,012
Construction Equipment	11,170	11,002	14,146	12,963	15,523
Buses	4,586	3,741	4,107	3,588	5,173
Volvo Penta	2,612	2,942	3,215	2,703	2,859
Volvo Aero	2,126	1,961	1,845	1,847	1,992
Eliminations and other	(230)	12	(305)	(198)	(213)
Industrial operations	65,287	58,857	69,339	66,253	82,346
Customer Finance	1,807	1,805	1,894	2,034	1,972
Reclassifications and eliminations	533	374	212	80	238
Volvo Group	67,627	61,036	71,445	68,367	84,556

Quarterly figures - Operating income

SEK M	4/2006	1/2007	2/2007	3/2007	4/2007
Trucks	3,575	3,711	3,831	3,507	4,144
Construction Equipment	1,047	946	1,398	839	1,035
Buses	211	90	122	(73)	93
Volvo Penta	226	293	444	258	177
Volvo Aero	(147)	92	93	148	196
Group headquarter functions and other	(114)	(199)	(190)	(124)	(248)
Industrial operations	4,798	4,933	5,698	4,555	5,397
Customer Finance	372	395	421	454	378
Volvo Group	5,170	5,328	6,119	5,010	5,775

Quarterly figures - Operating margin

%	4/2006	1/2007	2/2007	3/2007	4/2007
Trucks	7.9	9.5	8.3	7.7	7.3
Construction Equipment	9.4	8.6	9.9	6.5	6.7
Buses	4.6	2.4	3.0	(2.0)	1.8
Volvo Penta	8.7	10.0	13.8	9.5	6.2
Volvo Aero	(6.9)	4.7	5.0	8.0	9.8
Industrial operations	7.3	8.4	8.2	6.9	6.6
Volvo Group	7.6	8.7	8.6	7.3	6.8

Accounting principles

As of January 1, 2005, AB Volvo has applied the International Financial Reporting Standards (IFRS) – formerly the IAS – as adopted by the EU, for the group consolidation. The accounting principles, which were applied during the preparation of this report, are described in Note 1 to the consolidated financial statements, which are included in the 2006 Annual Report for the Volvo Group. This interim report has been prepared in accordance with IAS 34, Interim financial Reporting and the Annual Accounts Act.

The financial reporting of the parent company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's RR 32:06 Accounting for legal entities, as described in the 2006 Annual Report.

New accounting principles in 2007

In accordance with considerations presented in the Annual Report, Note 1, regarding new accounting principles for 2007, Volvo applies the new standard IFRS 7, Financial Instruments: Disclosures and classification, as well as Amendments to IAS 1, Presentation of financial statements. 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, compared with earlier requirements under IAS 32, particularly as concerns the exposure and management of risk relating to financial instruments. The Amendments to IAS 1 entail expanded additional disclosure regarding elements such as the definition of capital, capital structure and capital management policies. In addition to IFRS 7 and the Amendment to IAS 1, there are four IFRIC interpretations – IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRIC 8, Scope of IFRS 2, IFRIC 9, Reassessment of Embedded Derivatives, and IFRIC 10, Interim Financial Reporting and Impairment. The application of IFRS 7, Amendment to IAS 1 and IFRIC 7, 8, 9 and 10,

has not had any impact on Volvo's position or earnings.

Changed financial reporting structure

As of January 1, 2007, Financial Services are only consolidated in accordance with the purchase method. As of January 1, 2007, the responsibility for the Group's treasury operations and real estate has been transferred from Financial Services. The treasury operations are reported among corporate functions. The Group's real estate, held in Volvo Real Estate, is reported under industrial operations, and earnings are transferred back to the business areas, after previously having been reported under Financial Services. For this reason, the net financial position of the industrial operations has changed, as of December 31, 2006, from SEK 24.7 billion to SEK 23.1 billion, corresponding to a change in relation to shareholders' equity from 28.3% to 29.2%.

As of January 1, 2007, the benefits from the synergies created in the business units are transferred back to the various product areas. The allocation is based on the degree to which individual product areas have utilized the services of the business units. In prior years, only the earnings of the business units Volvo Powertrain and Volvo Parts have been distributed to the relevant product areas, and other business units have been reported under Other. Comparison figures for 2006 have been restated. Bridges to restatement of the 2006 quarterly and full-year figures per product area were presented in an attachment to the press release issued on April 17, 2007. The cash flow for 2006 has not been restated after the changes in the financial reporting structure. After the transfer back, the Other heading will contain mainly earnings linked to corporate functions.

Hedge accounting

Volvo has chosen to apply hedge accounting from June 1 for a loan of 1 billion Euro borrowed during the second quarter. Volvo has not applied

hedge accounting for financial instruments used to hedge interest and currency risks on loans before. Going forward, in applicable cases when the requirements for hedge accounting are considered to be fulfilled, Volvo will apply hedge accounting for this kind of instruments.

Net financial position

Net financial position for Industrial operations includes cash and cash equivalents, marketable securities and interest bearing short and long term receivables reduced by short- and long-term interest-bearing loans and provisions for post employment benefits. Net financial position for the Volvo Group also includes short- and long- term customer finance receivables.

Depreciation period in aircraft engine projects

In connection with its participation in aircraft engine projects with other companies, Volvo Aero in certain cases pays an entrance fee, which is capitalized as an intangible asset. From May 1, Volvo has adjusted the depreciation period to the estimated useful life, which is estimated to be 20 years. The effect of the change in estimate is SEK 56 M for the period May to December.

Otherwise, accounting principles and methods of calculations have remained essentially unchanged from those applied in the 2006 Annual Report.

Earnings per share

Earnings per share is calculated according to the circumstances at the closing day of the period, December 31 2007, unless stated otherwise. On April 26, Volvo's share split 6:1 with automatic redemption, in which the sixth share was redeemed by AB Volvo for SEK 25 per share took effect, which means that the number of shares were fivefold.

Risks and uncertainties

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favorable 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. Volvo works continuously to identify, measure and manage risk, and in some cases Volvo can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo's control, the aim is to minimize the consequences.

The risks to which the Volvo Group are exposed are classified into three main categories: **External-related risks** – such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations; **Financial risks** – such as currency fluctuations, interest levels fluctuations, valuations of shares or similar instruments, credit risk and liquidity risk and; **Operational risks** – such as market reception of new products, reliance on suppliers, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital. For a more elaborated account for these risks, please refer to the Risk Management section on pages

56-58 in the 2006 Annual Report for the Volvo Group. The Annual Report is available on the internet at www.volvogroup.com

The acquisitions of Nissan Diesel, Ingersoll Rand road construction equipment division and Shandong Lingong Construction Machinery Co together with the increase in borrowings during the period, affect the short-term exposure for operational risks. Short-term risks, when applicable, are described in the respective report per business area of this report.

Also the reported amounts for contingent liabilities reflect Volvo's risk exposure. In July, the arbitration court decided in the favour of Volvo in the arbitration between Volvo Aero and Snecma regarding the supply agreements of aircraft engine components. Accordingly, the contingent liability as described in the Annual Report note 29 can now be cancelled. Furthermore, the claim for damages against Volvo as a consequence of the fire in the Mont Blanc tunnel as described in the Annual Report note 29, has been closed with no financial consequences for Volvo. Total contingent liabilities at December 31, 2007, amounted to SEK 8,1 billion, an increase of SEK 0,4 billion compared with December 31, 2006.

In North America the former agreement

between Mack Trucks and UAW, the American union for vehicle workers, was due 30 September. The agreement has been prolonged on a day-to-day basis and there are at present negotiations with the UAW. During January 2008 Volvo Trucks has also initiated negotiations with the UAW for the North American operations. The agreement was due 31 January, 2008 and since the parties at that time had not succeeded in reaching an agreement, the UAW chose to engage in a strike. At present, it is not possible to estimate neither the duration of the strike nor the outcome of the negotiations, but there is a risk that the outcome may have a significant negative impact on the consolidated operating income in 2008.

Volvo continuously reports VAT receivables in Russia for the customer finance operations. As an effect of the expanding operations, the VAT receivables exceed the VAT liabilities. Volvo has won all court cases related to the entitlement regarding these receivables, but has not yet received any payment. At year-end 2007 these receivables amounted to approximately SEK 250 M.

Corporate acquisitions and divestments

Acquisitions and divestments during the period

Ingersoll Rand road construction equipment division

On April 30, Volvo completed the acquisition of American Ingersoll Rand's road construction equipment division, with the exception of the operations in India, which followed on May 4. Ingersoll Rand's company's road construction equipment division is a world-leading manufacturer of heavy construction equipment for road and soil work, with net sales of about SEK 6.4 billion and an operating income of SEK 745 M in 2006. The acquisition is mainly an acquisition of assets; accounts receivables, inventory and plant and equipment. The purchase consideration amounts to SEK 8.8 billion. The final purchase price will be determined during the first quarter 2008, but is currently estimated to SEK 9.3 billion. The difference refers to changes in the net asset value between the agreement date and the acquisition date. The goodwill arising from the acquisition is mainly related to synergies at the operating income level, attributed to sales and distribution.

The effect of the acquisition on the Volvo Group cash and cash equivalents is estimated at SEK -9.2 billion. The division is consolidated in the Volvo Group from May 1, 2007. The acquired operations will be reported in the Construction Equipment segment.

Nissan Diesel

During the fourth quarter 2007, Volvo acquired the minority in Nissan Diesel and owns 100% of the company at the end of 2007.

The acquisition of Nissan Diesel has been a step acquisition. At the beginning of 2007, the reported value for Nissan Diesel amounted to SEK 5,445 M, which was equivalent to holdings of 19%. Moreover, AB Volvo had purchased all 57.5 million preferred shares in Nissan Diesel from Nissan Motor and Japanese banks, for an approximate total of SEK 3.5 billion. The holdings were then reported as an associated company, since in Volvo's assessment, it held significant control. On March 29, Volvo acquired additional shares in Nissan Diesel, worth SEK 7.4 billion. This brought its total holdings to 96% of the shares outstanding at the end of the first quarter.

Nissan Diesel is consolidated in the consolidated balance sheet of the Volvo Group as of

the first quarter of 2007. As Volvo consolidates Nissan Diesel according to the purchase method, the holdings reported as shares in an associate company have been reversed. Sales and earnings are reported beginning with the report for the second quarter. The operations of Nissan Diesel are reported in the Trucks segment. The goodwill arising from the acquisition of Nissan Diesel is related to integration gains as a result of increased purchasing volumes and positive effects within product development, engines and drivelines.

The effect of the acquisition on the Volvo Group cash and cash equivalents amounts to SEK -11.9 billion, whereof SEK -0.4 billion is related to the acquisition of the outstanding 4% of the shares in the fourth quarter 2007, SEK -6.0 billion is related to the first quarter 2007 and SEK -5.5 billion relates to the holdings previously reported as shares in an associate company.

During 2007, Volvo has reviewed the recognition of certain financial arrangements in Nissan Diesel with the result that the purchase price allocation has been adjusted. Nissan Diesel has entered into some credit guarantees for customer finance receivables. In accordance with IAS 39 Financial Instruments: Recognition and Measurement, an evaluation is made whether substantially all the risks and rewards have been transferred to an external party. Volvo has concluded that it is not the case, but Volvo does not retain substantially all risks and rewards with regard to the customer finance receivables. In accordance with IAS 39, Volvo recognize the part of the receivables that reflect Volvo's continuous involvement and therefore adjusts the purchase price allocation regarding customer finance receivables with SEK 3.1 billion, equivalent to slightly more than 50% of the outstanding customer finance receivables pertaining to Nissan Diesel products in the external financing company. A corresponding amount is reported as a financial liability. The adjustment does not affect the reported goodwill or the result. The receivables and the liabilities are reported in the segment Customer Finance. At year-end the receivables and corresponding liabilities amount to SEK 3.0 billion.

Furthermore, the purchase price allocation has been adjusted with regard to pension provision, vacation payment liability and valuation of

intangible assets as well as the acquisition of the minority. These adjustments have resulted in a total increase in goodwill of SEK 0.3 billion. The adjustments have had a positive effect on operating income of SEK 47 M in the fourth quarter.

Nissan Diesel was delisted from the Tokyo Stock Exchange in July.

Shandong Lingong Construction Machinery Co.

In January 2007, the acquisition of 70% of the shares in the Chinese manufacturer of construction equipment, Shandong Lingong Construction Machinery Co. Lingong, was completed, after having obtained all the requisite approvals from the Chinese authorities. Lingong is China's fourth-largest manufacturer of wheel-loaders, with an extensive dealership network in the country. Volvo Construction Equipment paid CNY 328 M, corresponding to slightly more than SEK 300 M, for 70% of the shares in Lingong. The transaction has a limited effect on Volvo's financial position.

Other divestment and acquisitions

During the fourth quarter Volvo Aero acquired the composite company Applied Composites AB, ACAB, as a part of the investment in light-weight technologies. The transaction has a marginal impact on the Volvo Group.

During the second quarter Volvo divested its ownership in U.S. truck stop chain Petro Stopping Centers Holding L.P. and the former subsidiary Sörred Energi. The two transactions resulted in a total capital gain of SEK 516 M.

In addition to this, only a few dealerships have been acquired or divested during 2007. These transactions have not had any material impact on the Volvo Group.

In the fourth quarter, Nissan Diesel contributes SEK 206 M to the consolidated earnings, whereof SEK 300 M is generated from the operations and SEK -94 M is pertaining to the net of depreciation of acquisition adjustments of intangible and tangible assets and a positive effect of SEK 47 M from adjustments to the purchase price allocation. A change in the consolidation method of Nissan Diesel's foreign subsidiaries had a positive impact on operating income amounting to SEK 63 M in the fourth quarter. Nissan Diesel's foreign subsidiaries, that earlier have reported with a delay of one quarter, are from the fourth quarter consolidated in the same

Please see the table below for a specification of the effects of the Volvo acquisitions of shares in subsidiaries and other businesses during the first nine months 2007:

Acquisitions and divestments of shares in subsidiaries	Nissan Diesel			Ingersoll Rands road development equipment division			Other	Total
	Net book value	Adjustments to fair value	Fair value	Net book value	Adjustments to fair value	Fair value	Total other acquisitions and divestments	
SEK bn								
Intangible assets								
Product development	0.3	2.8	3.1	0.0	0.2	0.2	0.0	3.3
Trademarks	0.0	2.0	2.0	0.0	0.5	0.5	0.1	2.6
Distribution network	0.0	0.0	0.0	0.0	0.8	0.8	0.0	0.8
Other intangible assets	0.0	0.0	0.0	0.7	(0.7)	0.0	0.1	0.1
Other assets and liabilities								
Property plant and equipment	12.2	(2.6)	9.6	1.0	0.2	1.2	0.4	11.2
Share and participations	0.9	-	0.9		-	0.0	0.0	0.9
Inventories	2.7	0.1	2.8	1.1	0.1	1.2	0.9	4.9
Current receivables	5.2	-	5.2	1.3	-	1.3	0.6	7.1
Liquid funds	1.6	-	1.6	0.1	-	0.1	0.4	2.1
Other assets	0.9	5.5	6.4	0.0	-	0.0	0.0	6.4
Provisions	(2.5)	(2.7)	(5.2)	(0.3)	(0.7)	(1.0)	0.0	(6.2)
Loans	(8.2)	(3.2)	(11.4)			0.0	(0.8)	(12.2)
Other liabilities	(6.7)	(0.3)	(7.0)	(0.5)		(0.5)	(1.4)	(8.9)
Minority interests	(0.2)	-	(0.2)			0.0		(0.2)
	6.2	1.6	7.8	3.4	0.4	3.8	0.3	11.9
Goodwill			5.7			5.6	0.1	11.4
Total net assets			13.5			9.4	0.4	23.3
Less: minority interests			0.0			0.0	(0.1)	(0.1)
Total acquired and divested net assets			13.5			9.4	0.3	23.2
Cash and cash equivalents paid and received			(13.5)			(8.9)	(0.1)	(22.5)
Cash and cash equivalents according to acquisition analysis and in divested companies			1.6			0.1	0.4	2.1
Effect on Group cash and cash equivalents in the period			(11.9)			(8.8)	0.3	(20.4)
Cash to be paid						(0.5)		(0.5)
Effect on Group cash and cash equivalents						(9.3)		(20.9)
Net financial position in acquired and divested companies			(8.5)			(0.1)	(0.4)	(9.0)

The purchase price allocations are preliminary and are expected to be finalized within twelve months from the acquisition date.

period as all other subsidiaries. During the fourth quarter Nissan Diesel contributes SEK 7,849 M to the consolidated net sales. During 2007 Nissan Diesel has contributed SEK 486 M to the consolidated earnings and SEK 20,308 M to the consolidated net sales. In the first quarter of 2007, Nissan Diesel was reported in accordance with the equity method. Nissan Diesel reported net sales of SEK 7,007 M and net income of SEK 568 M for its total operations for the first quarter of 2007.

The Ingersoll Rand's road construction equipment division affects consolidated earnings by SEK -119 M during the fourth quarter, whereof SEK -74 M is generated from the operations, SEK -24 M is pertaining to the depreciation of acquisition adjustments on intangible and tangible assets and SEK -21 M is pertaining to a reversal of

the inventory valuation to fair value as the inventory of the acquisition balance is being turned over. The fair value adjustment is fully reversed at the year-end closing. During the fourth quarter, Ingersoll Rand's division contributes SEK 1,038 M to the consolidated net sales. During 2007 the Ingersoll Rand's road construction equipment division has contributed SEK 60 M to the consolidated earnings and SEK 3,317 M to the consolidated net sales. If Volvo would have made the acquisition at the beginning of the year, the additional contribution to the operating income and sales would have been approximately SEK 249 M and SEK 2,133 M respectively excluding depreciation of acquisition adjustments.

Acquisitions presented under Other have not had a material effect on the consolidated numbers for the Volvo Group.

Acquisitions after the end of the period

Volvo has not made any acquisitions after the end of the period that have had a significant impact on the Volvo Group.

The Volvo Group has signed a letter of intent with the Indian vehicle manufacturer Eicher Motors Limited regarding the establishment of a new Indian joint-venture company. According to the letter of intent, the joint-venture company will hold Eicher Motors Limited's entire truck and bus operations and the Volvo Group's Indian sales operations within trucks. The parties have initiated negotiations regarding a final agreement. Implementation of the transaction requires the approval of the affected government authorities and the shareholders in Eicher Motors Limited. The transaction is expected to be completed before mid-year 2008.

Parent Company

Income from investments in Group companies for the fourth quarter includes transfer price adjustments and Group contributions, net, of SEK 7,666 M (7,758) and write-downs of shareholdings of SEK 135 M (192).

During the first quarter 2007, SEK 2,886 M was transferred to N.A. KK, a completely owned newly-formed Japanese company, whose main business is to acquire and hold the shares in Nissan Diesel. The parent company's holding in Nissan Diesel (19%) with a carrying value of SEK 2,001 M was sold to N.A. KK and remaining shares consisting of preference shares with a carrying value of SEK 3,493 M, were reclassified from shares in non-Group companies to shares in Group companies at the time Nissan Diesel was consolidated in the balance sheet of the Volvo Group.

In 2007 the participations in the partnerships Blue Chip Jet I HB and Blue Chip Jet II HB were increased by a total amount of SEK 66 M. Revaluation of the ownership in the listed company Deutz AG has decreased the value by SEK 204 M.

During the spring, following a decision at the Annual General Meeting, a 6:1 share split with automatic redemption was carried out, in which the sixth share was redeemed by AB Volvo for SEK 25 per share. Together with the ordinary dividend a total of SEK 20,255 M was distributed to Volvo's shareholders. The decision also included a bonus issue without issuance of new shares through the transfer of SEK 426 M from unrestricted shareholders' equity to share capital which then was restored to the same level as prior to the redemption procedure. Following these transactions Volvo has a total of 2,128,420,220 registered shares, of which 677,601,630 shares of series A and 1,450,818,590 shares of series B.

During 2007 investments in fixed assets amounted to SEK 1 M (0). Financial net debt amounted to SEK 20,894 M at the end of the year (3,589)

Events after the balance sheet date

AB Volvo divested the shares in the subsidiary Mack Trucks Inc to Volvo Holding USA AB for SEK 3,2 billion corresponding to book value as of January 31. Volvo Holding USA AB is a fully owned subsidiary in the Volvo group.

Income statements

SEK M	Fourth quarter		Year	
	2007	2006	2007	2006
Net sales¹	173	128	781	764
Cost of sales ¹	(173)	(128)	(781)	(764)
Gross income	0	0	0	0
Operating expenses ¹	(140)	(205)	(611)	(632)
Income from investments in Group companies	7,538	7,522	6,651	8,565
Income from investments in associated companies	7	0	(118)	7
Income from other investments	-	-	0	0
Operating income	7,405	7,317	5,922	7,940
Interest income and expenses	(214)	(32)	(514)	(11)
Other financial income and expenses	7	44	36	126
Income after financial items	7,198	7,329	5,444	8,055
Allocations	(1,230)	(2,000)	(1,230)	(2,000)
Income taxes	(1,713)	(1,512)	(1,022)	(1,706)
Income for the period	4,255	3,817	3,192	4,349

1) Of net sales in the fourth quarter, SEK 154 M (114) pertained to Group companies, while purchases from Group companies amounted to SEK 143 M (113).

Balance sheets

SEK M	Dec 31 2007		Dec 31 2006	
Assets				
Non-current assets				
Intangible assets	0		0	
Tangible assets	17		16	
Financial assets				
Share and participations in Group companies	47,011	40,419		
Other shares and participations	772	6,400		
Other long-term receivables	210	47,993	208	47,027
Total non-current assets	48,010		47,043	
Current assets				
Short-term receivables from Group companies	10,814		10,541	
Other short-term receivables	749		89	
Cash and bank accounts	10		29	
Total current assets	11,573		10,659	
Total assets	59,583		57,702	
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity	9,891	9,891		
Unrestricted equity	22,254	32,145	39,345	49,236
Untaxed reserves	3,234		2,004	
Provisions	202		216	
Non-current liabilities				
Liabilities to Group companies	6		6	
Current liabilities ¹	23,996		6,240	
Total shareholders' equity and liabilities	59,583		57,702	

1) Of which SEK 23,563 M (5,757) pertains to Group companies.

Deliveries

Proposed ordinary dividend of SEK 5.50 per share and proposal of approval of a share-based incentive program

The Board of Directors proposes an ordinary dividend of SEK 5.50 per share, corresponding to 74% of AB Volvo's income for financial year 2007, which means a total of SEK 11,141 M is being transferred to Volvo's shareholders. The proposed dividend per share represents an increase of 10% compared with the preceding year. The Board proposes April 14 as the record date for entitlement to receive dividends and payment is expected to occur through VPC on April 17.

The Board of Directors intends to propose that the Annual General Meeting approve a share-based incentive program for senior executives within the Volvo Group pertaining to the 2008 financial year. The structure of the program corresponds to the program approved by the Annual General Meetings in 2007. Accordingly, the program will result in the number of eligible senior executives (including members of Group Management) amounting to not more than to 275 persons and the maximum number of Volvo shares that may be allotted to 2,950,000¹, of which CEO Leif Johansson may receive a maximum of 40,000 shares and the other participants a maximum of 10,000–20,000 shares each. Shares will be allotted provided the Volvo Group's return on equity (ROE), calculated on the basis of the Volvo Group's annual report 2008, is higher than 12 percent. Maximum allotment will be effected if ROE reaches 15 percent and shares will be allotted proportionally within the interval in accordance with the Board's instructions. The Board of Directors has decided to review these targets for possible future programs. Assuming the said goals are fulfilled in full and that the Volvo share price is SEK 92 at implementation of the program, Volvo's costs for the program, including social fees, will be approximately SEK 319 M. Another element of the proposal is that treasury shares held by AB Volvo may be used to fulfil the company's commitments in accordance with the program.

1) Participants not resident in Sweden at the time of allotment may, to the extent AB Volvo considers it favourable from a cost or administrative perspective, instead of shares, receive an amount in cash corresponding to the market value of the shares at the time of allotment.

Delivered trucks	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Trucks						
Europe	39,740	30,358	31	128,070	114,417	12
Western Europe	30,454	24,940	22	100,106	97,074	3
Eastern Europe	9,286	5,418	71	27,964	17,343	61
North America	11,222	17,672	(36)	33,280	70,499	(53)
South America	4,819	2,863	68	15,264	11,646	31
Asia	14,097	4,590	207	39,916	12,817	211
Middle East	3,819	3,318	15	11,109	8,547	30
Other Asia	10,278	1,272	708	28,807	4,270	575
Other markets	6,647	3,306	101	19,826	10,552	88
Total Trucks	76,525	58,789	30	236,356	219,931	7
Mack Trucks						
Europe	-	-	-	-	-	-
North America	3,637	8,039	(55)	13,592	32,793	(59)
South America	1,075	485	122	3,183	2,628	21
Asia	66	2	-	243	75	224
Middle East	62	1	-	218	73	199
Other Asia	4	1	300	25	2	-
Other markets	483	355	36	1,603	1,342	19
Total Mack Trucks	5,261	8,881	(41)	18,621	36,838	(49)
Renault Trucks						
Europe	21,341	15,822	35	68,585	65,189	5
Western Europe	18,036	13,833	30	59,097	58,063	2
Eastern Europe	3,305	1,989	66	9,488	7,126	33
North America	154	(27)	-	517	561	(8)
South America	295	149	98	1,107	1,078	3
Asia	1,476	2,173	(32)	4,216	5,241	(20)
Middle East	1,384	2,028	(32)	3,854	4,792	(20)
Other Asia	92	145	(37)	362	449	(19)
Other markets	1,524	1,750	(13)	5,017	5,505	(9)
Total Renault Trucks	24,790	19,867	25	79,442	77,574	2
Volvo Trucks						
Europe	18,399	14,536	27	59,465	49,228	21
Western Europe	12,418	11,107	12	41,009	39,011	5
Eastern Europe	5,981	3,429	74	18,456	10,217	81
North America	6,164	9,660	(36)	16,692	37,145	(55)
South America	3,201	2,229	44	10,166	7,940	28
Asia	2,963	2,415	23	9,002	7,501	20
Middle East	1,655	1,289	28	4,801	3,682	30
Other Asia	1,308	1,126	16	4,201	3,819	10
Other markets	1,162	1,201	(3)	4,784	3,705	29
Total Volvo Trucks	31,889	30,041	6	100,109	105,519	(5)

Göteborg February 6. 2008
 AB Volvo (publ)
 The Board of Directors

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

Annual general meeting

AB Volvo's annual general meeting will be held on April 9, 2008 in Göteborg.

Annual Report 2007

AB Volvo's Annual report on 2007 operations will be published in March 2008, and will be available at www.volvogroup.com.

	Fourth quarter		Change in %	Second to fourth quarter		Change in %
	2007	2006		2007	2006	
Nissan Diesel¹						
Europe	-	12	-	20	20	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	12	-	20	20	-
North America	1,267	761	66	2,479	2,243	11
South America	248	200	24	808	491	65
Asia	9,592	15,070	(36)	26,455	44,245	(40)
Middle East	718	785	(8)	2,236	2,017	11
Other Asia	8,874	14,288	(38)	24,219	42,231	(43)
Other markets	3,478	1,737	100	8,422	5,638	49
Total Nissan Diesel	14,585	17,780	(18)	38,184	52,637	(27)

1) Please note that Nissan Diesel's deliveries for the second to fourth quarters of 2006 are not included in the Volvo Group deliveries. The figures are supplied for information purposes only.

Delivered Buses	Fourth quarter		Change in %	Year		Change in %
	2007	2006		2007	2006	
Buses						
Europe	1,291	1,033	25	3,748	3,570	5
Western Europe	1,206	930	30	3,377	3,081	10
Eastern Europe	85	103	(17)	371	489	(24)
North America	536	526	2	1,547	1,741	(11)
South America	639	224	185	1,318	1,236	7
Asia	781	526	48	2,757	3,349	(18)
Other markets	165	155	6	546	464	18
Total Buses	3,412	2,464	38	9,916	10,360	(4)

AB Volvo (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7.30 a.m. on February 6, 2008.

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

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

Publication dates

Annual Report 2007	March, 2008
Report on the first quarter 2008	April 25, 2008
Report on the first six months 2008	July 23, 2008
Report on the first nine months 2008	October 24, 2008

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