

**VOLVO TREASURY
GROUP**

INTERIM REPORT

January - June 2012

INTERIM REPORT JANUARY 1 – JUNE 30 2012

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

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

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

CONSOLIDATED INCOME STATEMENT

	First six months 2012	First six months 2011	Jan-Dec 2011
Interest income	2,829.5	2,679.8	5,556.6
Interest expense	-2,260.6	-2,084.6	- 4,310.0
Financial instruments valued at fair value recognized in income statement	<u>8.7</u>	<u>149.2</u>	<u>466.6</u>
Net interest income	577.6	744.4	1,713.2
Net result of other financial transactions	<u>1.6</u>	<u>22.3</u>	<u>46.0</u>
Gross income	579.2	766.7	1,759.2
Administrative expenses	-55.7	-56.0	-108.7
Other operating expenses	<u>-0.8</u>	-	<u>- 0.5</u>
Operating income	522.8	710.7	1,650.0
Estimated tax	<u>-135.5</u>	<u>-184.6</u>	<u>-441.3</u>
Net income	387.2	526.1	1,208.7
OTHER COMPREHENSIVE INCOME			
Exchange-rate differences on translation of foreign operations	<u>12.7</u>	<u>-8.9</u>	<u>6.5</u>
Total comprehensive income for the period	399.9	517.2	1,215.2
Total net income attributable to Parent Company shareholders	387.2	526.1	1,208.7
Total comprehensive income attributable to Parent Company shareholders	399.9	517.2	1,215.2

CONSOLIDATED BALANCE SHEET

	June 30, 2012	June 30, 2011	Dec 31, 2011
Assets			
Intangible assets	6.4	3.9	3.2
Tangible assets	0.7	1.0	0.8
Financial assets	36,484.3	27,487.6	33,244.0
Current receivables	114,391.1	98,802.8	102,608.6
Marketable securities	4,808.8	7,225.2	6,702.1
Cash and cash equivalents	<u>10,772.3</u>	<u>3,632.0</u>	<u>12,950.3</u>
Total assets	166,463.6	137,152.5	155,509.0
Shareholders' equity and liabilities			
Shareholders' equity	15,398.1	15,246.9	14,998.2
Non-current liabilities	69,291.2	67,924.2	71,226.7
Current liabilities	<u>81,774.3</u>	<u>53,981.4</u>	<u>69,282.5</u>
Total shareholders' equity and liabilities	166,463.6	137,152.5	155,509.0
Pledged assets	32.6	64.9	68.9
Contingent liabilities	507.8	505.0	538.5

CONSOLIDATED CASH FLOW STATEMENT

	First six months 2012	First six months 2011	Jan-Dec 2011
Activities during the period			
Cash flow from operating activities	-7,860.8	-7,848.0	-2,335.5
Cash flow from investing activities	-4.3	0.0	- 0.0
Cash flow from financing activities	<u>5,688.4</u>	<u>3,870.1</u>	<u>7,672.4</u>
Cash flow during the period	-2,176.7	-3,977.9	5,336.9
Cash and cash equivalents, January 1	12,950.3	7,615.3	7,615.3
Exchange-rate differences in cash and cash equivalents	<u>-1.3</u>	<u>-5.4</u>	<u>-1.9</u>
Cash and cash equivalents at the end of the period	10,772.3	3,632.0	12,950.3

CHANGE IN SHAREHOLDERS' EQUITY

Group	First six months 2012	First six months 2011	Jan-Dec 2011
Balance at January 1	14,998.2	14,729.7	14,729.7
Net income for the period	387.2	526.1	1,208.7
<i>Other comprehensive income</i>			
Translation differences	<u>12.7</u>	<u>-8.9</u>	<u>6.5</u>
<i>Total comprehensive income for the period</i>	399.9	517.2	1,215.2
<i>Transactions with shareholders</i>			
Group contributions granted and received	-	-	-1,284.5
Tax effect of Group contributions granted and received	=	=	<u>337.8</u>
Contribution from shareholders received			
<i>Total transactions with shareholders/related parties</i>	-	-	- 946.7
Balance at the end of the period	15,398.1	15,246.9	14,998.2

PARENT COMPANY INCOME STATEMENT

	First six months 2012	First six months 2011	Jan-Dec 2011
Interest income	2,800.2	2,667.4	5,525.3
Interest expense	-2,261.9	-2,115.8	-4,357.2
Financial instruments valued at fair value recognized in income statement	<u>22.7</u>	<u>160.5</u>	<u>490.9</u>
Net interest income	561.0	712.1	1,659.0
Net result of other financial transactions	<u>-13.4</u>	<u>21.4</u>	<u>52.3</u>
Gross income	547.6	733.5	1,711.3
Administrative expenses	-47.8	-48.3	-97.9
Other operating expenses	<u>-0.8</u>	-	<u>-0.6</u>
Operating income	499.1	685.2	1,612.8
Estimated tax	<u>-131.4</u>	<u>-180.3</u>	<u>-434.5</u>
Net income	367.7	504.9	1,178.3
OTHER COMPREHENSIVE INCOME	-	-	-
Total comprehensive income for the period	367.7	504.9	1,178.3

PARENT COMPANY BALANCE SHEET

	June 30, 2012	June 30, 2011	Dec 31, 2011
Assets			
Intangible assets	6.4	3.9	3.2
Tangible assets	0.7	0.9	0.7
Financial assets	36,677.6	27,539.0	33,397.0
Current receivables	112,654.1	98,371.2	101,644.4
Marketable securities	4,808.8	7,225.2	6,702.1
Cash and cash equivalents	<u>10,625.7</u>	<u>3,612.5</u>	<u>12,932.3</u>
Total assets	164,773.3	136,752.7	154,679.7
Shareholders' equity and liabilities			
Shareholders' equity	15,174.7	15,079.0	14,806.0
Non-current liabilities	68,933.4	67,785.3	71,147.3
Current liabilities	<u>80,665.2</u>	<u>53,888.4</u>	<u>68,720.9</u>
Total shareholders' equity and liabilities	164,773.3	136,752.7	154,679.7
Pledged assets	32.6	64.9	68.9
Contingent liabilities	507.8	505.0	538.5

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounts Act. In preparing this report, the Volvo Treasury Group has applied the accounting principles presented in Note 1 of the Volvo Treasury Group Annual Report 2011.

RISKS AND UNCERTAINTIES

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favourable profitability. Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. The Volvo Treasury Group works continuously to identify, measure, manage and report risk, and in some cases the Treasury Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Treasury Group's control, the aim is to minimize the consequences. The risks to which the Treasury Group are exposed are mainly the category **Financial risks** – such as currency risk, interest risk, credit risk and liquidity risk. For a more elaborated account for these risks and the management of these, please refer to the Financial risks and instruments section on pages 32-35 in the 2011 Annual Report for the Volvo Treasury Group and the Risks and uncertainties section on pages 53-55 in the 2011 Annual Report for the Volvo Group.

COMMENTS CONSOLIDATED ACCOUNTS

Income before taxes for the first six months of 2012 amounted to SEK 522.8 M (710.7). The market valuation of derivatives in accordance with IAS39 has affected income with SEK 10.6 M (165.7).

Investments in intangible and tangible assets amounted to SEK 4.3 M (0.0).

Cash and cash equivalents amounted to SEK 10,772.4 M, a decrease since year-end of SEK 2,177.9 M.

The number of employees at the end of June was 49 (55).

COMMENTS PARENT COMPANY

Interest income for the period amounted to SEK 2,800.2 M (2,667.4).

Income before taxes for the first six months of 2012 amounted to SEK 499.1 M (685.2). The market valuation of derivatives in accordance with IAS39 has affected income with SEK -3.4 M (177.1).

Investments in intangible and tangible assets amounted to SEK 4.3 M (0.0).

Cash and cash equivalents amounted to SEK 10,625.7 M, a decrease since year-end of SEK 2,306.6 M.

The total holding of marketable securities at the end of June amounted to SEK 4,808.8 M, compared with SEK 6,702.1 M at year-end, a decrease of SEK 1,893.3 M.

Financing is obtained both through loans to external and internal counterparties. The main part of the internal borrowing is obtained via cash pools. The total lending has increased with SEK 9,156.5 M since year-end.

On March 28, Volvo Treasury AB entered into a new 5 year syndicated credit facility of EUR 1.2 billion, which replaced one old facility.

The number of employees at the end of June was 45 (45).

The Board of Directors and the CEO certify that the half-yearly financial report gives a fair review of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Gothenburg, August 27, 2012

VOLVO TREASURY AB (publ)

Ulf Niklasson
President and
Board member

Anders Osberg
Chairman of the board

Rikard Bentelius
Board member

Rune Alsterholm
Board member