

**VOLVO TREASURY
GROUP**

INTERIM REPORT

January - June 2013

INTERIM REPORT JANUARY 1 – JUNE 30 2013

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 2013	First six months 2012	Jan-Dec 2012
Interest income	2,119.0	2,829.5	5,186.7
Interest expense	-1,591.4	-2,260.6	-4,073.3
Financial instruments valued at fair value recognized in income statement	<u>-46.1</u>	<u>8.7</u>	<u>-17.3</u>
Net interest income	481.5	577.6	1,096.1
Net result of other financial transactions	<u>397.2</u>	<u>1.6</u>	<u>192.5</u>
Gross income	878.7	579.2	1,288.6
Administrative expenses	-104.4	-55.6	-101.9
Other operating expenses	<u>-4.5</u>	<u>-0.8</u>	<u>-5.2</u>
Operating income	769.8	522.8	1,181.5
Allocations	=	=	<u>-755.7</u>
Income before tax	769.8	522.8	425.8
Estimated tax	<u>-167.3</u>	<u>-135.6</u>	<u>-107.3</u>
Net income	602.5	387.2	318.5
OTHER COMPREHENSIVE INCOME			
Exchange-rate differences on translation of foreign operations	<u>-2.2</u>	<u>12.7</u>	<u>-0.6</u>
Total comprehensive income for the period	600.3	399.9	317.9
Total net income attributable to Parent Company shareholders	602.5	387.2	318.5
Total comprehensive income attributable to Parent Company shareholders	600.3	399.9	317.9

CONSOLIDATED BALANCE SHEET

	June 30, 2013	June 30, 2012	Dec 31, 2012
Assets			
Intangible assets	14.4	6.4	11.7
Tangible assets	0.6	0.7	0.7
Financial assets	35,984.1	35,121.3	33,927.0
Current receivables	105,859.4	114,391.1	100,348.1
Marketable securities	5,642.7	4,808.8	2,998.0
Cash and cash equivalents	<u>6,787.5</u>	<u>10,772.3</u>	<u>9,675.9</u>
Total assets	154,288.7	165,100.6	146,961.4
Shareholders' equity and liabilities			
Shareholders' equity	15,895.0	15,376.7	15,294.7
Non-current liabilities	63,694.8	67,949.6	64,761.0
Current liabilities	<u>74,698.9</u>	<u>81,774.3</u>	<u>66,905.7</u>
Total shareholders' equity and liabilities	154,288.7	165,100.6	146,961.4
Pledged assets	32.0	32.6	32.0
Contingent liabilities	439.0	507.8	431.9

CONSOLIDATED CASH FLOW STATEMENT

	First six months 2013	First six months 2012	Jan-Dec 2012
Activities during the period			
Cash flow from operating activities	-9,470.3	-7,860.8	-3,964.7
Cash flow from investing activities	-3.8	-4.3	- 9.9
Cash flow from financing activities	<u>6,590.0</u>	<u>5,688.4</u>	<u>702.4</u>
Cash flow during the period	-2,884.1	-2,176.7	-3,272.2
Cash and cash equivalents, January 1	9,675.9	12,950.3	12,950.3
Exchange-rate differences in cash and cash equivalents	<u>-4.3</u>	<u>-1.3</u>	<u>-2.2</u>
Cash and cash equivalents at the end of the period	6,787.5	10,772.3	9,675.9

CHANGE IN SHAREHOLDERS' EQUITY

Group	First six months 2013	First six months 2012	Jan-Dec 2012
Total equity at end of previous period	15,294.7	14,998.2	14,998.2
IFRS transition effect	-	-21.4	-21.4
Total equity at beginning of period	15,294.7	14,976.8	14,976.8
Net income for the period	602.5	387.2	318.5
<i>Other comprehensive income</i>			
Translation differences	<u>-2.2</u>	<u>12.7</u>	<u>-0.6</u>
<i>Total comprehensive income for the period</i>	600.3	399.9	317.9
Balance at the end of the period	15,895.0	15,376.7	15,294.7

PARENT COMPANY INCOME STATEMENT

	First six months 2013	First six months 2012	Jan-Dec 2012
Interest income	2,102.4	2,800.2	5,119.9
Interest expense	-1,599.3	-2,261.9	-4,068.6
Financial instruments valued at fair value recognized in income statement	<u>-48.3</u>	<u>22.7</u>	<u>4.9</u>
Net interest income	454.8	561.0	1,056.2
Net result of other financial transactions	<u>381.8</u>	<u>-13.4</u>	<u>163.0</u>
Gross income	836.6	547.6	1,219.2
Administrative expenses	-100.1	-47.7	-90.1
Other operating expenses	<u>-4.3</u>	<u>-0.8</u>	<u>-5.1</u>
Operating income	732.2	499.1	1,124.0
Allocations	=	=	<u>-755.7</u>
Income before tax	732.2	499.1	368.3
Estimated tax	<u>-160.1</u>	<u>-131.4</u>	<u>-97.1</u>
Net income	572.1	367.7	271.2
OTHER COMPREHENSIVE INCOME	-	-	-
Total comprehensive income for the period	572.1	367.7	271.2

PARENT COMPANY BALANCE SHEET

	June 30, 2013	June 30, 2012	Dec 31, 2012
Assets			
Intangible assets	14.4	6.4	11.7
Tangible assets	0.6	0.7	0.6
Financial assets	36,012.7	35,308.6	33,913.1
Current receivables	105,271.8	112,654.1	99,615.5
Marketable securities	5,642.7	4,808.8	2,998.0
Cash and cash equivalents	<u>6,753.8</u>	<u>10,625.7</u>	<u>9,626.5</u>
Total assets	153,696.0	163,404.3	146,165.4
Shareholders' equity and liabilities			
Shareholders' equity	15,650.3	15,174.7	15,077.2
Non-current liabilities	63,356.2	67,564.4	64,394.2
Current liabilities	<u>74,689.5</u>	<u>80,665.2</u>	<u>66,694.0</u>
Total shareholders' equity and liabilities	153,696.0	163,404.3	146,165.4
Pledged assets	32.0	32.6	32.0
Contingent liabilities	439.0	507.8	431.9

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 2012.

As from 1 January, 2013 Volvo applies the amendment to *IFRS 7 Financial Instrument: Disclosures* and the amendment to *IAS 19 Employee Benefits*. The major accounting changes are that the Volvo Treasury Group ceases to account for defined benefit liabilities using the so called corridor method in accordance with IAS 19. The new accounting principles are applied retrospectively and hence the income statement and balance sheet for 2012 have been adjusted accordingly.

RISKS AND UNCERTAINTIES

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favourable profitability. Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. The Volvo Treasury Group works continuously to identify, measure, manage and report risk, and in some cases the Treasury Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Treasury Group's control, the aim is to minimize the consequences. The risks to which the Treasury Group are exposed are mainly the category **Financial risks** – such as currency risk, interest risk, credit risk and liquidity risk. For a more elaborated account for these risks and the management of these, please refer to the Financial risks and instruments section on pages 31-34 in the 2012 Annual Report for the Volvo Treasury Group and the Risks and uncertainties section on pages 104-108 in the 2012 Annual Report for the Volvo Group.

COMMENTS CONSOLIDATED ACCOUNTS

Income before taxes for the first six months of 2013 amounted to SEK 769.8 M (522.8). The market valuation of derivatives in accordance with IAS39 has affected income with SEK 38.8 M (10.6).

Investments in intangible and tangible assets amounted to SEK 3.8 M (4.3).

Cash and cash equivalents amounted to SEK 6,787.5 M, a decrease since year-end of SEK 2,888.4 M.

The average number of employees for the first six months was 41 (46).

The fair value of the group's *financial liabilities valued at amortized cost* amounted to SEK 63,272.5 M for long-term loans and debts and SEK 35,865.3 M for short-term loans and debts. The corresponding carrying amounts in the balance sheet amounted to SEK 59,484.4 M for the long-term loans and debts and SEK 35,325.9 M for short-term loans and debts. The fair value corresponds to the carrying amounts of the other assets and liabilities for the group (excluding some receivables and liabilities within the AB Volvo Group). Further details regarding accounting principles or fair value and carrying amounts are presented in the Volvo Treasury Group Annual Report 2012.

COMMENTS PARENT COMPANY

Interest income for the period amounted to SEK 2,102.4 M (2,800.2).

Income before taxes for the first six months of 2013 amounted to SEK 732.2 M (499.1). The market valuation of derivatives in accordance with IAS39 has affected income with SEK 41.1 M (-3.4).

Investments in intangible and tangible assets amounted to SEK 3.8 M (4.3).

Cash and cash equivalents amounted to SEK 6,753.8 M, a decrease since year-end of SEK 2,872.7 M.

The total holding of marketable securities at the end of June amounted to SEK 5,642.7 M, compared with SEK 2,998.0 M at year-end, a increase of SEK 2,644.7 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 7,775.9 M since year-end.

The average number of employees for the first six months was 33 (38).

The fair value of the parent company's *financial liabilities valued at amortized cost* amounted to SEK 59,282.4 M for long-term loans and debts and SEK 33,157.8 M for short-term loans and debts. The corresponding carrying amounts in the balance sheet amounted to SEK 55,601.4 M for the long-term loans and debts and SEK 32,631.7 M for short-term loans and debts.

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 23, 2013

VOLVO TREASURY AB (publ)

Ulf Niklasson
President

Anders Osberg
Chairman of the board

Ulf Rapp

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