Annual Report and Consolidated Financial Statements for the financial year 2010

The Board of Directors and the President of Volvo Treasury AB (publ), (556135-4449) hereby submit the following Annual Report and Consolidated Financial Statements.

Contents

Amounts are shown in millions of Swedish kronor (SEK M) unless otherwise stated. The amounts within parentheses refer to the preceding year.

Board of Directors' report

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, which in turn is the Parent Company of Volvo Treasury Australia Pty Ltd.

Volvo Treasury is a unit within the AB Volvo Group that supports the AB Volvo companies with services related to treasury and cash management. All financial transactions with companies within the AB Volvo group are carried out on market terms. The Treasury group conducts most of the financial transactions of the AB Volvo Group. The group is responsible for all interest-bearing assets and liabilities as well as all foreign exchange and funding operations within the AB Volvo Group. Consolidated financial management offers better potential to utilize the AB Volvo Group's financial assets and cash-flow and professionally manage risks related to financial management.

Treasury group operations are carried out according to centrally determined risk mandates and limits designed to minimize the currency, interest-rate, credit and liquidity risks to which the Group is exposed. Risks are followed up, monitored and recognized daily. Risk limits are set by the Board of Volvo Treasury AB or in certain cases by the Board of AB Volvo. These risks and the manner in which they are managed are presented in more detail in Note 22 Financial risks and instruments.

Further description of financial risks and the manner in which the AB Volvo Group and the Volvo Treasury Group manage them are presented in the Annual Report for AB Volvo. See also the Annual Report for AB Volvo for employee policies in the AB Volvo Group.

Corporate Governance Report

Volvo Treasury has prepared a Corporate Governance Report that is separate from the Report presented in the Annual Report. The Corporate Governance Report can be found after the Annual Report in this document on pages 45-47.

Operations during 2010

Volvo Treasury Group – Summary

The Group's operating income by company is presented in the table below.

SEK M	2010	2009	2008	2007	2006
Volvo Treasury AB	1,009.6	(711.9)	(99.8)	111.8	307.4
Volvo Treasury Asia Ltd	51.6	32.9	73.1	23.5	(0.8)
Eliminations	-	-	-	-	11.2
Group total	**1,061.2**	**(679.0)**	**(26.7)**	**135.3**	**317.8**

During the year, net lending to Group companies decreased by SEK 22.4 billion. During the preceding year, net lending increased by approximately SEK 7.3 billion.

Net interest income for the year amounted to SEK 1,313.7 M, compared with expense of SEK 506.1 M for the preceding year.

During 2010, the improved cash flow in the AB Volvo Group resulted in lower financing costs for Volvo Treasury, which led to an improved gross income. In addition, the stronger krona had a negative effect on the consolidated foreign-exchange result. The earnings effect of the market measurement of derivatives in accordance with IAS39 amounted to SEK 641.9 M compared with SEK -401.8 M for the preceding year.

Events after the close of the fiscal year

No events have occurred after the close of the fiscal year that have significantly affected the earnings or position of the Group or the Parent Company.

Proposed disposition of unappropriated earnings

The following earnings are at the disposal of the Annual General Meeting:

Retained earnings		13,229,101,873
Net income/loss		745,253,010
	SEK	**13,974,354,883**

The Board of Directors and the President propose that the above sum be disposed of as follows:

Retained earnings to be carried forward	SEK	**13,974,354,883**

The prepared annual accounts signify that a Group contributions totaling SEK 1,500.0 was paid to AB Volvo, while Group contributions totaling SEK 1,038.8 was received from Sotrof AB.

Total Comprehensive income, Group

	Note	2010	2009
Interest income	3	4,735.8	5,114.4
Interest expense	4	(3,878.3)	(5,157.2)
Financial instruments valued at fair value recognized in income statement	2, 22	456.2	(512.7)
Amortization of loan value adjustment		-	49.4
Net interest income		**1,313.7**	**(506.1)**
Net result of other financial transactions	22	(145.9)	(58.7)
Gross income		**1,167.8**	**(564.8)**
Administrative expenses	5, 24	(106.4)	(114.0)
Other operating expenses		(0.2)	(0.2)
Operating income		**1,061.2**	**(679.0)**
Tax on income for the year	6, 7	(274.4)	180.1
Net income		**786.8**	**(498.9)**
Other comprehensive income		**-**	**-**
Exchange-rate differences on translation of foreign operations		8.4	(11.3)
Total comprehensive income for the year		**795.2**	**(510.2)**
Total net income attributable to Parent Company shareholders		786.8	(498.9)
Total comprehensive income attributable to Parent Company shareholders		795.2	(510.2)

Consolidated balance sheet

	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Non-current assets			
Intangible assets			
Software development	8	4.5	5.9
Tangible assets			
Equipment	9	1.3	2.0
Financial assets			
Receivables from Group companies (within the AB Volvo Group)		22,933.3	30,331.6
Other long term receivables	11	2,598.3	1,739.2
Total financial assets		**25,531.6**	**32,070.8**
Total non-current assets		**25,537.4**	**32,078.7**
Current assets			
Current receivables			
Receivables from Group companies (within the AB Volvo Group)		97,178.4	96,485.3
Other current receivables	12	2,013.2	3,019.4
Total current receivables		**99,191.6**	**99,504.7**
Marketable securities	**13**	**9,589.2**	**15,386.9**
Cash and cash equivalents	**14**	**7,615.3**	**9,961.8**
Total current assets		**116,396.1**	**124,853.4**
TOTAL ASSETS		**141,933.5**	**156,932.1**

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity			
Share capital		500.0	500.0
Reserves		55.1	46.7
Retained earnings		13,387.8	14,226.6
Net income		786.8	(498.9)
Total shareholders' equity		**14,729.7**	**14,274.4**
Non-current provisions			
Provision for post-employment benefits	16	5.9	4.4
Non-current liabilities	17		
Bond loans		38,766.6	49,191.3
Other liabilities to credit institutions		26,958.7	36,433.9
Liabilities to Group companies (within the Volvo Group)		-	66.5
Total non-current liabilities		**65,725.3**	**85,691.7**
Current liabilities			
Liabilities to credit institutions	18	22,026.7	32,307.8
Accounts payable – trade		1.2	4.5
Liabilities to Group companies (within the Volvo Group)		36,990.6	21,195.9
Other current liabilities	19	2,454.1	3,453.4
Total current liabilities		**61,472.6**	**56,961.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**141,933.5**	**156,932.1**
Pledged assets		66.1	76.1
Contingent liabilities		488.0	560.1

Changes in Shareholders' equity, Group

	Note	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
Balance at December 31, 2008		**500,0**	**58,0**	**3 661,1**	**4 219,1**
Net income for the year		-	-	(498,9)	(498,9)
Other comprehensive income					
Translation differences		-	(11,3)	-	(11,3)
Total comprehensive income for the year		***0,0***	***(11,3)***	***(498,9)***	***(510,2)***
Transactions with shareholders/related parties					
Group contributions granted and received	15	-	-	767,0	767,0
Tax effect of Group contributions granted and received		-	-	(201,5)	(201,5)
Contribution from shareholders received		-	-	10 000,0	10 000,0
Total transactions with shareholders/related parties		***0,0***	***0,0***	***10 565,5***	***10 565,5***
Balance at December 31, 2009		**500,0**	**46,7**	**13 727,7**	**14 274,4**
Net income for the year		-	-	786,8	786,8
Other comprehensive income					
Translation differences		-	8,4	-	8,4
Total comprehensive income for the year		***0,0***	***8,4***	***786,8***	***795,2***
Transactions with shareholders/related parties					
Group contributions granted and received	15	-	-	(461,2)	(461,2)
Tax effect of Group contributions granted and received		-	-	121,3	121,3
Total transactions with shareholders/related parties		***0,0***	***0,0***	***(339,9)***	***(339,9)***
Balance at December 31, 2010		**500,0**	**55,1**	**14 174,6**	**14 729,7**

Cash-flow statement, Group

ACTIVITIES DURING THE YEAR	2010	2009
Interest received	4,675.5	5,236.1
Interest paid	(4,112.7)	(5,115.2)
Other financial transactions	(145.9)	(58.6)
Income taxes paid	(74.8)	(77.9)
Payments to suppliers and employees	(106.1)	(101.5)
	236.0	**(117.1)**
Increase (-)/decrease (+) in short-term marketable securities	5,770.3	(10,019.7)
Increase (-)/decrease (+) in current receivables	(11.8)	76.0
Increase (+)/decrease (-) in current liabilities	0.6	1,668.5
Increase (-)/decrease (+) in lending to Group companies	2,783.2	15,343.9
Increase (+)/decrease (-) in borrowing from Group companies	14,934.1	(28,420.4)
Increase (-)/decrease (+) in long-term receivables	11.4	(1.0)
Cash-flow from operating activities	**23,723.8**	**(21,469.8)**
Investments in machinery and equipment	(0.4)	-
Software development	-	(6.8)
Cash-flow from investing activities	**(0.4)**	**(6.8)**
Group contributions received (+)/granted (-)	767.0	103.7
Shareholders' contribution received	-	10,000.0
Issue of interest-bearing securities	10,512.8	86,390.8
Repayment of interest-bearing securities	(30,749.8)	(81,976.7)
Increase in other borrowing	2,614.0	8,807.4
Decrease in other borrowing	(9,214.8)	(71.4)
Cash-flow from financing activities	**(26,070.8)**	**23,253.8**
Cash-flow during the year	(2,347.4)	1,777.2
Cash and cash equivalents, January 1	9,961.7	8,186.2
Exchange-rate differences in cash and cash equivalents	1.0	(1.6)
Cash and cash equivalents, December 31	**7,615.3**	**9,961.8**

Total Comprehensive income, Parent company

	Note	2010	2009
Interest income	3	4,713.4	5,101.1
Interest expense	4	(3,944.6)	(5,205.5)
Financial instruments valued at fair value recognized in income statement	2, 22	459.6	(484.1)
Amortization of loan value adjustment		-	49.5
Net interest income		**1,228.4**	**(539.0)**
Net result of other financial transactions	22	(128.2)	(73.9)
Gross income		**1,100.2**	**(612.9)**
Administrative expenses	5, 24	(89.0)	(95.3)
Other operating expenses		(0.2)	(0.2)
Operating income		**1,011.0**	**(708.4)**
Tax on income for the year	6, 7	(265.7)	186.3
Net income		**745.3**	**(522.1)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**745.3**	**(522.1)**

Balance sheet, Parent company

	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Non-current assets			
Intangible assets			
Software development	8	4.5	5.9
Tangible assets			
Equipment	9	1.1	1.0
Financial assets			
Participations in subsidiaries		224.6	224.6
Receivables from Group companies (within the Volvo Group)		22,796.1	30,278.5
Other long-term receivables	11	2,547.8	1,668.7
Total financial assets		**25,568.5**	**32,171.8**
Total non-current assets		**25,574.1**	**32,178.7**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)		96,948.4	96,357.5
Other current receivables	12	1,782.9	2,842.8
Total current receivables		**98,731.3**	**99,200.3**
Marketable securities	**13**	**9,589.2**	**15,386.9**
Cash and cash equivalents	**14**	**7,467.5**	**9,911.7**
Total current assets		**115,788.0**	**124,498.9**
TOTAL ASSETS		**141,362.1**	**156,677.6**

SHAREHOLDERS’ EQUITY AND LIABILITIES

Shareholders’ equity			
Restricted equity			
Share capital (5,000,000 Series A shares, par value SEK 100)		500.0	500.0
Legal reserves		100.0	100.0
Total restricted equity		**600.0**	**600.0**
Unrestricted equity			
Retained earnings brought forward		13,229.1	14,091.1
Net income		745.3	(522.1)
Total unrestricted equity		**13,974.4**	**13,569.0**
Total shareholders’ equity		**14,574.4**	**14,169.0**
Non-current provisions			
Provision for post-employment benefits	16	5.5	5.1
Non-current liabilities	17		
Bond loans		38,766.6	49,191.3
Other liabilities to credit institutions		20,115.2	28,686.9
Liabilities to Group companies (within the Volvo Group)		6,699.4	7,742.9
Total non-current liabilities		**65,581.2**	**85,621.1**
Current liabilities			
Liabilities to credit institutions	18	21,046.6	31,267.9
Accounts payable – trade		1.2	4.5
Liabilities to Group companies (within the Volvo Group)		37,916.6	22,308.3
Other current liabilities	19	2,236.6	3,301.7
Total current liabilities		**61,201.0**	**56,882.4**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**141,362.1**	**156,677.6**
Pledged assets		66.1	76.1
Contingent liabilities		488.0	560.1

Changes in Shareholders' equity, Parent company

	Note	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
Balance at December 31, 2008		**500,0**	**100,0**	**3 525,6**	**4 125,6**
Net income for the year		-	-	(522,1)	(522,1)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		***0,0***	***0,0***	***(522,1)***	***(522,1)***
Transactions with shareholders/related parties					
Group contributions granted and received	15	-	-	767,0	767,0
Tax effect of Group contributions granted and received		-	-	(201,5)	(201,5)
Contribution from shareholders received		-	-	10 000,0	10 000,0
Total transactions with shareholders/related parties		***0,0***	***0,0***	***10 565,5***	***10 565,5***
Balance at December 31, 2009		**500,0**	**100,0**	**13 569,0**	**14 169,0**
Net income for the year		-	-	745,3	745,3
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		***0,0***	***0,0***	***745,3***	***745,3***
Transactions with shareholders/related parties					
Group contributions granted and received	15	-	-	(461,2)	(461,2)
Tax effect of Group contributions granted and received		-	-	121,3	121,3
Total transactions with shareholders/related parties		***0,0***	***0,0***	***(339,9)***	***(339,9)***
Balance at December 31, 2010		**500,0**	**100,0**	**13 974,4**	**14 574,4**

Cash-flow statement, Parent company

ACTIVITIES DURING THE YEAR	2010	2009
Interest received	4,656.5	5,166.3
Interest paid	(4,178.5)	(5,101.9)
Other financial transactions	(128.2)	(73.9)
Income taxes paid	(69.9)	(63.2)
Payments to suppliers and employees	(91.1)	(87.0)
	188.8	**(159.7)**
Increase (-)/decrease (+) in short-term marketable securities	5,770.3	(10,019.7)
Increase (-)/decrease (+) in current receivables	8.2	11.9
Increase (+)/decrease (-) in current liabilities	(2.8)	1,671.9
Increase (-)/decrease (+) in lending to Group companies	2,932.1	13,661.4
Increase (+)/decrease (-) in borrowing from Group companies	13,442.6	(26,645.2)
Increase (-)/decrease (+) in long-term receivables	(0.5)	(0.6)
Cash-flow from operating activities	**22,338.7**	**(21,480.0)**
Investments in machinery and equipment	(0.4)	-
Software development	-	(6.8)
Cash-flow from investing activities	**(0.4)**	**(6.8)**
Group contributions received (+)/granted (-)	767.0	103.7
Shareholders’ contribution received	-	10,000.0
Issue of interest-bearing securities	10,512.8	86,387.7
Repayment of interest-bearing securities	(29,392.0)	(81,976.7)
Increase in other borrowing	2,544.5	8,793.5
Decrease in other borrowing	(9,214.8)	(71.4)
Cash-flow from financing activities	**(24,782.5)**	**23,236.8**
Cash-flow during the year	(2,444.2)	1,750.0
Cash and cash equivalents, January 1	9,911.7	8,161.7
Cash and cash equivalents, December 31	**7,467.5**	**9,911.7**

Notes to Financial statements, Group and Parent Company

Note 1 Accounting and valuation policies

The consolidated financial statements for Volvo Treasury AB and its subsidiary (Volvo Treasury) have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. This annual report is prepared in accordance with IAS 1, Presentation of Financial Statements, and in accordance with the Swedish Companies Act. The income statement has been adapted to provide a relevant presentation of the results of the operations. In addition, RFR 1 Supplementary Rules for Groups has been applied, issued by the Swedish Financial Reporting Board.

In the preparation of these financial statements, the company management has made certain estimates and assumptions that affect the value of assets and liabilities as well as contingent liabilities at the balance sheet date. Recognized amounts for income and expenses in the reporting period are also affected. The actual future outcome of certain transactions may differ from the estimated outcome when these financial statements were prepared. Any such differences will affect the financial statements for future fiscal periods. See Note 2 for key sources of estimation uncertainty.

Consolidated financial statements
The consolidated financial statements comprise the Parent Company and subsidiaries in which Volvo Treasury AB holds more than 50% of the voting rights or in which Volvo Treasury otherwise has a controlling influence.

The consolidated financial statements have been prepared in accordance with the policies set forth in IAS 27, Consolidated and separate financial statements. Accordingly, intra-Group transactions are eliminated. All business combinations are accounted for in accordance with the purchase method.

Reporting of company acquisitions is in accordance with IFRS 3 (revised) Business Combinations. The acquisition method prescribed requires a detailed acquisition analysis in which all assets and liabilities are valued at fair value at the date of acquisition. No restatements of earlier acquisitions have occurred. No new acquisitions were made after January 1, 2004.

Translation to Swedish kronor when consolidating companies using foreign currencies
Volvo Treasury AB’s functional currency is Swedish kronor. All reporting in Group companies for Group purposes is made in the currency where the company has the majority of its revenues and expenses; normally the currency of the country where the company is located. Volvo Treasury AB’s functional currency and the Volvo Treasury Group’s reporting currency is Swedish kronor. In preparing the consolidated financial statements, all items in the income statements of foreign subsidiaries are translated to Swedish kronor at monthly exchange rates. All balance sheet items are translated at exchange rates at the respective year-ends (year-end rate). The differences in consolidated shareholders’ equity arising as a result of variations between year-end exchange rates are charged or credited directly to shareholders’ equity in the “provisions” category.

Receivables and liabilities in foreign currency
Receivables and liabilities in foreign currency are valued at closing rates. Translation differences arising in financial assets and liabilities are charged to other financial transactions. Derivative financial instruments used for hedging of exchange and interest risks are reported at fair value. Gains on exchange rates are reported as receivables and losses on exchange rates are reported as liabilities. Depending on the lifetime of the financial instrument it is reported as current or non-current in the balance sheet. Translation differences are reported through profit and loss as Net result of other financial transactions.

The exchange rates used in the consolidated financial statements are as follows:

		Average rate	**Average rate**	**As per Dec. 31**	**As per Dec. 31**
Country	**Currency**	**2010**	**2009**	**2010**	**2009**
Singapore	1 SGD	5.28561	5.25084	5.26000	5.13500

Interest income and interest expenses
Interest income pertains to accrued and realized interest on interest-bearing assets and marketable securities. Interest expenses pertain accrued and realized interest on interest-bearing liabilities and derivatives held to hedge loan receivables and financial liabilities.

Financial instruments valued at fair value through profit and loss
Financial instruments valued at fair value through profit and loss includes realized and unrealized interest gains and losses on short-term investments and derivatives used to hedge interest-bearing assets and investments, and unrealized interest gains/losses pertaining to derivatives held to hedge loan receivables and financial liabilities.

Reporting of financial assets and liabilities
Financial assets treated within the framework of IAS 39 are classified as one of the following:

- Financial assets valued at fair value through profit and loss
- Investments held to maturity
- Loans and receivables
- Available-for sale financial assets

At present Volvo Treasury has no financial assets and liabilities classified in the following categories:

- Investments held to maturity
- Available-for sale financial assets

Financial transactions are recognized in the balance sheet on the settlement date, and subsequent re-valuation between the contract date and the settlement date is recognized through profit and loss. A financial asset is derecognized (extinguished) in the balance sheet when all significant risks and benefits linked to the asset have been transferred to a third party. Financial liabilities are derecognized from the balance sheet when the obligation has been met, annulled or has ceased to exist.

Financial assets at fair value through profit and loss

All of Volvo Treasury's financial assets that are recognized at fair value through profit and loss are classified as held for trading. Included are derivatives for interest-bearing assets, loans, financial liabilities and for which Volvo Treasury has decided not to apply hedge accounting. Gains and losses on these assets are recognized through profit and loss. Short-term investments that are reported at fair value through profit and loss mainly consist of interest-bearing financial instruments and are reported in Note 13.

The fair value of assets and liabilities is determined based on the market prices in such cases they exist. If market prices are unavailable, the fair value is determined using various valuation techniques. Volvo Treasury has primarily used official rates or prices quoted on the capital markets. In their absence the valuation has been made by discounting future cash flows at the market interest rate for each maturity. Transaction expenses are included in the assets' fair value, except in the cases in which value changes are recognized through profit and loss.

Loan receivables and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market. After initial recognition, loans and receivables are measured in accordance with the effective interest method. Gains and losses are recognized through profit and loss when the loans or receivables are divested or impaired as well as in pace with the accrued interested being reported.

Financial liabilities at amortized cost

Financial liabilities other then derivatives are reported either at amortized cost or at fair value through profit or loss. Transaction costs in connection with raising financial liabilities are amortized over the financial loan's duration as a financial expense using the effective interest method.

Hedge accounting

Financial instruments used to hedge interest-bearing assets and investments, loan receivables and financial liabilities have, in accordance with IAS 39, been reported at fair value in the balance sheet. Under the complex rules in IAS39, Volvo Treasury has chosen only to apply hedge accounting for financial instruments used to hedge interest and currency risks on loans for cases when it, after an individual assessment, is considered adequate from a risk-perspective and when hedge accounting requirements are fulfilled. For 2010 hedge accounting (fair value hedge) has only been applied for a loan of EUR 1 billion borrowed in 2007. The changes in the fair value of the outstanding hedge instruments that are formally designated as fair value hedges together with any changes in the fair value of the hedged liability that is attributable to the hedged risk are reported through profit and loss.

Financial instruments are regularly tested for effectiveness. Hedging is considered to be effective when the notional and principal amounts, term, reprising dates, dates of interest and principal receipts and payments, and basis for measuring interest rates are the same for the hedging instrument and the hedged item. If the identified relationships are no longer deemed effective, the adjustment in the carrying amount for the hedged item is recognized through profit and loss over the remaining term.

When hedge accounting is not applied, unrealized gains and losses from fluctuations in fair value of the financial instruments are charged to the income statement. For further information see Note 22 Financial risks and instruments.

Valuation, depreciation, amortization and impairments of intangible and tangible fixed assets

Volvo Treasury reports intangible and tangible fixed assets at cost less depreciation. Depreciation is based on the historical cost of the assets, adjusted in appropriate cases by impairments, and estimated useful lives.

Depreciation periods	
Software development	5 years
Equipment	5 years

Pensions and similar obligations (Post-employment benefits)

Volvo Treasury applies IAS 19, Employee Benefits, for pensions and similar obligations. In accordance with IAS 19, actuarial calculations should be made for all defined-benefit plans in order to determine the present value of obligations for benefits unvested by its current and former employees. The actuarial calculations are prepared annually and are based upon actuarial assumptions that are determined close to the balance sheet date each year. Changes in the present value of obligations due to revised actuarial assumptions are treated as actuarial gains or losses which are amortized over the employees' average remaining service period to the extent these exceed the corridor value for each plan. Deviations between expected return on plan assets and actual return are treated as actuarial gains or losses. Provisions for post-employment benefits in Volvo Treasury's balance sheet correspond to the present value of obligations at the balance-sheet date, less fair value of plan assets, unrecognized actuarial gains or losses and unrecognized unvested past service costs. The corridor value limit is set as the highest of 10% of the present value of the obligation at the beginning of the period or 10% of the asset's fair value at the beginning of the period.

As a supplement to IAS 19, Volvo Treasury applies UFR 4 Reporting of special employer's contribution and tax on returns, in accordance with the recommendation from the Swedish Financial Accounting Standards Council, in calculating the Swedish pension liabilities.

For defined-contribution plans, premiums are expensed as incurred.

Income taxes

Tax on income for the year comprises current and deferred tax. Taxes are recognized in profit and loss, except when the tax relates to items recognized in other comprehensive income or directly in equity. In such cases, the tax is also recognized in other comprehensive income and shareholders' equity.

Tax legislation in Sweden and other countries sometimes contains rules other than those identified with generally accepted accounting policies, and which pertain to the timing of taxation and measurement of certain commercial transactions. Deferred taxes are provided for on differences that arise between the taxable value and recognized value of assets and liabilities (temporary differences) as well as on tax-loss carry forwards. However, with regards to the valuation of deferred tax assets, that is, the value of future tax reductions, these items are recognized provided that it is probable that the amounts can be utilized against future taxable income.

Group contributions
Under certain circumstances, profits may be transferred in the form of Group contributions between companies within the same group. Contributions paid are normally a tax-deductible cost for the giver and taxable income for the receiver.

Group contributions are recognized in accordance with UFR 2, Group contributions and shareholders’ contributions, whereby Group contributions are recognized directly in shareholders’ equity. The tax effect of Group contributions paid and received is also recognized directly in shareholders’ equity.

Cash-flow statement
The cash-flow statement is prepared in accordance with IAS 7. Cash-flow statement, direct method showing changes in operating assets and liabilities. The cash-flow statements of foreign Group companies are translated at the average rate.

Cash and cash equivalents include cash, bank balances and parts of marketable securities, with date of maturity within three months from the time of investment. Marketable securities comprise interest-bearing securities, the majority of which with terms exceeding three months. However, these securities have high liquidity and can easily be converted to cash. In accordance with IAS 7, certain investments in marketable securities are excluded from the definition of cash and cash equivalents if the date of maturity of such instruments is later than three months after the investment was made.

Segment reporting
Volvo Treasury’s operations are conducted within a single line of business and consequently do not give rise to segment reporting. Geographically, the operations are conducted primarily within two segments – Sweden and Singapore. Since the operations in Singapore are limited in scope, segment reporting as per IFRS 8, Operating Segments, is not applied. The Parent Company represents the Swedish operations. The difference between the Group and the Parent Company primarily comprises the Singapore operations.

Share-related payments
Volvo Treasury applies IFRS 2, Share-based Payments for share-based incentive programs. IFRS 2 distinguishes between “cash-settled” and “equity-settled”, in Volvo's case, shares. The President is currently included in the program. The Volvo program includes both a cash-settled and an equity-settled part, however this is not applicable for 2010 as there was no program in 2010. The details of the program are presented in Note 34 of the AB Volvo Annual Report. The cost of this program, based on the actual value of the benefit at the time of its allotment, is recognized in accordance with IFRS 2 during the vesting period and is charged to profit and loss through offset accounting in shareholders’ equity within the category of retained earnings for programs to be settled with shares, which is the case for the program in which the Company’s President participates. In addition to the cost of the program, the cost of social security contributions is also charged to the Company.

New accounting policies in 2010
The following new accounting policies, amendments and statements from IFRIC are effective from January 1, 2010 and have been applied by Volvo Treasury unless stated otherwise. They are considered to not have a significant impact on the Group’s financial statements during the year.

-IFRS 3 Revised Business Combinations
-IAS 27 Amendment Consolidated and separate financial statement
-IAS 39 Amendment Financial instruments: Recognition and Measurement: Eligible hedge items
-IFRS 1 Amendments Additional exemptions for first-time adopters
-Revised IFRS 1 First time adoption of IFRS
-IFRS 1 Amendments Limited exemption from comparative IFRS 7 Disclosures for First-time Adopters
-IFRS 2 Amendment Group Cash-settled Share-based Payment Transactions
-IFRIC 16 Hedges of a net investment in a foreign operation
-IFRIC 17 Distribution of non-cash assets to owners
-IFRIC 18 Transfers of assets from customers
-IFRIC 9 and IAS 39 Amendment Embedded derivatives
-Annual improvements

New accounting policies 2011 and later
When preparing the consolidated accounts as of December 31, 2010, a number of standards and interpretations have been published, but have not yet become effective. The following is a preliminary assessment of the effect that the implementation of these standards and statements could have on Volvo Treasury's financial statements.

*IFRS 9 Financial instruments**
IFRS 9 Financial instruments have been published in three parts: Classification and Measurement, Impairment and Hedge accounting, which will replace IAS 39 with effective date January 1, 2013. Earlier adoption is permitted given EU endorsement. The objective of this IFRS is to establish policies for the financial reporting of financial assets that will present more relevant and useful information to users of financial statements of their assessment of the amounts, timing and uncertainty of the entity's future cash flows. Volvo Treasury is currently reviewing the effects implementation of IFRS 9 will have on the Group. When all three parts of the project are completed a common stand-point will be given.

In addition to the above-mentioned, the below amendments to standards are applicable for Volvo Treasury from January 1, 2011 or later, but are not expected to have a significant impact on the Group's financial statements.

- IFRS 7 Amendments Financial Instruments: Disclosures
- IFRIC 12 Service Concession Arrangements
- IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Revised IAS 24 Related Party Disclosures
- IAS 32 Amendment Classification of rights issues
- Annual improvements

*These standards/interpretations have not been adopted by the EU at the publication of the annual report. Accordingly, stated dates for adoption may change as a consequence of decisions within the EU endorsement process.

Parent Company
The Parent Company applies the Annual Accounts Act and RFR 2 Accounting for legal entities. The standard means that legal entities whose securities on the closing date are listed

on a Swedish stock exchange or other authorized marketplace as a main rule shall apply the IFRS/IAS as applied in the consolidated accounts.

Volvo Treasury has adopted IAS 19 Employee Benefits in its financial reporting for the Group. The Parent Company still applies the policies of FAR SRS RedR 4 recommendation, Accounting of pension liabilities and pension costs, as in prior years. Consequently, there are differences between Volvo Treasury Group and the Parent Company in the accounting for defined-benefit pension plans as well as in valuation of plan assets invested in the Volvo Pension Foundation.

Note 2 Key sources of estimation uncertainty

Volvo Treasury's significant accounting policies are set out in Note 1, Accounting Policies and conform to IFRS as adopted by the EU. The preparation of Volvo Treasury's consolidated financial statements requires the use of estimates, judgments and assumptions that affect the recognized amounts of assets, liabilities and provisions at the date of the financial statements. In preparing these financial statements, Volvo Treasury's management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The application of the accounting policies involves the exercise of judgment and use of assumptions as future uncertainties and, as a result, actual results could differ from these estimates. In accordance with IAS 1, preparers are required to provide additional disclosure of accounting policies in which estimates, judgments and assumptions are particularly sensitive and which, if actual results are different, may have a material impact on the financial statements. The accounting policies applied by Volvo Treasury that are deemed to meet these criteria are discussed below.

Valuation of financial instruments
As presented in Note 1, Volvo Treasury applies IAS 39. Financial Instruments: Recognition and Measurement. In accordance with this standard all derivatives shall be recognized at fair value in the balance sheet. In establishing the fair values of financial instruments, Volvo Treasury has primarily used official rates or prices quoted on the capital markets. In their absence, the valuation has been made by discounting future cash flows at the market interest rate for each maturity. All recognized fair values are calculated values that will not necessarily be realized. The policy for matching of assets and liabilities and how derivatives are used and the sensitivity analyses in changes in the interest rates on the Company's cash and cash equivalents and liabilities for the Volvo's Group's industrial segment are shown in Note 22. Assets and liabilities received for the AB Volvo Group's customer financing segment are matched, whereby the effects of changes in interest and currency rates do not have any significant effect on the Company's net financial position.

Pensions and other post-employment benefits
Provisions and costs for post-employment benefits, i.e., mainly pensions and health-care benefits, are dependent on assumptions used by actuaries in calculating such amounts. The appropriate assumptions and actuarial calculations are made separately for each population in the respective countries of AB Volvo's operations. The assumptions include discount rates, health care cost trends, inflation, salary growth, long-term return on plan assets, retirement rates, mortality rates and other factors. The actuarial assumptions are reviewed by AB Volvo on an annual basis and modifications are made to them when it is deemed appropriate to do so. The Volvo Treasury Group is included in this annual review. Actual results that differ from management's assumptions are accumulated and amortized over future periods. See Note 16 for applied assumptions in actuarial calculations.

Note 3 Interest income

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Interest	4,735.8	5,114.4	4,713.4	5,101.1
Total	**4,735.8**	**5,114.4**	**4,713.4**	**5,101.1**
of which, Volvo Group companies				
Interest	4,420.8	4,875.0	4,399.9	4,863.5
Total	**4,420.8**	**4,875.0**	**4,399.9**	**4,863.5**

Note 4 Interest expense

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Interest	3,878.3	5,157.2	3,944.6	5,205.5
Total	**3,878.3**	**5,157.2**	**3,944.6**	**5,205.5**
of which, Volvo Group companies				
Interest	346.8	448.2	483.3	662.6
Total	**346.8**	**448.2**	**483.3**	**662.6**

Note 5 Administrative expenses

Wages, salaries, other remuneration and social costs

	2010			2009		
	Salaries and other remuneration	Social costs	of which pension costs	Salaries and other remuneration	Social costs	of which pension costs
Parent Company	34.4	20.3	13.3	34.2	19.5	12.5
Subsidiaries	6.6	1.4	1.4	6.3	0.8	0.8
Group	**41.0**	**21.7**	**14.7**	**40.5**	**20.3**	**13.3**

Of the Parent Company's pension costs, 1.8 (1.6) pertains to the Board and President. The corresponding amounts for the Group are 1.9 (1.8).

The cost of non-monetary benefits in the Group amounted to 3.2 (3.6), of which benefits to the Board of Directors and the President amounted to 0.4 (1.1). The cost of non-monetary benefits in the Parent Company amounted to 1.1 (1.2), of which benefits to the Board of Directors and the President amounted to 0.2 (0.2).

The Board of AB Volvo considers that it is in the Group's own interest that the senior executives are given personal incentives that are based on the fulfillment of certain financial goals for the Group. Since 2004, the AB Volvo Group has accordingly had an annual share-based incentive program, approved by the Annual General Meeting, except for 2010 when the Board of AB Volvo decided not to propose a long-term share-based incentive program to the Annual General Meeting. As a consequence of a resolution made at the 2008 Annual General Meeting of AB Volvo, 333 shares were allotted to Volvo Treasury AB's President in March 2009. In 2009, the Annual General Meeting of AB Volvo resolved on a similar share-based incentive program with allotment in 2010. The financial targets established as the terms for the allotment of shares in the program were however not achieved and, accordingly, no allotment occurred. The cost for the share-related incentives programs are recognized in accordance with IFRS 2. However, no costs affected 2009 and 2010. Details relating to these programs are presented in Note 34 of the AB Volvo 2010 Annual Report. The 2011 Annual General Meeting of AB Volvo resolved on a new revised program.

Wages, salaries and other remuneration by country and among Board members, etc., and other employees

	2010			2009		
	Board of Directors and President	of which bonuses etc	Other employees	Board of Directors and President	of which bonuses etc	Other employees
Parent Company						
Sweden	3.4	-	31.1	3.6	-	30.6
Total in Parent Company	**3.4**	**0.0**	**31.1**	**3.6**	**0.0**	**30.6**
Subsidiaries, outside Sweden						
Singapore	1.7	0.6	4.9	1.6	0.5	4.7
Total in subsidiaries	**1.7**	**0.6**	**4.9**	**1.6**	**0.5**	**4.7**
Group total	**5.1**	**0.6**	**36.0**	**5.2**	**0.5**	**35.3**

Wages, salaries and other remuneration to the Board of Directors and the President of the Parent Company relate in their entirety to the President.

The Company's President has a notice of termination of six months on his own accord. The President has a 12-month notice of termination from Volvo Treasury AB, and thereafter the right to severance pay corresponding to 12 months.

Depreciation

Depreciation of tangible and intangible fixed assets amounted to 2.1 (1.6) in the Group and to 1.7 (1.2) in the Parent Company.

Auditors' fees and compensation for costs

Audit involves examination of the annual report and financial accounting and the administration by the Board and the President. Audit-related assignments mean quality assurance services required by enactment, articles of association, regulations or agreement. The amount includes among other things the fee for the half-year review. Tax services include both tax consultancy and tax compliance services. All other tasks are defined as other. 2009 figures are restated for comparability.

PricewaterhouseCoopers	**Group**		**Parent Company**	
	2010	**2009**	**2010**	**2009**
Audit assignment	1.2	1.2	0.7	0.6
Audit related services	0.2	2.1	0.2	2.1
Tax services	0.6	0.3	0.0	0.1
Total	**2.0**	**3.6**	**0.9**	**2.8**

Note 6 Income tax

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Current tax for the period	(275.1)	179.6	(266.4)	185.8
Adjustment of current tax for prior periods	-	(0.1)	-	(0.1)
Deferred tax arising or reversed during the period	0.7	0.6	0.7	0.6
Total	**(274.4)**	**180.1**	**(265.7)**	**186.3**

Tax attributable to Group contributions increased (reduced) unrestricted reserves by 121.3 (201.5) in the Group and increased (reduced) equity by 121.3 (201.5) in the Parent Company.

The main reasons for differences between tax according to current tax rate 26.3% (26.3%) and income tax for the period are disclosed in the table below.

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Income before taxes	**1,061.2**	**(679.0)**	**1,010.9**	**(708.4)**
Tax according to current tax rate	(279.1)	178.6	(265.9)	186.3
Difference due to different countries' tax rates	5.0	3.0	-	-
Other non-taxable income	0.1	0.1	-	-
Other non-deductible expenses	(0.7)	(0.7)	(0.5)	(0.5)
Taxes related to prior year	-	(0.1)	-	(0.1)
Other, net	0.3	(0.8)	0.7	0.6
Total income tax for the year	**(274.4)**	**180.1**	**(265.7)**	**186.3**

Note 7 Deferred tax

Reporting of deferred tax liability in the Group has reduced the income tax in the consolidated income statement for the year by 0.7 (0.6).

Temporary differences related to provisions for pension amounts to 3.6 (3.1) for the Group and are recognized in the item “Other long-term receivables”.

Note 8 Intangible assets

	Group		Parent Company	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Software development				
Opening cost	6.8	-	6.8	-
Capital expenditures	-	6.8	-	6.8
Closing amortized cost	**6.8**	**6.8**	**6.8**	**6.8**
Opening accumulated depreciation	(0.9)	-	(0.9)	-
Depreciation for the year	(1.4)	(0.9)	(1.4)	(0.9)
Closing accumulated depreciation according to plan	**(2.3)**	**(0.9)**	**(2.3)**	**(0.9)**
Closing residual value according to plan	**4.5**	**5.9**	**4.5**	**5.9**

Note 9 Tangible assets

	Group		Parent Company	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Equipment				
Opening cost	4.7	5.3	2.2	2.6
Purchases	0.4	-	0.4	-
Sales and scrapping	(1.6)	(0.4)	(0.2)	(0.4)
Translation difference	0.1	(0.2)	-	-
Closing amortized cost	**3.6**	**4.7**	**2.4**	**2.2**
Opening accumulated depreciation	(2.7)	(2.5)	(1.2)	(1.3)
Sales and scrapping	1.1	0.4	0.2	0.4
Depreciation for the year	(0.7)	(0.7)	(0.3)	(0.3)
Translation difference	-	0.1	-	-
Closing accumulated depreciation according to plan	**(2.3)**	**(2.7)**	**(1.3)**	**(1.2)**
Closing residual value according to plan	**1.3**	**2.0**	**1.1**	**1.0**

Note 10 Financial assets

Participations in subsidiaries	Parent Company	
	Dec. 31, 2010	Dec. 31, 2009
Opening cost	224.6	224.6
Closing amortized cost	**224.6**	**224.6**
Closing residual value according to plan	**224.6**	**224.6**

	Registered office in	Percentage holding	Voting share	No, of rights participations / shares	Carrying amount SEK 000s
Volvo Treasury Asia Ltd	Singapore	100%	100%	20,025,000	224,608
Total					**224,608**

Note 11 Other long-term receivables

Other long-term receivables in the Group and Parent Company pertain in all significant respects to unrealized result from derivatives entered into to hedge receivables and liabilities in foreign currencies.

Note 12 Other current receivables

	Group		Parent Company	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Tax assets	2.2	76.6	2.2	76.6
Accrued interest income and prepaid interest expenses	1,602.5	1,831.1	1,579.0	1,824.3
Other accrued income and prepaid expenses	2.1	1.8	1.9	1.6
Conduit loans*	11.2	6.8	-	-
Unrealized exchange-rate gains on derivative contracts - Volvo internal	51.2	299.0	50.5	291.8
Unrealized exchange-rate gains on derivative contracts - Volvo external	342.0	804.1	148.6	648.5
Other current receivables	2.0	-	0.7	-
Total	**2,013.2**	**3,019.4**	**1,782.9**	**2,842.8**

* Lending to bank for subsequent lending to Group companies (within the AB Volvo Group) with corresponding amount, term and fixed interest.

Note 13 Marketable securities

Marketable securities consist of interest-bearing securities, distributed as follows:

	Group		Parent Company	
	Dec. 31, 2010	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Banks and financial institutions	3,495.4	2,244.6	3,495.4	2,244.6
Real estate financial institutions	6,093.8	13,142.3	6,093.8	13,142.3
Total	**9,589.2**	**15,386.9**	**9,589.2**	**15,386.9**

Note 14 Cash and cash equivalents

	Group		Parent Company	
	Dec. 31, 2010	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Cash in banks	4,166.2	4,046.7	4,138.1	4,027.6
Bank certificates*	499.9	2,999.0	499.9	2,999.0
Time deposits in banks	2,949.2	2,916.1	2,829.5	2,885.1
Total	**7,615.3**	**9,961.8**	**7,467.5**	**9,911.7**

*Bank certificates which mature within three months from acquisition.

Cash and cash equivalents in the Group and Parent Company at December 31, 2010, include SEK 1.8 M (11.3) not available for use.

Note 15 Group contributions

Group contributions of 1,500.0 (1,000.0) were granted to (received from) AB Volvo and 1,038.8 (233.0) was received from (granted to) Sotrof AB.

Note 16 Provisions for post-employment benefits

Post-employment benefits, such as pensions and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined-contribution plans. The remaining post-employment benefits are defined-benefit plans, where the obligations remain within the AB Volvo Group or are transferred to the Group’s own pension trusts. Costs and the obligations at the end of period for defined-benefit plans are calculated based on actuarial assumptions and are measured on a discounted basis. One large-scale defined-benefit plan applies to salaried employees in Sweden (mainly through the Swedish ITP pension plan).

Applicable assumptions for actuarial calculations (Sweden)	**Dec. 31, 2010**	**Dec. 31, 2009**
Discount rate	4.8	4.0
Expected return on plan assets	6.0	6.0
Expected salary increase	3.0	3.0
Inflation	1.5	1.5

Pension costs during the year	**2010**	**2009**
Current service costs	(1.2)	(1.1)
Interest costs	(1.4)	(1.4)
Expected return on plan assets	1.1	1.0
Actuarial gains and losses	(0.3)	(0.4)
Total pension costs for defined-benefit plans	**(1.8)**	**(1.9)**
Pension costs for defined-contribution plans	(11.5)	(10.6)
Total pension costs	**(13.3)**	**(12.5)**

The discount rate for each country is determined by reference to market yields on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The discount rate for the Swedish pension obligation 2010 is determined by reference to mortgage bonds.

Expected returns on plan assets are applicable for the following accounting period. These assumptions reflect the expected long-term return rate on plan assets, based upon historical yield rates for different categories of investments and weighted in accordance with the foundation's investment policy. The expected return has been calculated net of administrative expenses and applicable taxes.

Actuarial gains and losses are recognized for each plan as income or expense, when the accumulated amount exceeds the so-called corridor. In such cases, the income or expense is distributed over the employees’ average remaining period of service.

Obligations in defined-benefit plans	**2010**	**2009**
Obligations at January 1	33.2	30.4
Service costs	1.2	1.1
Interest costs	1.4	1.4
Actuarial gains (-) and losses (+)	(4.8)	0.6
Benefits paid	(0.3)	(0.3)
Obligations at December 31	**30.7**	**33.2**
Of which, funded defined-benefit plans	30.6	33.1

Fair value of plan assets in funded plans	**2010**	**2009**
Plan assets at January 1	18.9	16.1
Actuarial gains (+) and losses (-)	0.8	1.8
Expected return on plan assets	1.1	1.0
Plan assets at December 31	**20.8**	**18.9**

Net provisions for post-employment benefits

	Group		Parent company	
	Dec. 31, 2010	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Funded status at December 31	9.9	14.3	9.9	14.3
Unrecognized actuarial gains (+) and losses (-)	(4.0)	(9.9)	-4.4	(9.2)
Net provisions for post-employment benefits at December 31	**5.9**	**4.4**	**5.5**	**5.1**

Note 17 Non-current liabilities

Group	**Bond loans**	**Other liabilities to credit institutions**	**of which, derivative contracts**	**Liabilities to companies in the Volvo Group**
Due date	**Dec. 31, 2010**	**Dec. 31, 2010**	**Dec. 31, 2010**	**Dec. 31, 2010**
2011	9,750.2	4,960.2	1,052.1	-
2012	1,178.2	6,840.7	124.4	-
2013	11,773.3	3,087.0	2,089.8	-
2014	5,075.1	3,818.7	19.6	-
2015	-	6,343.4	19.3	-
2016-	10,989.8	1,908.7	5.3	-
Total	**38,766.6**	**26,958.7**	**3,310.5**	**0.0**

Parent Company	**Bond loans**	**Other liabilities to credit institutions**	**of which, derivative contracts**	**Liabilities to companies in the Volvo Group**
Due date	**Dec. 31, 2010**	**Dec. 31, 2010**	**Dec. 31, 2010**	**Dec. 31, 2010**
2011	9,750.2	2,882.9	1,050.0	2,075.1
2012	1,178.2	5,417.3	123.2	1,283.8
2013	11,773.3	3,086.0	2,088.9	-
2014	5,075.1	2,565.6	19.0	1,252.7
2015	-	4,254.7	18.3	2,087.8
2016-	10,989.8	1,908.7	5.3	-
Total	**38,766.6**	**20,115.2**	**3,304.7**	**6,699.4**

Unrealized exchange-rate losses and market-value adjustment referring to derivative contracts with remaining maturities of more than one year are also recognized under long-term liabilities.

The following list shows the Group's and Parent Company's non-current liabilities in which the largest loans are distributed by currency. Information on loan terms is for the Group as of December 31, 2010. The borrowing terms for the Parent Company are contained in the ranges stated below.

Bond loans	**Actual interest rate**	**Effective interest rate**	**Group**		**Parent company**	
	Dec. 31, 2010 %	**Dec. 31, 2010 %**	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2010**
EUR 2007-2010/2012-2017	2.19-9.92	2.21-9.92	20,384.40	26,427.70	20,384.40	26,427.70
SEK 2007-2009/2012-2017	1.59-8.63	1.60-8.91	12,552.30	16,167.50	12,552.30	16,167.50
USD 2009/2015	5.98	5.98	5,075.10	5,380.90	5,075.10	5,380.90
JPY	-	-	-	78.50	-	78.50
NOK 2009/2012	5.64	5.76	229.30	557.20	229.30	557.20
GBP 2009/2014	6.28	6.43	525.50	572.20	525.50	572.20
Other bond loans				7.30		7.30
Total			**38,766.60**	**49,191.30**	**38,766.60**	**49,191.30**

Other liabilities to credit institutions	**Actual interest rate**	**Effective interest rate**	**Group**		**Parent company**	
	Dec. 31, 2010 %	**Dec. 31, 2010 %**	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
EUR 2009/2014	3.25	3.28	1,427.60	2,577.00	1,427.60	1,489.00
USD 2007-2009/2012-2018	0.52-4.86	0.52-4.95	10,058.20	14,202.20	7,642.90	11,641.20
CHF	-	-	-	696.00	-	696.00
DKK 2008/2012-2013	1.70-1.75	1.71-1.76	193.40	334.20	193.40	334.20
GBP 2008/2012	1.19	1.2	297.60	1,588.10	297.60	1,588.10
JPY 2006-2008/2013-2016	0.65-1.79	0.65-1.79	8,417.80	12,663.70	4,133.70	8,636.10
SEK 2007-2010/2015-2017	2.00-3.00	2.02-3.00	3,000.00	2,000.00	3,000.00	2,000.00
NOK 2007/2012	2.99	3.02	115.30	248.80	115.30	248.80
AUD 2009-2010/2012-2013	7.5	7.64	138.30	64.30	-	-
Derivatives			3,310.50	2,059.60	3,304.70	2,053.50
Total			**26,958.70**	**36,433.90**	**20,115.20**	**28,686.90**

The list below shows the currency distribution of the Group's and the Parent Company's long-term borrowing with consideration taken to currency derivatives (nominal amounts) linked to the long-term liabilities. The currency distribution refers to outstanding long-term liabilities at December 31, 2010.

	Group				**Parent Company**		
	Loan	**Derivative**	**Total**		**Loan**	**Derivative**	**Total**
EUR	21,812.0	-3,074.3	18,737.7	EUR	21,812.0	-3,074.3	18,737.7
JPY	8,417.8	-795.4	7,622.4	JPY	4,133.7	-795.4	3,338.3
SEK	15,552.3	4,092.3	19,644.6	SEK	15,552.3	4,092.3	19,644.6
USD	15,133.3	652.2	15,785.5	USD	12,718.0	654.9	13,372.9
Others	1,499.4	985.1	2,484.5	Others	1,361.1	981.9	2,343.0
	62,414.8	**1,859.9**	**64,274.7**		**55,577.1**	**1,859.4**	**57,436.5**

Note 18 Credit institute current liabilities

	Group		**Parent Company**	
	Dec. 31, 2010	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Other loans	21,616.2	32,128.3	20,670.0	31,092.1
Unrealized exchange loss on derivative contracts	410.5	179.5	376.6	175.8
Total	**22,026.7**	**32,307.8**	**21,046.6**	**31,267.9**

Granted overdraft facilities amount to 974.1 (1,041.9) in the Group and 963.6 (1,031.6) in the Parent Company.

Note 19 Other current liabilities

	Group		Parent Company	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Tax liability	10.2	6.1	-	-
Wages, salaries and tax-at-source	21.5	22.2	21.4	22.1
Accrued interest expenses and prepaid interest income	2,026.5	2,606.0	1,997.4	2,585.7
Accrued expenses and deferred income	3.3	7.3	9.5	8.5
Unrealized loss on foreign exchange derivative contracts – Volvo internal	150.1	357.9	146.6	352.2
Unrealized loss on foreign exchange derivative contracts – Volvo external	242.5	453.9	61.7	333.2
Total	**2,454.1**	**3,453.4**	**2,236.6**	**3,301.7**

Note 20 Pledged assets

	Group		Parent Company	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
For own obligations				
Security balance, Financial futures	1.8	11.3	1.8	11.3
Optionsmäklarna (OM)	64.3	64.8	64.3	64.8
Total pledged assets	**66.1**	**76.1**	**66.1**	**76.1**

Note 21 Contingent liabilities

	Group		Parent Company	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Contingent liabilities on behalf of other Volvo Group companies	487.5	559.6	487.5	559.6
Other contingent liabilities	0.5	0.5	0.5	0.5
Total contingent liabilities	**488.0**	**560.1**	**488.0**	**560.1**
Contingent liabilities received from other Group companies, which reduce net obligations	(487.5)	(559.6)	(487.5)	(559.6)

Note 22 Financial risks and instruments

Volvo Treasury is exposed, through its operations, to various financial risks. Group-wide policies, which are updated and established annually, provide the foundation for the management of these risks. Volvo Treasury conducts its operations within established risk mandates and limits. The following section describes the implication of different financial risks and the goals and policies involved in managing these risks. Volvo Treasury's accounting policies pertaining to financial instruments and hedge accounting are described in Note 1. As explained in Note 1, Volvo Treasury applies IAS39, Financial instruments: recognition and measurement. According to this recommendation, derivatives must be recognized at fair value in the balance sheet. In its calculations of the fair value of financial instruments, Volvo Treasury has primarily used official exchange rates or prices quoted on the capital market. In cases where such information is not available, the value has been established through discounting future cash flows at the market interest rate for the particular term involved. All stated fair values represent estimated values, which will not necessarily be realized.

As explained in Note 1, under the more complex rules in IAS39, Volvo Treasury has chosen to apply hedge accounting only for cases when, after an individual assessment, it is considered adequate from a risk-perspective. For cases in which hedge accounting is not applied, unrealized gains and losses up to the maturity date of the financial instrument will be charged to profit and loss.

Currency risk
Financial currency exposure
Loans and investments are effected in different currencies – on the capital markets and with companies in the AB Volvo Group. Investments and borrowing are mainly in SEK, EUR, USD and JPY. Different types of derivatives are used to minimize financial currency exposure. Using derivatives such as currency swaps and currency futures enables Volvo Treasury to meet the Group's borrowing and lending requirements in different currencies, without increasing the Company's own risk.

Currency exposure of shareholders' equity
The consolidated value of assets and liabilities in foreign subsidiaries is affected by exchange rates in conjunction with translation into Swedish kronor. Net assets in foreign subsidiaries amounted to SEK 333.6 M at year-end 2010. Of this amount, SEK 0 M was hedged through loans in foreign currencies, which is in line with the policy established by AB Volvo's Board of Directors.

Interest-rate risk
"Interest-rate risk" refers to the risk that changes in interest rates will affect the consolidated earnings and cash-flow (cash-flow risk) or the fair value of financial assets and liabilities (price risk).

Lending to the AB Volvo Group customer finance operations involves a range of maturities and interest-fixing terms. This lending is financed through short and long-term borrowing via the capital market at floating and fixed interest rates. Within the established limits, financing must match lending in terms of maturities. Interest-fixing terms between borrowing and lending are matched through the use of derivatives such as interest swaps, exchange-rate swaps, forward contracts and standardized interest-rate forward contracts. Financial assets and liabilities related to the AB Volvo Group's customer finance operations are matched so as to minimize the exposure to cash-flow risk and price risk. As a result, an assumption that the market interest rates for all currencies were to suddenly rise one percentage point from the interest level at December 31, 2010, the market value of the portfolio would be affected positively by SEK 13 M. Nor would the interest change have any material effect on Volvo Treasury's profit after net financial items over time.

Borrowing and lending from and to the industrial operations of the AB Volvo Group primarily takes place through the AB Volvo Group accounts in various currencies. Volvo Treasury administrates AB Volvo Group accounts, which implies that surpluses and deficits with respect to external banks are offset through short-term currency transactions and that any excess liquidity is invested in short-term and long-term money and capital market vehicles.

Financing for the AB Volvo Group's industrial operations involves a fixed as well as a floating interest rate. Short and long-term borrowing is carried out via the capital markets and through bilateral loans. The use of derivatives such as interest swaps and currency interest swaps creates an interest-fixing term corresponding to three months. After taking derivatives into account, the average effective interest rate at year-end on financing outstanding for the AB Volvo Group's industrial operations was 3.44%. If the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2010, the market value of financing for the AB Volvo Group's industrial operations would be affected positively by SEK 100 M.

Surplus liquidity within the AB Volvo Group is managed by Volvo Treasury. This management involves investment in interest-bearing securities on the money and capital markets. The investments involve securities of varying duration and interest-fixing terms. The use of derivatives such as interest rate swaps, standardized interest-rate forward contracts and FRAs (forward-rate agreements) results in an interest-fixing term corresponding to three months. Taking derivatives into account, the average effective interest rate on these cash and cash equivalents at December 31, 2010, was 1.95%. If the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2010, the market value of investments in the money and capital markets would be changed negatively by SEK 27 M.

As described above, the interest-fixing term is reduced in all financial assets and liabilities related to the industrial operations of the AB Volvo Group to a floating interest rate. As a result, an assumption that the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2010 would have no significant impact on Volvo Treasury's profit after net financial items over time.

It should be noted that the above assessment of profit-sensitivity with regard to changes in market interest rates ignores possible effects of short-term earnings effects arising since all derivatives are marked to market in profit and loss. Volvo Treasury's accounting policies as regards derivatives are described in Note 1.

Carrying amounts in the balance sheet, fair values and other specifications pertaining to derivatives used in the management of currency and interest-rate risks related to financial assets and liabilities are shown in the adjacent tables.

Credit risks

The AB Volvo Group's surplus liquidity is managed by Volvo Treasury and invested in the money and capital markets. All investments must meet the requirements of low credit risk and high liquidity. In accordance with Volvo's credit policy, counterparties for both investments and derivative transactions must have achieved a rating of A or better from one of the well-established credit rating institutions.

Lending to companies within the AB Volvo Group complies with the limits established for the particular counterparty.

The use of derivatives leads to a counterparty risk – that is, a risk that the counterparty will not fulfill its part of the contract, implying that a potential profit is not paid. Master netting agreements are signed with the various counterparties whenever possible, to reduce the exposure. The counterparty risk exposure of forward contracts is limited through daily or monthly cash transfers corresponding to changes in the value of open contracts. The estimated gross exposure to counterparty risks for currency forward contracts, interest rate swaps and interest-rate forward contracts, and options at December 31, 2010, amounted to 391, 3,858 and 185 for the Group, and to 383, 3,789 and 5 for the Parent Company.

Liquidity risks

Volvo Treasury reduced liquidity risks through diversifying its financing to various borrowing sources, retaining a good balance between short- and long-term borrowing and by securing borrowing preparedness through credit facilities.

Some of Volvo Treasury's long-term loan agreements contain clauses stipulating a right for the lender to request repayment in advance under certain conditions following a change of the control of the company. In Volvo Treasury's opinion, it has been necessary in certain cases to accept these conditions to receive financing on otherwise acceptable terms.

The list below shows expected future cash-flows including derivatives related to financial liabilities. Capital flow refers to expected payments of loans and derivatives. Interest flow refers to the future interest payments on loans and derivatives based on interest rates expected by the market. The interest flow is recognized within cash-flow from operating activities. Future cash-flows in foreign currency are based on the exchange rates at year-end.

Group	**Capital flow**	**Interest flow**
2011	(21,626.0)	(3,202.0)
2012	(14,458.0)	(2,516.0)
2013	(7,509.0)	(2,160.0)
2014	(14,473.0)	(1,447.0)
2015	(8,902.0)	(1,049.0)
2016	(6,324.0)	(644.0)
2017-	(11,993.0)	(273.0)

Parent Company	**Capital flow**	**Interest flow**
2011	(20,695.0)	(3,110.0)
2012	(12,315.0)	(2,454.0)
2013	(6,156.0)	(2,109.0)
2014	(14,473.0)	(1,402.0)
2015	(7,650.0)	(1,004.0)
2016	(4,236.0)	(608.0)
2017-	(11,993.0)	(273.0)

Current liabilities to Group companies (within the AB Volvo Group) refers to borrowing through group accounts which are not included in capital flow 2010 in the list above.

According to Volvo's currency-risk policy, the Group companies (within the AB Volvo Group) enter into derivative contracts with Volvo Treasury to minimize the risk of negative effects on the AB Volvo Group operating income. Volvo Treasury hedges these derivatives by entering into currency derivatives with Volvo external counterparties. This means that outstanding currency derivatives in the table above will not have any significant impact on Volvo Treasury's net future capital and interest flows. AB Volvo only hedges firm flows whereof the major part is realized within six months.

Outstanding forward exchange contracts and option contracts for hedging of commercial currency risks within the AB Volvo Group

	Group Dec. 31, 2010		**Group Dec. 31, 2009**	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Foreign-exchange forward contracts				
- receivable position	5,862.6	177.1	12,131.9	574.7
- payable position	5,916.8	(176.2)	12,261.9	(579.6)
Options – purchased				
- receivable position	544.3	3.8	1,304.1	22.1
- payable position	-	-	25.6	-
Options – written				
- receivable position	-	-	-	-
- payable position	544.3	(3.8)	1,329.7	(22.1)
Total		**0.9**		**(4.9)**

	Parent Company Dec. 31, 2010		**Parent Company Dec. 31, 2009**	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Foreign-exchange forward contracts				
- receivable position	5,660.7	172.7	11,282.6	549.6
- payable position	5,710.5	(172.0)	11,308.6	(555.1)
Options – purchased				
- receivable position	544.3	3.8	1,304.1	22.1
- payable position	-	-	25.6	-
Options – written				
- receivable position	-	-	-	-
- payable position	544.3	(3.8)	1,329.7	(22.1)
Total		**0.7**		**(5.5)**

Outstanding derivative instruments for hedging of financial currency and interest-rate risks related to financial assets and liabilities

		Group Dec. 31, 2010		**Group Dec. 31, 2009**
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest-rate swaps				
- receivable position	69,608.8	3,858.0	66 235.3	3,588.2
- payable position	56,182.7	(3,716.4)	85,461.6	(2,641.8)
Interest-rate forwards and futures				
- receivable position	899.7	-	0.4	-
- payable position	2,721.5	0.1	28 896.4	(3.2)
Foreign-exchange forward contracts				
- receivable position	14 166.1	213.9	16 366.3	246.3
- payable position	23,766.9	(355.0)	16 043.3	(184.5)
Options purchased, caps and floors				
- receivable position	1,025.0	181.5	1 985.4	116.0
- payable position	-	-	353.1	(3.6)
Options written, caps and floors				
- receivable position	-	-	13.3	-
- payable position	956.1	(181.8)	2 571.7	(116.7)
Total		**0.3**		**1,000.7**

		Parent Company Dec. 31, 2010		**Parent Company Dec. 31, 2009**
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest-rate swaps				
- receivable position	68,043.3	3,788.8	65 344.5	3,520.7
- payable position	56,170.1	(3,714.6)	85 448.6	(2,641.1)
Interest-rate forwards and futures				
- receivable position	-	-	0.4	-
- payable position	2,721.5	0.1	28 574.7	(3.1)
Foreign-exchange forward contracts				
- receivable position	13,596.3	209.8	16 125.3	243.0
- payable position	23,640.8	(350.0)	15 917.9	(177.6)
Options purchased, caps and floors				
- receivable position	276.5	1.0	1 206.2	7.5
- payable position	-	-	353.1	(3.6)
Options written, caps and floors				
- receivable position	-	-	-	-
- payable position	178.8	(1.7)	1 807.2	(8.6)
Total		**(66.6)**		**937.2**

The nominal amount represents the gross amount of the contract. The outstanding contracts have been valued at mark-to-market. All recognized fair values are calculated values that will not necessarily be realized. Volvo Treasury has chosen to apply hedge accounting for a loan of EUR 1 billion borrowed during the second quarter of 2007. Fair value of the outstanding hedge instrument amounts to 1,168 (1,159) and is recognized in the Interest-rate swaps category in the table above. The carrying value of the loan related to hedge accounting amounts to a negative 977 (neg. 970).

Carrying amounts and fair values of financial instruments

	Group Dec. 31, 2010		**Group Dec. 31, 2009**	
	Carrying amount	Fair value*	Carrying amount	Fair value*
Long-term receivables and loans	2,598.3	2,598.3	1,739.2	1 739,2
- of which, derivative instruments for which the value is also shown in preceding table	*2,593.2*	*2,593.2*	*1 724,4*	*1 724,4*
Short-term receivables and loans incl. Cash and cash equivalents	9,646.5	9,646.5	12 981,2	12 981,2
- of which, derivative instruments for which the value is also shown in preceding table	*1,840.2*	*1,840.2*	*2 820,1*	*2 820,1*
Marketable securities	9,589.2	9,589.2	15 386,9	15,386.9
Long-term loans and debts	65,725.3	70,679.2	85 625,2	92 357,4
- of which, derivative instruments for which the value is also shown in preceding table	*3,310.5*	*3,310.5*	*2 059,6*	*2 059,6*
Short-term debts and loans	24,482.0	24,631.0	35 765,8	36,050.1
- of which, derivative instruments for which the value is also shown in preceding table	*1,123.0*	*1,123.0*	*1 407,8*	*1 407,8*
Receivables from Group companies	120,111.7	121,428.7	126 816,9	128 772,0
- of which, derivative instruments for which the value is also shown in preceding table	*1.4*	*1.4*	-	-
Liabilities to Group companies	36,990.6	36,993.3	21 262,4	21,264.0
- of which, derivative instruments for which the value is also shown in preceding table	-	-	*81.5*	*81.5*

	Parent Company Dec. 31, 2010		**Parent Company Dec. 31, 2009**	
	Carrying amount	Fair value*	Carrying amount	Fair value*
Long-term receivables and loans	2,547.8	2,547.8	1 668,7	1 668,7
- of which, derivative instruments for which the value is also shown in preceding table	*2,544.3*	*2,544.3*	*1 665,8*	*1,665.8*
Short-term receivables and loans incl cash and cash equivalents	9,250.4	9,250.4	12 754,5	12 754,5
- of which, derivative instruments for which the value is also shown in preceding table	*1,621.5*	*1,621.5*	*2 640,6*	*2 640,6*
Marketable securities	9,589.2	9,589.2	15 386,9	15,386.9
Long-term loans and debts	58,881.8	63,634.5	77 878,2	84,382.2
- of which, derivative instruments for which the value is also shown in preceding table	*3,304.7*	*3,304.7*	*2 053,4*	*2 053,4*
Short-term debts and loans	23,284.4	23,413.9	34 574,1	34,852.3
- of which, derivative instruments for which the value is also shown in preceding table	*904.7*	*904.7*	*1 272,9*	*1 272,9*
Receivables from Group companies	119,744.5	121,034.3	126 636,0	128 589,6
- of which, derivative instruments for which the value is also shown in preceding table	*10.6*	*10.6*	*33.9*	*33.9*
Liabilities to Group companies	44,616.0	44,930.9	30 051,2	30,432.3
- of which, derivative instruments for which the value is also shown in preceding table	*31.8*	*31.8*	*82.4*	*82.4*

* Market values of liabilities and loans are calculated without taking into account credit spreads.

All derivative instruments are recognized in the Balance Sheet.

Financial assets and liabilities measured at Fair value

	Group Dec. 31, 2010				Group Dec. 31, 2009			
Assets	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value through profit and loss								
Currency risk contracts - commercial exposure	-	180.9	-	180.9	-	596.8	-	596.8
Currency and interest-rate risk contracts - financial exposure	-	4,253.4	-	4,253.4	-	3,950.5	-	3,950.5
Marketable securities	-	9,589.2	-	9,589.2	-	15,386.9	-	15,386.9
Total	**0.0**	**14,023.5**	**0.0**	**14,023.5**	**0.0**	**19,934.2**	**0.0**	**19,934.2**
Assets								
Financial liabilities at fair value through profit and loss								
Currency risk contracts - commercial exposure	-	180.0	-	**180.0**	-	601.7	-	**601.7**
Currency and interest-rate risk contracts - financial exposure	-	4,253.2	-	**4,253.2**	-	2,949.8	-	**2,949.8**
Total	**0.0**	**4,433.2**	**0.0**	**4,433.2**	**0.0**	**3,551.5**	**0.0**	**3,551.5**

	Parent company Dec. 31, 2010				Parent company Dec. 31, 2009			
Assets	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value through profit and loss								
Currency risk contracts - commercial exposure	-	176.5	-	176.5	-	571.7	-	571.7
Currency and interest-rate risk contracts - financial exposure	-	3,999.6	-	3,999.6	-	3,771.2	-	3,771.2
Marketable securities	-	9,589.2	-	9,589.2	-	15,386.9	-	15,386.9
Total	**0.0**	**13,765.3**	**0.0**	**13,765.3**	**0.0**	**19,729.8**	**0.0**	**19,729.8**
Assets								
Financial liabilities at fair value through profit and loss								
Currency risk contracts - commercial exposure	-	175.8	-	175.8	-	577.2	-	577.2
Currency and interest-rate risk contracts - financial exposure	-	4,066.4	-	4,066.4	-	2,834.0	-	2,834.0
Total	**0.0**	**4,242.2**	**0.0**	**4,242.2**	**0.0**	**3,411.2**	**0.0**	**3,411.2**

The levels in the table above reflect to what extent market values have been used when valuating financial assets and liabilities. Financial instruments in level 1 are valued based on unadjusted quoted market prices for identical assets or liabilities. Level 2 instruments are valued based on inputs, other than quoted prices within level 1, that are observable either directly (as prices) or indirectly (derived from prices). Level 3 instruments would be valued based on unobservable inputs, i.e. using a valuation technique based on assumptions. Volvo Treasury has no financial instruments classified as level 1 or level 3 instruments.

Gains, losses, interest income and expenses related to financial instruments

Group	2010 Gains / Losses	2010 Interest income	2010 Interest expense	2010 Total net	2009 Gains / Losses	2009 Interest income	2009 Interest expense	2009 Total net
Financial assets and liabilities at fair value through profit and loss*								
Marketable securities	283.1	-	-		197.6	-	-	
Loans and derivatives for financial exposure	442.8	-	-		(987.9)	-	-	
Loans originated by the company	-	4,422.0	-		-	4,876.6	-	
Cash and cash equivalents	-	28.4	-		-	42.0	-	
Financial liabilities valued at amortized cost	-	-	(3,862.6)		-	-	(4,634.5)	
Effect on income	**725.9**	**4,450.4**	**(3,862.6)**	**1,313.7**	**(790.3)**	**4,918.6**	**(4,634.5)**	**(506.2)**

Parent company	2010 Gains / Losses	2010 Interest income	2010 Interest expense	2010 Total net	2009 Gains / Losses	2009 Interest income	2009 Interest expense	2009 Total net
Financial assets and liabilities at fair value trough profit and loss*								
Marketable securities	283.1	-	-		197.6	-	-	
Loans and derivatives for financial exposure	392.4	-	-		(992.2)	-	-	
Loans originated by the company	-	4,399.8	-		-	4,863.5	-	
Cash and cash equivalents	-	28.2	-		-	41.9	-	
Financial liabilities valued at amortized cost	-	-	(3,875.1)		-	-	(4,649.8)	
Effect on income	**675.5**	**4,428.0**	**(3,875.1)**	**1,228.4**	**(794.6)**	**4,905.4**	**(4,649.8)**	**(539.0)**

* Accrued and realized interest is included in gains and losses related to Financial assets and liabilities at fair value through profit and loss.

Net effect of foreign exchange gains and losses

	Group 2010	Group 2009	Parent company 2010	Parent company 2009
Derivative instrument	(1,166.2)	(997.8)	(1,220.0)	(1,028.2)
Loans originated by the company and financial liabilities valued at amortized cost	1,020.3	939.1	1,091.8	954.3
Net effect	**(145.9)**	**(58.7)**	**(128.2)**	**(73.9)**

Note 23 Information about Parent Company

The Parent Company of the Group of which Volvo Treasury AB is a subsidiary and for which the consolidated accounts are prepared is AB Volvo (publ) (556012-5790), with registered office in Göteborg, Sweden.

Note 24 Operational leasing

Future lease payments pertaining to non-cancelable leasing contracts at year-end amounted to 2.1 (1.9) for the Group and 0.8 (0.5) for the Parent Company. Leasing expenses for the year amounted to 1.9 (4.5) for the Group and 0.7 (3.3) for the Parent Company.

Future lease payments for operational leasing are apportioned as follows:

	Group	Parent Company
2011	1.3	0.6
2012-2015	0.6	0.2
2016 and later	0.2	-
Total	**2.1**	**0.8**

Note 25 Average numbers of employees

	Dec. 31, 2010		Dec. 31, 2009	
	No. of employees	of whom, men	No. of employees	of whom, men
Parent Company				
Gothenburg	45	23	47	25
Total	**45**	**23**	**47**	**25**
Subsidiaries outside Sweden				
Singapore	9	5	9	5
Total	**9**	**5**	**9**	**5**
Group total	**54**	**28**	**56**	**30**

Note 26 Absence due to illness

Parent Company	**2010**	**2009**
Total absence due to illness	1.14%	1.38%
(of which, long-term absence > 60 days)	-	-
Absence due to illness for men	1.08%	1.23%
Absence due to illness for women	1.20%	1.54%
Absence due to illness for employees > 30-49 years of age	1.14%	1.33%
Absence due to illness for employees > 50 years of age	1.33%	2.05%

Note 27 Board members and other senior executives

	Dec. 31, 2010			
Parent Company	**No. of Board members***	**of whom, men**	**No. of President and other executives***	**of whom, men**
Sweden	9	9	3	3
Total	**9**	**9**	**3**	**3**
Subsidiaries outside Sweden				
Singapore	4	4	3	1
Australia	5	5	1	1
Total	**9**	**9**	**4**	**2**
Group total	**18**	**18**	**7**	**5**

* The same persons are to a certain extent represented in the figures for the different companies. Excluding this aspect, the total number of Board members is 14 (of whom 14 are men) and the number of senior executives is 6 (of whom 4 are men).

Note 28 Transaction with closely related parties

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, which in turn, is the Parent Company of Volvo Treasury Australia Pty Ltd.

The Volvo Treasury group is a unit within the AB Volvo Group that supports the Volvo companies with services related to treasury and cash management. All financial transactions with companies within the AB Volvo group are carried out on market terms. The Treasury group conducts most of the financial transactions of the AB Volvo Group. The group is responsible for all interest-bearing assets and liabilities as well as all foreign exchange and funding operations within the AB Volvo Group.

Outstanding receivables and liabilities to companies within the AB Volvo Group are shown in the balance sheet. Revenues and expenses attributable to companies within the AB Volvo Group are shown in Notes 3 and 4.

The Group's income statements and balance sheets will be presented to the Annual General Meeting for approval.

The Board of Directors and the President certify that the annual report has been prepared in accordance with international financial reporting standards, IFRS, as adopted by the EU and present a true and fair view of the position and profit or loss of the Group. The annual report was prepared in accordance with generally accepted accounting practice and presents a true and fair view of the Parent Company's position and earnings.

The Board of Directors' Report gives a fair review of the development and performance of the business, position and profit or loss of the Parent Company and the Group, and describes the principal risks and uncertainties that the Parent Company and the companies of the Group face.

Gothenburg, April 18, 2011

Anders Osberg President	Mikael Bratt Chairman
Scott Rafkin	Fredrik Brunell
Rikard Bentelius	Christer Johansson
Thomas Alexandersson	Tommy Olsson
Rune Alsterholm	

Our auditors' report was submitted on April 18, 2011
PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant

Audit report

To the annual meeting of the shareholders of

Volvo Treasury AB
Corporate identity number 556135-4449

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Volvo Treasury AB for the year 2010. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company’s financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group’s financial position and results of operations. The Board of Directors’ Report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Gothenburg, April 18, 2011

PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant

Corporate Governance Report

Volvo Treasury AB (publ) has issued debt securities which are listed and thereby it is required to prepare a Corporate Governance Report in accordance with the Annual Accounts Act.

AB Volvo (publ) owns 100% of the shares of Volvo Treasury AB (publ) and therefore holds all the voting rights at the shareholder's General Meetings.

Report on the key aspects of the company's and AB Volvo Group's system for internal controls and risk management in conjunction with financial reporting
The Volvo Treasury Group's system for internal control and risk management in connection with the financial reporting is worked out in accordance with the AB Volvo Group's policies and guidelines. The following text describes how the internal control is organized within the AB Volvo Group and within the Volvo Treasury group with regard to financial reporting.

Introduction
The AB Volvo Group primarily applies internal control principles introduced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO principles consist of five interrelated components. The components are: control environment, risk assessment, control activities, information and communication and follow-up.
The AB Volvo Group has a specific function for internal control. The objective of the Internal Control function is to provide support for management groups within business areas and business units that allow them to continuously provide good and improved internal controls relating to financial reporting. Work that is conducted through this function is based primarily on a methodology, which aim is to ensure compliance with directives and policies, as well as to create good conditions for specific control activities in key processes related to financial reporting. The Audit Committee of AB Volvo is informed of the result of the work performed by the Internal Control function within the AB Volvo Group with regard to risks, control activities and follow-up on the financial reporting. The AB Volvo Group also has an Internal Audit function with the primary task of independently verifying that companies in the Group follow the principles and rules that are stated in the AB Volvo Group's directives, policies and instructions for financial reporting. The head of the Internal Audit function of AB Volvo reports directly to the CEO, the Group's CFO and the Audit Committee of AB Volvo.

Control environment
Fundamental to the AB Volvo Group's control environment is the business culture that is established within the AB Volvo Group and in which managers and employees operate. The AB Volvo Group works actively on communications and training regarding the AB Volvo Group's basic values as described in The Volvo Way, an internal document concerning Volvo's business culture, and the AB Volvo Group's Code of Conduct, to ensure that good morals, ethics and integrity permeate the organization. The foundation of the internal control process relating to the financial reporting is built up around the AB Volvo Group's directives, policies and instructions, as well as the responsibility and authority structure that have been adapted to the AB Volvo Group's organization to create and maintain a satisfactory control environment. The principles for internal controls and directives and policies for the financial reporting are contained in Volvo Financial Policies & Procedures (FPP), an internal document comprising all important instructions, rules and principles.

Risk assessment
Risks relating to the financial reporting are evaluated and monitored by the Volvo Board through the AB Volvo Audit Committee inter alia through identifying what types of risks that typically could be considered as material and where they would typically occur. The annual evaluation of internal control activities conducted by the Internal Control and Internal Audit functions, are based on a risk-based model. The evaluation of the risk that errors will appear in the financial reporting is based on a number of criteria. Complex accounting principles can, for example, mean that the financial reporting risks being inaccurate for those posts that are covered by such principles. Valuation of a particular asset or liability according to various evaluation criteria can also constitute a risk. The same is true for complex and/or changing business circumstances.

Control activities
The Boards of AB Volvo and Volvo Treasury AB and its Audit Committees constitute the overall supervisory body for the internal control. Several control activities are applied in the ongoing business processes to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected. Control activities range from review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting. The CFO of Volvo Treasury AB is ultimately responsible for ensuring that control activities in the financial processes are appropriate and in accordance with the Group's policies and instructions. The CFO is also responsible for ensuring that authority structures are designed so that one person can't perform an activity and then perform the control of the same activity. Control activities within IT security and maintenance are a key part of Volvo's internal control over financial reporting.

Information and communication
Policies and instructions relating to the financial reporting are updated and communicated on a regular basis from AB Volvo management to all affected employees. In addition, there are a number of committees and networks within AB Volvo that serve as forums for information and discussions regarding issues relating to the financial reporting and application of internal rules. Included in these committees and networks are representatives from the business areas and the Group's staff units who are responsible for financial reporting. Work in these committees and networks is aimed, among other things, at ensuring a uniform application of the Group's policies, principles and instructions for the financial reporting and at identifying and communicating shortcomings and areas of improvement in the processes for financial reporting.

Follow-up
Ongoing responsibility for follow-up of the Volvo Treasury group's internal control rests with the Volvo Treasury management group and accounting and controller functions. In addition, the Internal Audit and the Internal Control functions conduct follow-up and supervision in accordance with what is described in the introduction of this report. More specifically, the Internal Control function runs and coordinates evaluation activities through the "Volvo Group Internal Control programme", which gives a systematic way of evaluating the quality and effectiveness of the internal control over financial reporting on a yearly basis. A yearly evaluation plan is settled and presented to the Audit Committee. This evaluation programme comprises three main areas:

1. Group-wide controls:
Self assessment procedure carried out by management teams at business area and business unit level as well as local company level. Main areas evaluated are the adherence to the Group's financial directives and policies found in FPP along with The Volvo Way and the Group's Code of Conduct.

2. Process controls at transaction levels:
Processes related to the financial reporting are evaluated by testing of specific routines and controls based upon the Group's framework for internal control over financial reporting, VICS – "Volvo Internal Control Standards". The framework focus on the financial reporting areas deemed to have a relatively higher risk for potential errors because e.g. complex accounting principles, complex or changed business operations etc.

3. General IT controls:
Processes for maintenance, development and access management of financial applications are evaluated by testing of routines and controls.

The results of the evaluation activities are reported to the managements and the Audit Committees of Volvo Treasury AB and AB Volvo.

Gothenburg, April 18, 2011

Volvo Treasury AB (publ)

Board of Directors

Auditor's report on the Corporate Governance Report
It is the Board of Directors who is responsible for the Corporate Governance Report on pages 45-47 and that it has been prepared in accordance with the Annual Accounts Act. As a basis for our opinion that the Corporate Governance Report has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company. In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Gothenburg, April 18, 2011

PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant