Annual Report and Consolidated Financial Statements for the 2012 financial year

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) Gothenburg (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 Group").

The "Volvo Treasury Group" is a unit within the AB Volvo Group that provides AB Volvo with services related to treasury and cash management. All financial transactions with companies within the AB Volvo Group are carried out on market terms. Most of the financial transactions of the AB Volvo Group are conducted through the Volvo Treasury Group or one of the AB Volvo Group's other Treasury companies in North America or Asia, which, jointly with the Volvo Treasury Group comprise the "Volvo Treasury Unit." The Volvo Treasury Unit is responsible for all interest-bearing assets and liabilities, foreign exchange, as well as 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.

The Volvo 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 AB Volvo 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 Unit 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 AB has prepared a Corporate Governance Report that is separate from the Report presented in the Annual Report, which can be found after the Annual Report in this document on pages 46-48.

Operations during 2012

Volvo Treasury Group – Summary

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

SEK M	2012	2011	2010	2009	2008
Volvo Treasury AB	1,124.0	1,618.0	1,009.6	(711.9)	(99.8)
Volvo Treasury Asia Ltd	57.5	32.0	51.6	32.9	73.1
Group total	**1,181.5**	**1,650.0**	**1,061.2**	**(679.0)**	**(26.7)**

During the year, net lending to Group companies within AB Volvo increased by SEK 5.0 billion. During the preceding year, net lending increased by approximately SEK 6.1 billion.

Net interest income for the year amounted to SEK 1,096.1 M, compared with income of SEK 1,713.2 M for the preceding year.

During 2012, the decrease in cash flow in the AB Volvo Group resulted in higher financing costs for Volvo Treasury, which together with a reduction in internal interest margin led to a decrease in operating income compared with the preceding year. The earnings effect of the market capitalization of derivatives in accordance with IAS 39 amounted to a negative SEK 31.9 M, compared with a positive SEK 473.7 M in the preceding year and is included in the Financial instrument item measured at fair value in the income statement.

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		14,205,954,081
Net income/loss		271,240,806
	SEK	**14,477,194,887**

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

Retained earnings to be carried forward	SEK	**14,477,194,887**

The prepared annual accounts signify that a Group contributions totaling SEK 1,500.0 M was paid to AB Volvo, while Group contributions totaling SEK 744.3 M was received from Sotrof AB.

Total Comprehensive income, Group

	Note	2012	2011
Interest income	3	5,186.7	5,556.6
Interest expense	4	(4,073.3)	(4,310.0)
Financial instruments valued at fair value recognized in income statement	2, 22	(17.3)	466.6
Net interest income		**1,096.1**	**1,713.2**
Net result of other financial transactions	22	192.5	46.0
Gross income		**1,288.6**	**1,759.2**
Administrative expenses	5, 24	(101.9)	(108.7)
Other operating expenses		(5.2)	(0.5)
Operating income		**1,181.5**	**1,650.0**
Allocations	15	-755.7	-1,284.5
Income before tax		**425.8**	**365.5**
Tax on income for the year	6, 7	(107.3)	(103.5)
Net income		**318.5**	**262.0**

Other comprehensive income

		2012	2011
Exchange-rate differences on translation of foreign operations		(0.6)	6.5
Total comprehensive income for the year		**317.9**	**268.5**
Total net income attributable to Parent Company shareholders		318.5	262.0
Total comprehensive income attributable to Parent Company shareholders		317.9	268.5

Consolidated balance sheet

	Note	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Non-current assets			
Intangible assets			
Software development	8	11.7	3.2
Tangible assets			
Equipment	9	0.7	0.8
Financial assets			
Receivables from Group companies (within the Volvo Group)		32,919.7	30,534.6
Other long term receivables	11	1,001.3	1,442.7
Total financial assets		**33,921.0**	**31,977.3**
Total non-current assets		**33,933.4**	**31,981.3**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)		97,227.3	100,179.0
Other current receivables	12	3,120.8	2,429.6
Total current receivables		**100,348.1**	**102,608.6**
Marketable securities	13	**2,998.0**	**6,702.1**
Cash and cash equivalents	14	**9,675.9**	**12,950.3**
Total current assets		**113,022.0**	**122,261.0**
TOTAL ASSETS		**146,955.4**	**154,242.3**

SHAREHOLDERS' EQUITY AND LIABILITIES

	Note		
Shareholders' equity			
Share capital		500.0	500.0
Reserves		61.0	61.6
Retained earnings		14,436.6	14,174.6
Net income		318.5	262.0
Total shareholders' equity		**15,316.1**	**14,998.2**
Non-current provisions			
Provision for post-employment benefits	16	3.9	1.6
Total non-current provisions		**3.9**	**1.6**
Non-current liabilities	17		
Bond loans		42,286.5	38,192.2
Other liabilities to credit institutions		20,867.8	31,613.4
Liabilities to Group companies (within the Volvo Group)		1,575.4	154.4
Total non-current liabilities		**64,729.7**	**69,960.0**
Current liabilities			
Liabilities to credit institutions	18	30,788.3	25,378.5
Accounts payable – trade		5.1	3.3
Liabilities to Group companies (within the Volvo Group)		34,436.9	41,382.5
Other current liabilities	19	1,675.4	2,518.2
Total current liabilities		**66,905.7**	**69,282.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**146,955.4**	**154,242.3**

Changes in Shareholders' equity, Group

	Note	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
Balance at December 31, 2010		**500.0**	**55.1**	**14,174.6**	**14,729.7**
Net income for the year		-	-	262.0	262.0
Other comprehensive income					
Translation differences		-	6.5	-	6.5
Total comprehensive income for the year		***0.0***	***6.5***	***262.0***	***268.5***
Balance at December 31, 2011		**500.0**	**61.6**	**14,436.6**	**14,998.2**
Net income for the year		-	-	318.5	318.5
Other comprehensive income					
Translation differences		-	(0.6)	-	(0.6)
Total comprehensive income for the year		***0.0***	***(0.6)***	***318.5***	***317.9***
Balance at December 31, 2012		**500.0**	**61.0**	**14,755.1**	**15,316.1**

Cash-flow statement, Group

ACTIVITIES DURING THE YEAR	2012	2011
Interest received	5,504.7	5,569.4
Interest paid	(4,461.1)	(4,364.5)
Other financial transactions	-	-
Income taxes paid	(103.6)	(105.3)
Payments to suppliers and employees	(111.2)	(110.0)
	828.8	**989.6**
Increase (-)/decrease (+) in short-term marketable securities	3,710.1	2,910.2
Increase (-)/decrease (+) in current receivables	(70.4)	(363.5)
Increase (+)/decrease (-) in current liabilities	71.4	24.0
Increase (-)/decrease (+) in lending to Group companies	(3,263.6)	(10,143.0)
Increase (+)/decrease (-) in borrowing from Group companies	(5,241.5)	4,246.2
Increase (-)/decrease (+) in long-term receivables	0.5	1.0
Cash-flow from operating activities	**(3,964.7)**	**(2,335.5)**
Software development	(9.9)	-
Cash-flow from investing activities	**(9.9)**	**0.0**
Group contributions received (+)/granted (-)	(1,284.5)	(461.2)
Issue of interest-bearing securities	37,091.1	34,249.3
Repayment of interest-bearing securities	(32,174.3)	(25,147.7)
Increase in other borrowing	10,345.5	14,314.6
Decrease in other borrowing	(13,275.4)	(15,282.6)
Cash-flow from financing activities	**702.4**	**7,672.4**
Cash-flow during the year	(3,272.2)	5,336.9
Cash and cash equivalents, January 1	12,950.3	7,615.3
Exchange-rate differences in cash and cash equivalents	(2.2)	(1.9)
Cash and cash equivalents, December 31	**9,675.9**	**12,950.3**

Total Comprehensive income, Parent company

	Note	2012	2011
Interest income	3	5,119.9	5,525.3
Interest expense	4	(4,068.6)	(4,357.2)
Financial instruments valued at fair value recognized in income statement	2, 22	4.9	490.9
Net interest income		**1,056.2**	**1,659.0**
Net result of other financial transactions	22	163.0	52.3
Gross income		**1,219.2**	**1,711.3**
Administrative expenses	5, 24	(90.1)	(97.9)
Other operating expenses		(5.1)	(0.6)
Operating income		**1,124.0**	**1,612.8**
Allocations	15	-755.7	-1,284.5
Income before tax		**368.3**	**328.3**
Tax on income for the year	6, 7	(97.1)	(96.7)
Net income		**271.2**	**231.6**
Other comprehensive income		-	-
Total comprehensive income for the year		**271.2**	**231.6**

Balance sheet, Parent company

	Note	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Non-current assets			
Intangible assets			
Software development	8	11.7	3.2
Tangible assets			
Equipment	9	0.6	0.7
Financial assets			
Participations in subsidiaries	10	224.6	224.6
Receivables from Group companies (within the Volvo Group)		32,696.5	30,464.3
Other long term receivables	11	992.0	1,441.4
Total financial assets		**33,913.1**	**32,130.3**
Total non-current assets		**33,925.4**	**32,134.2**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)		96,504.5	99,480.3
Other current receivables	12	3,111.0	2,164.1
Total current receivables		**99,615.5**	**101,644.4**
Marketable securities	13	**2,998.0**	**6,702.1**
Cash and cash equivalents	14	**9,626.5**	**12,932.3**
Total current assets		**112,240.0**	**121,278.8**
TOTAL ASSETS		**146,165.4**	**153,413.0**

Shareholders' equity			
Restricted equity			
Share capital (5,000,000 Series A shares, per 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		14,206.0	13,974.4
Net income		271.2	231.6
Total unrestricted equity		**14,477.2**	**14,206.0**
Total shareholders' equity		**15,077.2**	**14,806.0**
Non-current provisions			
Provision for post-employment benefits	16	6.0	5.5
Non-current liabilities	17		
Bond loans		42,286.5	38,192.2
Other liabilities to credit institutions		17,120.3	23,826.1
Liabilities to Group companies (within the Volvo Group)		4,981.4	7,862.3
Total non-current liabilities		**64,388.2**	**69,880.6**
Current liabilities			
Liabilities to credit institutions	18	27,183.5	22,869.0
Accounts payable – trade		5.0	3.6
Liabilities to Group companies (within the Volvo Group)		37,972.5	43,758.8
Other current liabilities	19	1,533.0	2,089.5
Total current liabilities		**66,694.0**	**68,720.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**146,165.4**	**153,413.0**

Changes in Shareholders' equity, Parent company

	Note	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
Balance at December 31, 2010		**500.0**	**100.0**	**13,974.4**	**14,574.4**
Net income for the year		-	-	231.6	231.6
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		***0.0***	***0.0***	***231.6***	***231.6***
Balance at December 31, 2011		**500.0**	**100.0**	**14,206.0**	**14,806.0**
Net income for the year		-	-	271.2	271.2
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		***0.0***	***0.0***	***271.2***	***271.2***
Balance at December 31, 2012		**500.0**	**100.0**	**14,477.2**	**15,077.2**

Cash-flow statement, Parent company

ACTIVITIES DURING THE YEAR	2012	2011
Interest received	5,433.8	5,539.2
Interest paid	(4,450.1)	(4,430.2)
Other financial transactions	-	-
Income taxes paid	(97.3)	(95.3)
Payments to suppliers and employees	(96.1)	(94.4)
	790.3	**919.3**
Increase (-)/decrease (+) in short-term marketable securities	3,710.1	2,910.2
Increase (-)/decrease (+) in current receivables	(83.1)	(396.2)
Increase (+)/decrease (-) in current liabilities	50.2	22.6
Increase (-)/decrease (+) in lending to Group companies	(2,013.1)	(10,242.3)
Increase (+)/decrease (-) in borrowing from Group companies	(8,401.3)	6,581.7
Increase (-)/decrease (+) in long-term receivables	0.6	(0.5)
Cash flow from operating activities	**(5,946.3)**	**(205.2)**
Software development	(9.9)	-
Cash flow from investing activities	**(9.9)**	**0.0**
Group contributions received (+)/granted (-)	(1,284.5)	(461.2)
Issue of interest-bearing securities	37,091.1	34,267.9
Repayment of interest-bearing securities	(33,171.9)	(24,845.4)
Increase in other borrowing	9,871.9	11,143.7
Decrease in other borrowing	(9,856.2)	(14,435.0)
Cash flow from financing activities	**2,650.4**	**5,670.0**
Cash flow during the year	(3,305.8)	5,464.8
Cash and cash equivalents, January 1	12,932.3	7,467.5
Cash and cash equivalents, December 31	**9,626.5**	**12,932.3**

Notes – 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 IFRS, International Financial Reporting Standards, issued by IASB, the International Accounting Standards Board, 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 Annual Accounts 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 carrying amounts of assets and liabilities, as well as contingent liabilities at the balance-sheet date and recognized income and expenses. 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 accounting 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.

Translation to Swedish kronor when consolidating companies using foreign currencies
Volvo Treasury AB's functional currency is Swedish kronor. The functional currency of each Volvo Group company is determined based on the primary economic environment in which it operates. The primary economic environment is normally the one in which the company primarily generates and expends cash and cash equivalents. In most cases, the functional currency is the currency of the country where the company is located. 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 assets and liabilities items in the balance sheet are translated at exchange rates at the respective year-ends (closing-day rate). The differences in consolidated shareholders' equity arising as a result of variations between closing-day exchange rates are recognized directly in shareholders' equity in the "provisions" category.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are measured at closing-day rates, in the individual Group companies and in the consolidated accounts. Translation differences arising in financial assets and liabilities are recognized in Profit/loss from other financial transactions.

Financial instruments used for hedging of exchange and interest risks are measured at fair value. Gains on exchange rates are recognized as receivables and losses on exchange rates are recognized as liabilities. Depending on the lifetime of the financial instrument, it is recognized as current or non-current in the balance sheet. The earnings effect from revaluation is recognized in Profit/loss from 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**	**2012**	**2011**	**2012**	**2011**
Singapore	1 SGD	5.42207	5.16703	5.32810	5.32280

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

Financial instruments measured at fair value through profit and loss
Financial instruments measured 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.

Recognition of financial assets and liabilities
Financial assets that are managed within the framework of IAS 39 are classified as one of the following:

- Financial assets measured at fair value through profit and loss
- Financial assets held to maturity
- Loans and accounts receivable
- Available-for sale financial assets

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

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

Buying and selling of financial assets and liabilities are recognized 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 from the balance sheet when all significant risks and benefits linked to the asset have been transferred to an external party. Financial liabilities are derecognized from the balance sheet when the obligation has been met, annulled or has ceased to exist.

Financial assets and liabilities measured at fair value through profit and loss
All of Volvo Treasury's financial instruments that are measured at fair value through profit and loss are classified as held for trading. This includes derivatives to hedge interest-bearing assets and investments, loan receivables and 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 measured at fair value 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 cases they exist. If market prices are unavailable, the fair value is determined using various measurement techniques. Volvo Treasury has primarily used official rates or prices listed in the capital market. In their absence, the measurement 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 accounts receivable
Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payment plans that are not traded in an active market. After initial recognition, loan receivables and accounts receivable are measured at amortized cost according to 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 recognized.

Financial liabilities measured at amortized cost
Financial liabilities other than derivatives are measured at amortized cost. Transaction costs in connection with raising financial liabilities are amortized over the loan's duration as a financial expense using the effective interest method.

Hedge accounting
Financial instruments used to hedge risks in financial assets and liabilities have, in accordance with IAS 39, been recognized at market value in the balance sheet. Under the complex rules in IAS 39, 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 2012, hedge accounting (fair-value hedge) has only been applied for a loan of approximately EUR 1 billion raised in 2007. The changes in the fair value of the outstanding hedge instruments that are formally identified as fair value hedges, together with any changes in the fair value attributable to the hedged risk, are thus recognized through profit and loss.

Volvo Treasury regularly tests the effectiveness of hedging instruments. Hedging is considered to be effective when the nominal amount, term, dates for interest payments and payments of nominal amounts, and the basis for measuring interest rates are the same for the hedging instrument and the hedged item. If the hedging does not fulfill the criteria for hedge accounting, the adjustment of the carrying amount of the hedged item will be recognized through profit and loss over the remaining term.

Fluctuations in the market value of financial instruments entered into to manage risks in financial assets and liabilities for which hedge accounting is not applied, are charged against unrealized gains and losses in 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 recognizes 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 commitments

Volvo Treasury applies IAS 19, *Employee Benefits*, for pensions and similar commitments. In accordance with IAS 19, actuarial calculations must be made for all defined-benefit plans in order to determine the present value of commitments pertaining to unvested benefits for current and former employees. The actuarial calculations are prepared annually and are based on actuarial assumptions that are determined close to the balance-sheet date. Changes in the present value of commitments 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 limit value for each plan. Deviations between expected return on plan assets and actual return are treated as actuarial gains or losses. Provisions for pension benefits and similar commitments in Volvo Treasury Group's balance sheet correspond to the present value of the commitments at the balance-sheet date, less fair value of plan assets, unrecognized actuarial gains or losses, as well as unrecognized vested past service costs. The corridor limit value is set as the highest of 10% of the present value of the commitment 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 *Accounting for special employer's contribution and tax on returns*, in accordance with the recommendation from the Swedish Financial Accounting Standards Council, for calculating 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 shareholders' 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 in generally accepted accounting policies, with respect to the timing of taxation and measurement of certain commercial transactions. Deferred taxes are recognized for the differences that arise between the taxable value and carrying amount of assets and liabilities, so-called temporary differences, as well as on tax loss carryforwards. However, with regards to the measuring 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 surplus.

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. Recognition of Group contributions is in accordance with the alternative rule in RFR2. Group contributions are recognized as Appropriations. In previous years, group contributions were recognized under shareholders' equity in the balance sheet in accordance with the previous statement from the Swedish Financial Reporting Board, UFR2. Comparative figures for 2011 have been adjusted.

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

Cash and cash equivalents include cash, bank balances, as well as parts of marketable securities, with date of maturity within three months from the time of acquisition. 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 in two countries – 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 is mainly 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. Volvo Treasury AB's President is included in the AB Volvo Group's incentive program. The AB Volvo program includes both cash and equity remuneration. The details of the program are presented in Note 27 of the AB Volvo Annual Report. The cost of this program, based on the fair 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 senior executives 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 2012
None of the new accounting principles or interpretations that came into effect as of January 1, 2012 has had any significant impact on the Volvo Treasury Group's financial statements.

The Swedish Financial Reporting Board has published an amendment in RFR 2 regarding group contributions which comes into effect in the fiscal year beginning January 1, 2013. This amendment was adopted early by the Volvo Treasury Group in 2012 and applies through the alternative rule, where group contributions are recognized as appropriations in the income statement. Refer also to "Group contribution" in Note 1.

New accounting policies 2013 and later

When preparing the consolidated accounts as of December 31, 2012, a number of standards and interpretations have been published, but have not yet come into effect. The following is a description of the effect of the future policy amendments that may have a significant impact on Volvo Treasury's financial statements, with a preliminary assessment on the effect that may occur.

IFRS 13 Fair Value Measurement

IFRS 13 aims to establish a single source of guidance for fair value measurement and disclosures of fair value measurements. IFRS 13 does not change the requirement regarding which items should be recognized or disclosed at fair value. The standard is to be applied prospectively and comparative disclosures are not required. IFRS 13 requires us to take into account factors that are specific to the transactions and to the asset or liability. In many cases, the transaction price will equal the fair value. The scope of IFRS 13 applies to all transactions and balances (financial or non-financial) for which IFRS requires or permits fair value measurements, except for share-based payment transactions and leasing transactions. IFRS 13 is effective from January 1, 2013. The standard is not considered to have a material effect on Volvo Treasury Group.

*IFRS 9 Financial instruments**

IFRS 9 has been published in three parts: Classification and Measurement, Impairment and Hedge accounting, which will replace the current IAS 39 effective at the earliest January 1, 2015. Earlier adoption is permitted given EU endorsement. Volvo Treasury is currently reviewing the effects implementation of IFRS 9 will have on the Group. When all three parts of the project are published in the final version, a collective opinion will be given.

*These standards/interpretations have not been adopted by the EU at the publication of this annual report. Accordingly, dates stated 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 recommendation means that legal entities whose securities are listed on a Swedish stock exchange or 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 applies the policies of FAR SRS, recommendation RedR 4, *Accounting of pension liabilities and pension costs*, as in prior years. Consequently, there are differences between 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 most important 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 a number of estimates and assumptions that may affect the recognized amounts of assets, liabilities and provisions at the date of the financial statements. In preparing these financial statements, Volvo Treasury had to make its best possible assessments of certain amounts included in the financial statements, giving due consideration to relevance and significance. The application of the accounting policies mentioned in Note 1 involves making a number of estimates and assumptions, but since future results are currently uncertain, these assessments may result in a difference between the actual outcome and these estimates. In accordance with IAS 1, the company must provide specific information about the accounting policies that may have a significant impact on the estimates and assumptions made 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 presented 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 measurement was made by discounting future cash flows at the market interest rate for each maturity. All recognized fair values represent values that may not necessarily be realized. Note 22 describes 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 AB Volvo's Group's industrial segment. Assets and liabilities held for the AB Volvo Group's customer financing segment are matched in accordance with the Volvo Group policy.

Pensions and other similar commitments

Provisions and costs for post-employment remuneration, mainly pensions and health-care benefits, are dependent on assumptions made in calculating the amounts. The appropriate assumptions and actuarial calculations are made separately for each country in which AB Volvo has 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 the AB Volvo Group on an annual basis and modifications are made to them when deemed appropriate. The Volvo Treasury Group is included in this annual review. Actual results that differ from the forecast are accumulated and amortized over future periods. See Note 16 for applied assumptions in actuarial calculations.

Note 3 Interest income

	Group		Parent Company	
	2012	**2011**	**2012**	**2011**
Interest	5,186.7	5,556.6	5,119.9	5,525.3
Total	**5,186.7**	**5,556.6**	**5,119.9**	**5,525.3**

Of the above stated amount, 4,931 (5,254.0) pertains to interest received for the Group from other companies within the Volvo Group. The corresponding amounts for the Parent Company are 4,864.9 (5,223.4).

Note 4 Interest expense

	Group		Parent Company	
	2012	**2011**	**2012**	**2011**
Interest	4,073.3	4,310.0	4,068.6	4,357.2
Total	**4,073.3**	**4,310.0**	**4,068.6**	**4,357.2**

Of the above stated amount, 747.9 (720.1) pertains to interest expense for the Group from other companies within the Volvo Group. The corresponding amounts for the Parent Company are 918.6 (883.6).

Note 5 Administrative expenses

Salaries, other remuneration and social expenses

	2012			2011		
	Salaries and remuneration	**Social costs**	**of which pension costs**	**Salaries and remuneration**	**Social costs**	**of which pension costs**
Parent Company	32.3	10.2	8.9	38.1	11.7	6.5
Subsidiaries	6.9	-	0.6	7.3	-	0.6
Group	**39.2**	**10.2**	**9.5**	**45.4**	**11.7**	**7.1**

Of the Parent Company's pension costs, 0.9 (1.4) pertains to the Board and President, outstanding pension commitments to these individuals amount to 0.2 (0.6). The corresponding amounts for the Group are 0.9 (1.4) and 0.2 (0.6), respectively.

The cost of non-monetary benefits in the Group amounted to 3.3 (3.5), of which 0.3 (0.4) to the Board of Directors and the President. The cost of non-monetary benefits in the Parent Company amounted to 1.1 (1.2), of which 0.1 (0.2) to the Board of Directors and the President.

The Volvo Group's 2012 Annual General Meeting approved a long-term share-based incentive program for senior executives in the Volvo Group for the years 2012 to 2013. The program consists of three annual programs for which the measurement periods are each of the respective financial years. A prerequisite for participation in the program is that the participants invest a portion of their salary in Volvo shares and retain these shares and remain employed by the Volvo Group for at least three years after the investment has been made. Under special circumstances, it is possible to make exceptions to the requirement of continued employment (so called "good leaver" situations). In the event of exceptional conditions, the AB Volvo Board is entitled to limit or completely annul the allotment of performance shares. In addition, if the Annual General meeting of AB Volvo resolves that no dividend shall be paid to the shareholders for a specific financial year, no matching shares will be allotted for the year in question. Shares are granted under the program during the respective financial year, but must be regarded as conditional for three years from allocation. At the end of the vesting period, the main rule is that the participants will be allotted one matching share per invested share and, assuming that the Volvo Group's ROE (return on equity) for the particular financial year amounts to at least 10%, a number of performance shares. ROE for 2012 was 12.9% (23.1), which means that number of performance shares reached about 35% (90) of the maximum allocation. Allotment of shares will be made through Volvo owned, earlier re-purchased, company shares. Participants in certain countries will be offered a cash-based version of the incentive program. For participants in these countries, no investment is required by the participant and the program does not comprise an element of matching shares. Allotment of shares in this version is replaced by a cash allotment at the end of the vesting period. Other program conditions are similar.

The cost for this 2012 program amounted to SEK 0.5 M for the Parent Company and SEK 0.7 M for the Group.

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

	2012			2011		
	Directors and President	**of which bonuses, etc.**	**Other employees**	**Directors and President**	**of which bonuses, etc.**	**Other employees**
Parent Company						
Sweden	2.6	0.4	29.8	4.1	1.5	34.0
Total in Parent Company	**2.6**	**0.4**	**29.8**	**4.1**	**1.5**	**34.0**
Subsidiaries, outside Sweden						
Total subsidiaries	2.0	0.7	4.9	1.9	0.7	5.1
Group total	**4.6**	**1.1**	**34.7**	**6.0**	**2.2**	**39.1**

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/amortization

Depreciation/amortization of tangible and intangible fixed assets amounted to 1.6 (1.8) in the Group and to 1.5 (1.8) in the Parent Company.

Fees and other remuneration to auditors

Audit involves examination of the annual report and financial accounting and the administration by the Board of Directors and the President. Audit-related assignments mean other quality assurance services required by enactment, articles of association, regulations or agreement. The amount includes fees for interim reviews. Tax services include both tax consultancy and tax compliance services. All other services are defined as other assignments.

PricewaterhouseCoopers	**Group**		**Parent Company**	
	2012	**2011**	**2012**	**2011**
Audit assignment	1.1	1.2	0.6	0.7
Audit related services	0.2	0.1	0.2	0.1
Tax services	0.4	0.3	-	-
Total	**1.7**	**1.6**	**0.8**	**0.8**

Note 6 Income tax

	Group		**Parent Company**	
	2012	**2011**	**2012**	**2011**
Current tax for the period	(107.7)	(93.5)	(97.5)	(86.9)
Adjustment of current tax for prior periods	0.4	(9.2)	0.0	(9.2)
Deferred tax arising or reversed during the period	-	(0.8)	0.4	(0.6)
Total	**(107.3)**	**(103.5)**	**(97.1)**	**(96.7)**

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

	Group		**Parent Company**	
	2012	**2011**	**2012**	**2011**
Income before taxes	**425.8**	**365.5**	**368.3**	**328.3**
Tax according to current tax rate	(112.0)	(96.2)	(96.9)	(86.4)
Difference due to different countries' tax rates	4.3	2.8	-	-
Other non-taxable income	0.5	-	0.5	-
Other non-deductible expenses/income	(0.7)	(0.5)	(0.7)	(0.1)
Taxes related to prior year	-	(9.6)	-	(10.2)
Other, net	0.6	-	-	-
Total	**(107.3)**	**(103.5)**	**(97.1)**	**(96.7)**

Note 7 Deferred tax

During the year, reversed (expensed) deferred tax assets reduced (increased) the tax expense in the consolidated income statement for the year by 0.4 (0.8).

Temporary differences related to provisions for pensions amounts to 3.2 (2.8) for the Group and are recognized in the item "Other long-term receivables."

Note 8 Intangible assets

	Group		Parent Company	
	Dec. 31, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Capitalized development costs				
Opening cost	6.8	6.8	6.8	6.8
Capital expenditures	9.9	-	9.9	-
Closing amortized cost	**16.7**	**6.8**	**16.7**	**6.8**
Opening accumulated depreciation	(3.6)	(2.3)	(3.6)	(2.3)
Depreciation for the year	(1.4)	(1.3)	(1.4)	(1.3)
Closing accumulated depreciation according to plan	**(5.0)**	**(3.6)**	**(5.0)**	**(3.6)**
Closing residual value according to plan	**11.7**	**3.2**	**11.7**	**3.2**

Note 9 Tangible assets

	Group		Parent Company	
	Dec. 31, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Equipment				
Opening cost	3.4	3.6	2.4	2.4
Purchases	0.1	-	-	-
Sales and scrapping	-	(0.2)	-	-
Closing amortized cost	**3.5**	**3.4**	**2.4**	**2.4**
Opening accumulated depreciation	(2.6)	(2.3)	(1.7)	(1.3)
Sales and scrapping	-	0.2	-	-
Depreciation for the year	(0.2)	(0.5)	(0.1)	(0.4)
Closing accumulated depreciation according to plan	**(2.8)**	**(2.6)**	**(1.8)**	**(1.7)**
Closing residual value according to plan	**0.7**	**0.8**	**0.6**	**0.7**

Note 10 Financial assets

Participations in subsidiaries	**Parent Company**	
	Dec. 31, 2012	**Dec. 31, 2011**
Opening cost	224.6	224.6
Closing residual valute according to plan	**224.6**	**224.6**

	Registered office in	**Percentage holding**	**Voting share**	**No, of rights participations / shares**	**Carrying amount kSEK**
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 material 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, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Tax assets	0.7	1.7	0.4	1.5
Accrued interest income and prepaid interest expenses	989.4	1,207.9	988.7	1,203.2
Other accrued income and prepaid expenses	2.2	1.8	1.8	1.5
Conduit loans*	-	1.3	-	-
Unrealized gains on derivative contracts	1,724.2	844.9	1,716.0	587.9
Other current receivables	404.1	372.0	404.1	370.0
Total	**3,120.8**	**2,429.6**	**3,111.0**	**2,164.1**

* 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, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Banks and financial institutions	492.9	497.2	492.9	497.2
Real estate financial institutions	2,505.1	6,204.9	2,505.1	6,204.9
Total	**2,998.0**	**6,702.1**	**2,998.0**	**6,702.1**

Note 14 Cash and cash equivalents

	Group		Parent Company	
	Dec. 31, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Cash in banks	7,915.7	4,980.9	7,866.3	4,962.9
Banks certificates*	-	497.4	-	497.4
Time deposits in banks	1,760.2	7,472.0	1,760.2	7,472.0
Total	**9,675.9**	**12,950.3**	**9,626.5**	**12,932.3**

*Bank certificates that mature within three months from acquisition.

Cash and cash equivalents in the Group and Parent Company at December 31, 2012, include SEK 0.0 M (4.4) that are not available for use.

Note 15 Group contributions

Group contributions of 1,500.0 (1,700.0) were paid to AB Volvo and 744.3 (415.5) were received from Sotrof AB.

Note 16 Provisions for pensions and similar commitments

Post-employment remuneration, such as pensions and other remuneration are mainly settled by means of regular payments to independent authorities or bodies that assume pension commitments for employees through defined-contribution plans. The remaining portion is fulfilled through defined-benefit plans, where the commitments remain within the AB Volvo Group or are transferred to pension trusts.

Applicable assumptions for actuarial calculations (Sweden)	**Dec. 31, 2012**	**Dec. 31, 2011**
Discount rate	3.3	3.5
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	**Dec. 31, 2012**	**Dec. 31, 2011**
Current service costs	(1.8)	(1.0)
Interest costs	(1.6)	(1.5)
Expected return on plan assets	1.5	1.3
Actuarial gains and losses	(0.8)	(0.1)
Total pension costs for defined-benefit plans	**(2.7)**	**(1.3)**
Pension costs for defined-contribution plans	(6.2)	(5.3)
Total pension costs	**(8.9)**	**(6.6)**

The discount rate was determined based on mortgage bond interest rates.

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 returns 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	**2012**	**2011**
Obligations at January 1	44.8	30.6
Service costs	1.8	1.0
Interest costs	1.6	1.5
Actuarial gains (-) and losses (+)	6.3	12.0
Benefits paid	(0.4)	(0.3)
Obligations at December 31	**54.1**	**44.8**
Of which, funded defined-benefit plans	54.1	44.8

Fair value of plan assets in funded plans	**2012**	**2011**
Plan assets at January 1	25.1	20.8
Actuarial gain (-)/loss (+)	0.6	-2.0
Employer contribution	-	5.0
Expected return on plan assets	1.5	1.3
Plan assets at December 31	**27.2**	**25.1**

Net provisions for post-employment benefits

	Group	
	Dec. 31, 2012	**Dec. 31, 2011**
Funded status at December 31	26.9	19.7
Unrecognized actuarial gains (+) and losses (-)	(23.0)	(18.1)
Net provisions for post-employment benefits at December 31	**3.9**	**1.6**

	Parent company	
	Dec. 31, 2012	**Dec. 31, 2011**
Provisions		
Provisions for pensions, PRI	6.0	5.5
	6.0	**5.5**
Net present value of pension obligations	33.2	30.6
secured through		
The company's share of the net assets of the pension funds	27.2	25.1
Provisions for pensions	6.0	5.5
Pension obligations guaranteed by PRI	33.2	30.6

Note 17 Non-current liabilities

Group Due date	Bond loans Dec. 31, 2012	Other liabilities to credit institutions Dec. 31, 2012	*of which, derivative contracts* *Dec. 31, 2012*	Liabilities to companies in the Volvo Group Dec. 31, 2012
2014	14,960.5	4,948.2	*2,162.3*	820.2
2015	6,907.2	4,421.9	*115.3*	410.0
2016	4,935.2	7,857.0	*117.7*	294.1
2017	11,607.9	2,382.8	*16.5*	51.1
2018	-	371.2	*7.3*	-
2019-	3,875.7	886.7	*24.1*	-
Total	**42,286.5**	**20,867.8**	***2,443.2***	**1,575.4**

Parent Company Due date	Bond loans Dec. 31, 2012	Other liabilities to credit institutions Dec. 31, 2012	*of which, derivative contracts* *Dec. 31, 2012*	Liabilities to companies in the Volvo Group Dec. 31, 2012
2014	14,960.5	4,569.3	*2,162.1*	1,198.6
2015	6,907.2	2,948.2	*115.2*	1,545.3
2016	4,935.2	5,962.4	*115.4*	2,186.4
2017	11,607.9	2,382.5	*16.2*	51.1
2018	-	371.2	*7.3*	-
2019-	3,875.7	886.7	*24.1*	-
Total	**42,286.5**	**17,120.3**	***2,440.3***	**4,981.4**

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

Granted but unutilized credit facilities that may be utilized unconditionally amounted to 33,056 (33,363) at year-end. These facilities consisted of stand-by facilities for loans with varying maturities between 2013 and 2017. A fee is normally charged for the credit facilities that were granted, and is recognized in profit or loss under other financial income and expenses.

The following list shows the Group's and Parent Company's non-current liabilities in which the largest loans are distributed by currency and their carrying amounts. Information on loan terms pertains to the Group as of December 31, 2012. The loan 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, 2012	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2012
EUR 2007-2012/2014-2024	0,74-9,89	0,74-9,89	20,725.0	16,591.3	20,725.0	16,591.3
SEK 2007-2012/2014-2017	1,90-5,71	1,91-5,71	15,130.8	15,899.3	15,130.8	15,899.3
USD 2009/2015	5.98	5.98	4,861.1	5,165.3	4,861.1	5,165.3
CNY 2012/2015	3.80	3.80	522.7	-	522.7	-
GBP 2009/2014	6.04	6.18	1,046.9	531.9	1,046.9	531.9
Other bond loans			-	4.4	-	4.4
Total			**42,286.5**	**38,192.2**	**42,286.5**	**38,192.2**

Other liabilities to credit institution	Actual interest rate	Effective interest rate	Group		Parent company	
	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
EUR 2009-2012/2014-2019	1,49-2,32	1,50-2,33	1,293.9	1,809.4	1,311.7	466.4
USD 2008-2009/2016-2018	0,56-2,21	0,56-2,23	5,353.6	6,913.1	5,353.6	6,913.1
CHF 2011/2013	-	-	-	736.2	-	736.2
DKK 2011/2014	0.83	0.83	231.2	819.0	231.2	819.0
GBP 2011/2014	1.98	1.99	892.3	908.1	892.3	908.1
JPY 2007-2012/2014-2017	0,61-1,40	0,60-1,41	5,598.7	11,346.9	2,192.7	5,965.7
SEK 2007-2011/2015-2017	1,52-3,22	1,53-3,22	4,346.8	5,513.4	4,346.8	5,513.4
NOK 2011/2013	-	-	-	287.9	-	287.8
AUD 2012/2015	4,81-6,05	4,90-6,05	690.1	1,053.8	351.8	-
Derivativs			2,461.2	2,225.7	2,440.2	2,216.5
Total			**20,867.8**	**31,613.4**	**17,120.3**	**23,826.1**

The list below shows the currency distribution of the Group's and the Parent Company's long-term borrowing as at December 31, 2012, with consideration taken to currency derivatives (nominal amounts) linked to the non-current liabilities.

	Group				Parent Company		
	Loan	**Derivative**	**Total**		**Loan**	**Derivative**	**Total**
EUR	23,513.9	(6,615.4)	16,898.5	EUR	23,513.9	(6,615.4)	16,898.5
JPY	5,598.7	68.2	5,666.9	JPY	2,192.7	68.2	2,260.9
SEK	19,477.6	2,621.8	22,099.4	SEK	19,477.6	2,621.8	22,099.4
USD	10,214.7	882.2	11,096.9	USD	10,214.7	882.2	11,096.9
Others	3,383.2	4,724.1	8,107.3	Övriga	3,044.8	4,724.1	7,768.9
	62,188.1	**1,680.9**	**63,869.0**		**58,443.7**	**1,680.9**	**60,124.6**

Note 18 Current liabilities to credit institutions

	Group		Parent Company	
	Dec. 31, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Other loans	30,760.5	24,075.7	27,158.4	21,572.0
Unrealized exchange loss on derivative contracts	27.8	1,302.8	25.1	1,297.0
Total	**30,788.3**	**25,378.5**	**27,183.5**	**22,869.0**

Granted overdraft facilities amount to 986.1 (1,102.3) in the Group and 973.1 (1,088.5) in the Parent Company.

Note 19 Other current liabilities

	Group		Parent Company	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Tax liability	9.7	5.9	-	-
Wages, salaries and tax-at-source	16.2	20.9	16.1	20.8
Accrued interest expenses and prepaid interest income	1,486.8	1,860.4	1,474.7	1,832.8
Accrued expenses and deferred income	10.3	11.5	8.1	8.6
Unrealized loss on derivative contracts	146.8	613.4	28.6	220.5
Other current liabilities	5.5	6.1	5.5	6.8
Total	**1,675.4**	**2,518.2**	**1,533.0**	**2,089.5**

Note 20 Pledged assets

	Group		Parent Company	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
For own obligations				
Security balance, Financial futures	-	4.4	-	4.4
Optionsmäklarna (OM)	32.0	64.5	32.0	64.5
Total pledged assets	**32.0**	**68.9**	**32.0**	**68.9**

Note 21 Contingent liabilities

	Group		Parent Company	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Contingent liabilities on behalf of other Group companies	431.3	526.5	431.3	526.5
Other contingent liabilities	0.6	0.6	0.6	0.6
Total contingent liabilities	**431.9**	**527.1**	**431.9**	**527.1**
Contingent liabilities received from other Group companies, which reduce net obligations	(431.3)	(526.5)	(431.3)	(526.5)

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.

Currency risk

Financial currency exposure

The contents in the recognized balance sheet may be impacted by fluctuations in various exchange rates. Currency risks in Volvo Treasury's operations are related to changes in the value of loans and investments (financial currency exposure) and changes in the value of assets and liabilities in foreign subsidiaries (currency exposure of shareholders' equity). Loans and investments occur in different currencies, partly on the capital markets and partly with companies in the AB Volvo Group. Investments and borrowing occur mainly in SEK, EUR, USD and JPY. Different types of derivatives are used to minimize financial currency exposure. Using derivative instruments such as currency swaps, currency forwards enables Volvo Treasury to meet the borrowing and lending requirements of Group companies in different currencies, without increasing the Company's own risk.

In accordance with the AB Volvo Group's currency risk policy, Volvo Treasury uses currency derivatives to minimize the risk of negative currency effects on the AB Volvo Group's consolidated income. For contracts signed until 2011, Volvo Treasury entered currency derivatives with subsidiaries of the AB Volvo Group and in a corresponding manner with Volvo-external counterparties. This means that outstanding currency derivatives for commercial flows did not have any significant impact on Volvo Treasury's future capital and interest flows.

From January 2012, Volvo Treasury has, through a new policy adopted by the Board of AB Volvo, an expanded mandate and entered currency derivatives with external counterparties on behalf of the AB Volvo Group without entering corresponding contracts with Group companies (within the AB Volvo Group).

The AB Volvo Group hedges only contracted flows, of which the largest portion is realized within six months. Hedged flows occur mainly in SEK and USD. If USD increased against SEK by 10 percent from the rate as at December 31, 2012, the market value of these contracts would be affected negatively by SEK 129 M.

Currency exposure of shareholders' equity

The consolidated value of assets and liabilities in foreign subsidiaries is influenced by exchange rates in conjunction with translation into Swedish kronor. Net assets in foreign subsidiaries amounted to SEK 456.0 M at year-end 2012. Net assets in foreign subsidiaries were not hedged through loans in foreign currencies, 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 influence 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's 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 markets at floating and fixed interest rates. Within the framework of established limits, financing must match lending in terms of maturities. Interest-fixing terms between borrowing and lending are matched through the use of such derivative instruments as interest-rate swaps, currency interest-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, 2012, the market value of the portfolio would be affected positively by SEK 20 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 Volvo Group's accounts in various currencies. Volvo Treasury administrates the 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 markets.

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 such derivative instruments as interest swaps and currency interest swaps creates an interest-fixing term corresponding to three months. After taking derivative instruments into account, the average effective interest rate at year-end on financing outstanding for the AB Volvo Group's industrial operations was 2.14%. If the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2012, the market value of financing for the AB Volvo Group's industrial operations would be affected positively by SEK 127 M.

Surplus liquidity within the AB Volvo Group is managed by Volvo Treasury AB. 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 (futures) 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, 2012, was 0.85%. If the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2012, the market value of investments in the money and capital markets would be changed negatively by SEK 10 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, 2012 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.

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

Credit risks
Credit risks are defined as the risk that Volvo Treasury does not receive payments for recognized loans (commercial credit risk), that Volvo Treasury's investments are unable to be realized (financial credit risk) and that potential profit is not realized due to the counterparty not fulfilling its part of the contract when using derivative instruments (financial counterparty risk).

Volvo Treasury has no financial assets that are due for payment or impaired at year-end.

Financial credit risk
The 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.

Commercial credit risk
Lending to companies within the AB Volvo Group complies with the limits established for the particular counterparty. Lending to Group companies is not considered to have any credit risk and no assets are therefore pledged for the receivables.

Financial counterparty risk
The use of derivative instruments leads to a counterparty risk, meaning a risk that the counterparty will not fulfill its part of the contract, implying that a potential profit will not be 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, 2012, amounted to 1,075, 4,350 and 5 for the Group; and to 1,043, 4,347 and 5 for the Parent Company. The company's current investments in marketable securities in the Group and Parent Company amounted to 2,998 on the balance-sheet date.

Liquidity risks
Liquidity risk is defined as the risk that Volvo Treasury would be unable to finance or refinance its assets or fulfill its payment obligations.

Volvo Treasury reduced liquidity risks by 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, see also Note 17.

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

The list below shows expected future cash flows including derivatives related to financial liabilities based on short-term interest rates and the foreign exchange rates on the balance-sheet date. Expected capital flow refers to payments of loans and derivatives. Expected interest flow is based on the market's expected future interest payments on loans and derivatives. The interest flow is recognized in the cash flow from operating activities. Future cash flows in foreign currency are based on the respective exchange rates at the balance-sheet date.

Group

	Capital flow			Interest flow		
	Loans	Derivatives (liability)	Derivatives (asset)	Loans	Derivatives (liability)	Derivatives (asset)
2013	(30,760)	(10)	559	(2,737)	(524)	848
2014	(17,746)	(1,886)	190	(2,209)	(161)	1,199
2015	(11,213)	(31)	17	(1,254)	(28)	437
2016	(12,675)	(13)	41	(908)	(13)	342
2017	(13,958)	-	-	(647)	(13)	372
2018	(364)	-	-	(142)	(21)	2
2019-	(4,738)	-	-	(237)	(28)	10

Parent Company

	Capital flow			Interest flow		
	Loans	Derivatives (liability)	Derivatives (asset)	Loans	Derivatives (liability)	Derivatives (asset)
2012	(27,159)	(9)	557	(2,625)	(524)	846
2013	(17,368)	(1,885)	190	(2,171)	(159)	1,200
2014	(9,739)	(31)	17	(1,221)	(28)	437
2015	(10,782)	(13)	41	(888)	(13)	341
2016	(13,958)	-	-	(647)	(13)	372
2017	(362)	-	-	(142)	(21)	2
2018-	(4,738)	-	-	(237)	(28)	10

Current liabilities to Group companies (within the AB Volvo Group) pertain to borrowing through group accounts, which are not included in capital flow 2012 in the list above.

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

	Group Dec. 31, 2012		Group Dec. 31, 2011	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Foreign exchange forward contracts				
- receivable position	1,932.4	71.4	3,574.0	95.1
- payable position	87.7	(2.2)	3,075.1	(90.4)
Options – purchased				
- receivable position	-	-	3,182.9	59.8
- payable position	-	-	-	-
Options – written				
- receivable position	-	-	-	-
- payable position	-	-	3,182.9	(59.8)
Total		**69.2**		**4.7**

	Parent Company Dec. 31, 2012		Parent Company Dec. 31, 2011	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Foreign exchange forward contracts				
- receivable position	1,932.4	71.4	3,447.1	94.2
- payable position	87.7	(2.2)	2,947.5	(89.5)
Options – purchased				
- receivable position	-	-	3,182.9	59.8
- payable position	-	-	-	-
Options – written				
- receivable position	-	-	-	-
- payable position	-	-	3,182.9	(59.8)
Total		**69.2**		**4.7**

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

	Group Dec. 31, 2012		Group Dec. 31, 2011	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest-rate swaps				
- receivable position	57,790.2	4,350.1	78,809.0	4,563.3
- payable position	66,985.4	(2,592.7)	59,407.4	(3,334.4)
Interest-rate forwards and futures				
- receivable position	-	-	7,155.5	0.8
- payable position	7,470.0	(0.4)	6,908.3	(0.7)
Foreign exchange forward contracts				
- receivable position	21,204.8	1,003.2	18,084.8	222.4
- payable position	15,457.1	(124.0)	30,460.8	(614.3)
Options purchased, caps and floors				
- receivable position	367.1	4.7	914.7	2.3
- payable position	73.8	-	104.3	-
Options written, caps and floors				
- receivable position	-	-	89.5	-
- payable position	130.3	(1.7)	692.3	(1.7)
Total		**2,639.2**		**837.7**

	Parent Company Dec. 31, 2012		Parent Company Dec. 31, 2011	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest-rate swaps				
- receivable position	57,839.2	4,346.6	75,791.0	4,525.0
- payable position	66,923.4	(2,703.6)	59,234.3	(3,334.2)
Interest-rate forwards and futures				
- receivable position	-	-	7,155.5	0.8
- payable position	7,470.0	(0.4)	6,908.3	(0.7)
Foreign exchange forward contracts				
- receivable position	20,487.9	971.2	17,881.8	222.0
- payable position	2,102.3	(5.1)	30,060.2	(603.8)
Options purchased, caps and floors				
- receivable position	365.7	4.7	222.3	2.0
- payable position	73.8	-	104.3	-
Options written, caps and floors				
- receivable position	-	-	89.5	-
- payable position	130.3	(1.7)	251.5	(1.5)
Total		**2,611.7**		**809.6**

The nominal amount represents the gross amount of the contract. The outstanding contracts have been recognized at market value. All stated market values represent the calculated values that will not necessarily be realized. Volvo Treasury applies hedge accounting, fair-value hedge for a loan of EUR 1 billion borrowed during the second quarter of 2007. The fair value of the outstanding hedge instrument included in this hedge relation is recognized in the interest-rate swap category in the above table and amounts to 1,697 (1,484). The carrying amount of the loan related to hedge accounting amounts to a negative 1,495 (neg. 1,285).

Financial assets and liabilities measured at Fair value

IFRS 7 classifies financial instrument measured at fair value in different levels based on how the fair value has been assessed. All Volvo Treasury's financial instruments measured at fair value are classified as level two.

Carrying amounts and market capitalization of financial instruments

	Group Dec. 31, 2012		**Group Dec. 31, 2011**	
	Carrying amount	Fair value*	Carrying amount	Fair value*
Long-term receivables and loans	1,001.3	1,001.3	1,444.1	1,444.1
- of which, derivative instruments for which the value is also shown in preceding table	*998.1*	*998.1*	*1,439.9*	*1,439.9*
Short-term receivables and loans incl. Cash and cash equivalents	12,796.6	12,796.6	15,379.9	15,379.9
- of which, derivative instruments for which the value is also shown in preceding table	*2,666.0*	*2,666.0*	*1,981.5*	*1,981.5*
Marketable securities	2,998.0	2,998.0	6,702.1	6,702.1
Long-term loans and debts	63,154.3	66,802.9	69,805.6	73,947.8
- of which, derivative instruments for which the value is also shown in preceding table	*966.4*	*966.4*	*958.9*	*958.9*
Short-term debts and loans	32,468.6	32,812.2	27,900.1	28,747.0
- of which, derivative instruments for which the value is also shown in preceding table	*265.1*	*265.1*	*2,070.8*	*2,070.8*
Receivables from Group companies	130,147.0	131,605.1	130,713.6	131,705.4
- of which, derivative instruments for which the value is also shown in preceding table	*289.2*	*289.2*	*476.1*	*476.1*
Liabilities to Group companies	36,012.3	36,085.4	41,536.9	41,630.0
- of which, derivative instruments for which the value is also shown in preceding table	*30.7*	*30.7*	*25.3*	*25.3*

	Parent Company Dec. 31, 2012		Parent Company Dec. 31, 2011	
	Carrying amount	Fair value*	Carrying amount	Fair value*
Long-term receivables and loans	992.0	992.0	1,441.4	1,441.4
- of which, derivative instruments for which the value is also shown in preceding table	*988.6*	*988.6*	*1,437.6*	*1,437.6*
Short-term receivables and loans incl. Cash and cash equivalents	12,737.6	12,737.6	15,096.4	15,096.4
- of which, derivative instruments for which the value is also shown in preceding table	*2,655.6*	*2,655.6*	*1,717.9*	*1,717.9*
Marketable securities	2,998.0	2,998.0	6,702.1	6,702.1
Long-term loans and debts	59,406.8	63,039.0	62,018.3	65,980.3
- of which, derivative instruments for which the value is also shown in preceding table	*963.1*	*963.1*	*949.8*	*949.8*
Short-term debts and loans	28,720.6	28,938.3	24,961.4	25,403.1
- of which, derivative instruments for which the value is also shown in preceding table	*142.6*	*142.6*	*1,677.9*	*1,677.9*
Receivables from Group companies	129,201.0	130,685.1	129,944.6	130,936.6
- of which, derivative instruments for which the value is also shown in preceding table	*288.1*	*288.1*	*476.1*	*476.1*
Liabilities to Group companies	42,953.9	43,217.5	51,621.1	52,041.6
- of which, derivative instruments for which the value is also shown in preceding table	*145.7*	*145.7*	*189.5*	*189.5*

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

All derivative instruments are recognized in the balance sheet.

Income, expenses, gains and losses related to financial instruments

The impact of gains and losses, as well as interest income and interest expense, on the Volvo Treasury Group's gross earnings for the various categories of the financial instruments is shown in the table below.

	2012				2011			
Group	**Gains / Losses**	**Interest income**	**Interest expense**	**Total net**	**Gains / Losses**	**Interest income**	**Interest expense**	**Total net**
Financial assets and liabilities at fair value trough profit and loss*								
Marketable securities	153.2	-	-		223.9	-	-	
Loans and derivatives for financial exposure	160.7	-	-		464.0	-	-	
Loans originated by the company	-	5,096.7	-		-	5,596.0	-	
Cash and cash equivalents	-	94.2	-		-	101.1	-	
Finacial liabilities valued at amortized cost	-	-	(4,408.8)		-	-	(4,671.8)	
Effect on income/Interest net	**313.9**	**5,190.9**	**(4,408.8)**	**1,096.1**	**687.9**	**5,697.1**	**(4,671.8)**	**1,713.2**

	2012				2011			
Parent company	**Gains / Losses**	**Interest income**	**Interest expense**	**Total net**	**Gains / Losses**	**Interest income**	**Interest expense**	**Total net**
Financial assets and liabilities at fair value trough profit and loss*								
Marketable securities	153.2	-	-		223.9	-	-	
Loans and derivatives for financial exposure	158.8	-	-		449.0	-	-	
Loans originated by the company	-	4,864.9	-		-	5,225.9	-	
Cash and cash equivalents	-	93.9	-		-	101.0	-	
Finacial liabilities valued at amortized cost	-	-	(4,214.6)		-	-	(4,340.8)	
Effect on income/Interest net	**312.0**	**4,958.8**	**(4,214.6)**	**1,056.2**	**672.9**	**5,326.9**	**(4,340.8)**	**1,659.0**

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

Recognized gains and losses from exchange-rate effects*

	Group		Parent company	
	2012	**2011**	**2012**	**2011**
Derivative instrument	243.6	(642.8)	234.9	(614.8)
Loans originated by the company and financial liabilities valued at amortized cost	(51.1)	688.8	(71.9)	667.1
Net effect	**192.5**	**46.0**	**163.0**	**52.3**

* Gains and losses from exchange-rate effects are recognized on the line "Results from other financial transactions" in the comprehensive income report.

Note 23 Information about the 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 Gothenburg, Sweden.

Note 24 Operational leasing

Future lease payments pertaining to non-cancelable leasing contracts at year-end amounted to 2.5 (2.7) for the Group and 0.8 (0.7) for the Parent Company. Leasing expenses for the year amounted to 2.0 (2.0) for the Group and 0.8 (0.7) for the Parent Company.

Future lease payments for operational leasing are distributed as follows:

	Group	**Parent Company**
2013	1.6	0.6
2014-2017	0.9	0.2
2018 and later	-	-
Total	**2.5**	**0.8**

Note 25 Average numbers of employees

	Dec. 31, 2012		**Dec. 31, 2011**	
	No. of employees	**of whom, men**	**No. of employees**	**of whom, men**
Parent Company				
Gothenburg	42	21	44	22
Total	**42**	**21**	**44**	**22**
Subsidiaries outside Sweden				
Singapore	8	4	9	4
Total	**8**	**4**	**9**	**4**
Group total	**50**	**25**	**53**	**26**

Note 26 Board members and other senior executives

	Dec. 31, 2012			
Parent Company	**No. of Board members***	**of whom, men**	**No. of President and other executives***	**of whom, men**
Sweden	4	4	4	4
Total	**4**	**4**	**4**	**4**
Subsidiaries outside Sweden				
Singapore	3	3	3	1
Australia	4	4	1	1
Total	**7**	**7**	**4**	**2**
Group total	**11**	**11**	**8**	**6**

* 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 eight (of whom eight are men) and the number of senior executives is seven (of whom five are men).

Note 27 Transactions with related parties

Volvo Treasury AB (publ) is a wholly owned subsidiary of AB Volvo (publ) Gothenburg (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 division within the AB Volvo Group, which consists of companies within the AB Volvo Group, with service related to treasury and cash management. All financial transactions with companies within the AB Volvo Group are carried out on market terms. Most of the AB Volvo Group’s financial transactions occur in the “Volvo Treasury Unit” (which, in addition to the Volvo Treasury Group, also includes other Treasury companies within AB Volvo in North America and Asia). Volvo Treasury Unit 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 consolidated accounts have been prepared in accordance with international financial reporting standards, IFRS, as adopted by the EU and present a true and fair view of the Group's position and earnings. 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 for the Group and Parent Company gives a fair review of the development of the business, position and earnings for the Group and Parent Company, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Göteborg, April 26, 2013

Ulf Niklasson President	Anders Osberg Chairman
Rune Alsterholm	Ulf Rapp

Our auditors' report was submitted on April 26, 2013
PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant

Auditors' report

To the annual general meeting of the shareholders of Volvo Treasury AB (publ), Corporate Registration Number 556135-4449

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and the consolidated accounts of Volvo Treasury AB (publ) for 2012.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Volvo Treasury AB for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg, April 26, 2013
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 in general 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, as well as follow-up. The AB Volvo Group has a specific function for internal control, which aims to provide support for management groups within the business areas and group functions that will allow them to continuously provide good and improved internal controls relating to financial reporting. Work conducted through this function is based primarily on a methodology that aims to ensure compliance with directives and guidelines, and to create good prerequisites for specific control activities in key processes related to financial reporting. The Audit Committee 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 ensuring that companies in the Group comply with the principles and rules that are stated in the Group's directives, guidelines and instructions for financial reporting. The head of the Internal Audit function reports directly to the CEO, the Group's CFO and to the Audit Committee of the Board of AB Volvo.

Control environment

Fundamental to the AB Volvo Group's control environment is the corporate culture that is established within the Group, in which managers and employees operate. The AB Volvo Group works actively on communication and training pertaining to the company's core values as described in The Volvo Way, an internal document concerning Volvo's corporate culture, and the 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 Group's directives, guidelines and instructions, as well as the responsibility and authority structure that have been adapted to the Group's organization to create and maintain a satisfactory control environment. The principles for Volvo's internal controls, as well as directives and guidelines for the financial reporting are contained in Volvo Financial Policies & Procedures (FPP), a publication that contains all the Group's important instructions, rules and principles.

Risk assessment
Risks relating to the financial reporting are evaluated and monitored by the Board of Directors through its Audit Committee, inter alia by identifying the types of risks that could typically 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 may appear in the financial reporting is based on a number of criteria. Complicated accounting policies could, for example, mean that the financial reporting risks being inaccurate for those items that are covered by such policies. Valuation of a particular asset or liability according to various evaluation criteria could also constitute a risk. The same applies for complicated and/or changed business circumstances.

Control activities
The Boards of Directors and Audit Committees for AB Volvo and Volvo Treasury AB 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 guidelines and instructions. The Group's shared service center is also responsible for the application of the control activities which include the responsibility to design the authority structures are designed so that one person cannot perform an activity and then perform the control of the same activity. Control activities within IT security and maintenance are also a key part of AB Volvo Group's internal control over financial reporting.

Information and communication
Guidelines and instructions relating to the financial reporting are updated and communicated on a regular basis from the AB Volvo Group's management to all employees concerned. AB Volvo Group accounting department holds a direct operative responsibility for the common accounting which is aimed at ensuring a uniform application of the Group's guidelines, policies 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 following up the Volvo Treasury Group's internal control rests with the Volvo Treasury management group and controller functions in co-operation with the Volvo Group shared service function. In addition, the Internal Audit and the Internal Control functions of the AB Volvo Group conduct review and follow-up 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 Program, which aims to systematically evaluate the quality of the internal control over financial reporting on a yearly basis. An evaluation plan is established annually and presented to the Audit Committee. This evaluation program comprises three main areas:

1. Group-wide controls
Self-assessment procedure carried out by management teams at business area/Group-functional levels as well as company level. The areas evaluated are mainly compliance with the Group's financial directives and policies found in the FPP, as well as 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 routines/controls based on a framework for internal control of financial reporting, VICS – Volvo Internal Control Standards. The framework focuses on the financial reporting areas deemed to have a relatively higher risk for potential errors due to complicated accounting policies and/or complicated/changed business operations etc.

3. General IT controls
Processes for maintenance, development and authorization management pertaining to financial applications are evaluated by testing routines/controls.

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

Göteborg, April 26, 2013

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 Statement for the year 2012 on pages 46-48 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Göteborg, April 26, 2013

PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant