

**VOLVO TREASURY  
GROUP**

**INTERIM REPORT**

**January - June 2011**

**INTERIM REPORT JANUARY 1 – JUNE 30 2011**

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

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

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

**CONSOLIDATED INCOME STATEMENT**

	<b>First six months 2011</b>	<b>First six months 2010</b>	<b>Jan-Dec 2010</b>
Interest income	2,679.8	2,349.9	4,735.8
Interest expense	-2,084.6	-1,995.6	- 3,878.3
Financial instruments valued at fair value recognized in income statement	149.2	568.6	456.2
Amortization of loan value adjustment	=	=	=
<b>Net interest income</b>	<b>744.4</b>	<b>922.9</b>	<b>1,313.7</b>
Net result of other financial transactions	<u>22.3</u>	<u>66.3</u>	<u>-145.9</u>
<b>Gross income</b>	<b>766.7</b>	<b>989.2</b>	<b>1,167.8</b>
Administrative expenses	-56.0	-54.0	-106.4
Other operating expenses	=	=	<u>-0.2</u>
<b>Operating income</b>	<b>710.7</b>	<b>935.2</b>	<b>1,061.2</b>
Estimated tax	<u>-184.6</u>	<u>-69.3</u>	<u>- 274.4</u>
<b>Net income</b>	<b>526.1</b>	<b>865.9</b>	<b>786.8</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange-rate differences on translation of foreign operations	<u>-8.9</u>	<u>24.2</u>	<u>8.4</u>
<b>Total comprehensive income for the period</b>	<b>517.2</b>	<b>890.1</b>	<b>795.2</b>
Total net income attributable to Parent Company shareholders	526.1	865.9	786.8
Total comprehensive income attributable to Parent Company shareholders	517.2	890.1	795.2

**CONSOLIDATED BALANCE SHEET**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>	<b>Dec 31, 2010</b>
<b>Assets</b>			
Intangible assets	3.9	5.2	4.5
Tangible assets	1.0	1.9	1.3
Financial assets	27,487.6	28,263.4	25,531.6
Current receivables	98,802.8	97,696.4	99,191.6
Marketable securities	7,225.2	14,695.1	9,589.2
Cash and cash equivalents	<u>3,632.0</u>	<u>6,909.5</u>	<u>7,615.3</u>
<b>Total assets</b>	<b>137,152.5</b>	<b>147,571.5</b>	<b>141,933.5</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	15,246.9	15,164.5	14,729.7
Non-current liabilities	67,924.2	78,746.4	65,725.3
Current liabilities	<u>53,981.4</u>	<u>53,660.6</u>	<u>61,472.6</u>
<b>Total shareholders' equity and liabilities</b>	<b>137,152.5</b>	<b>147,571.5</b>	<b>141,933.5</b>
Pledged assets	64.9	73.5	66.1
Contingent liabilities	505.0	514.0	488.0

**CONSOLIDATED CASH FLOW STATEMENT**

	<b>First six months 2011</b>	<b>First six months 2010</b>	<b>Jan-Dec 2010</b>
<b>Activities during the period</b>			
Cash flow from operating activities	-7,848.0	13,443.6	23,723.8
Cash flow from investing activities	0.0	-0.4	-0.4
Cash flow from financing activities	<u>3,870.1</u>	<u>-16,498.9</u>	<u>-26,070.8</u>
<b>Cash flow during the period</b>	<b>-3,977.9</b>	<b>-3,055.7</b>	<b>-2,347.4</b>
Cash and cash equivalents, January 1	7,615.3	9,961.8	9,961.7
Exchange-rate differences in cash and cash equivalents	<u>-5.4</u>	<u>3.4</u>	<u>1.0</u>
<b>Cash and cash equivalents at the end of the period</b>	<b>3,632.0</b>	<b>6,909.5</b>	<b>7,615.3</b>

**CHANGE IN SHAREHOLDERS' EQUITY**

<b>Group</b>	<b>First six months 2011</b>	<b>First six months 2010</b>	<b>Jan-Dec 2010</b>
<b>Balance at January 1</b>	<b>14,729.7</b>	<b>14,274.4</b>	<b>14,274.4</b>
Net income for the period	526.1	865.9	786.8
<i>Other comprehensive income</i>			
Translation differences	<u>-8.9</u>	<u>24.2</u>	<u>8.4</u>
<i>Total comprehensive income for the period</i>	<i>517.2</i>	<i>890.1</i>	<i>795.2</i>
<i>Transactions with shareholders</i>			
Group contributions granted and received	-	-	- 461.2
Tax effect of Group contributions granted and received	-	-	121.3
Contribution from shareholders received	=	=	=
<i>Total transactions with shareholders/related parties</i>	<i>-</i>	<i>-</i>	<i>- 339.9</i>
<b>Balance at the end of the period</b>	<b>15,246.9</b>	<b>15,164.5</b>	<b>14,729.7</b>

## PARENT COMPANY INCOME STATEMENT

	First six months 2011	First six months 2010	Jan-Dec 2010
Interest income	2,667.4	2,339.4	4,713.4
Interest expense	-2,115.8	-2,026.5	-3,944.6
Financial instruments valued at fair value recognized in income statement	160.5	555.3	459.6
Amortization of loan value adjustment	=	=	=
<b>Net interest income</b>	<b>712.1</b>	<b>868.2</b>	<b>1,228.4</b>
Net result of other financial transactions	<u>21.4</u>	<u>76.9</u>	<u>-128.2</u>
<b>Gross income</b>	<b>733.5</b>	<b>945.1</b>	<b>1,100.2</b>
Administrative expenses	-48.3	-46.6	-89.0
Other operating expenses	=	=	<u>-0.2</u>
<b>Operating income</b>	<b>685.2</b>	<b>898.5</b>	<b>1,011.0</b>
Estimated tax	<u>-180.3</u>	<u>-65.4</u>	<u>-265.7</u>
<b>Net income</b>	<b>504.9</b>	<b>833.1</b>	<b>745.3</b>
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-
<b>Total comprehensive income for the period</b>	<b>504.9</b>	<b>833.1</b>	<b>745.3</b>

## PARENT COMPANY BALANCE SHEET

	June 30, 2011	June 30, 2010	Dec 31, 2010
<b>Assets</b>			
Intangible assets	3.9	5.2	4.5
Tangible assets	0.9	1.2	1.1
Financial assets	27,539.0	28,289.6	25,568.5
Current receivables	98,371.2	96,853.1	98,731.3
Marketable securities	7,225.2	14,695.1	9,589.2
Cash and cash equivalents	<u>3,612.5</u>	<u>6,867.6</u>	<u>7,467.5</u>
<b>Total assets</b>	<b>136,752.7</b>	<b>146,711.8</b>	<b>141,362.1</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	15,079.0	15,002.1	14,574.4
Non-current liabilities	67,785.3	78,608.6	65,584.2
Current liabilities	<u>53,888.4</u>	<u>53,101.1</u>	<u>61,201.0</u>
<b>Total shareholders' equity and liabilities</b>	<b>136,752.7</b>	<b>146,711.8</b>	<b>141,362.1</b>
Pledged assets	64.9	73.5	66.1
Contingent liabilities	505.0	514.0	488.0

## ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounts Act. In preparing this report, the Volvo Treasury Group has applied the accounting principles presented in Note 1 of the Volvo Treasury Group Annual Report 2010.

## RISKS AND UNCERTAINTIES

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favourable profitability. Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. The Volvo Treasury Group works continuously to identify, measure, manage and report risk, and in some cases the Treasury Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Treasury Group's control, the aim is to minimize the consequences. The risks to which the Treasury Group are exposed are mainly the category **Financial risks** – such as currency risk, interest risk, credit risk and liquidity risk. For a more elaborated account for these risks and the management of these, please refer to the Financial risks and instruments section on pages 32-35 in the 2010 Annual Report for the Volvo Treasury Group and the Risks and uncertainties section on pages 53-55 in the 2010 Annual Report for the Volvo Group.

**COMMENTS CONSOLIDATED ACCOUNTS**

Income before taxes for the first six months of 2011 amounted to SEK 710.7 M (935.2). The market valuation of derivatives in accordance with IAS39 has affected income with SEK 165.7 M (663.8).

Investments in intangible and tangible assets amounted to SEK 0.0 M (0.4).

Cash and cash equivalents amounted to SEK 3,632.0 M, a decrease since year-end of SEK 3,983.3 M.

The number of employees at the end of June was 55 (54).

**COMMENTS PARENT COMPANY**

Interest income for the period amounted to SEK 2,667.4 M (2,339.4).

Income before taxes for the first six months of 2011 amounted to SEK 685.2 M (898.5). The market valuation of derivatives in accordance with IAS39 has affected income with SEK 177.1 M (650.5).

Investments in intangible and tangible assets amounted to SEK 0.0 M (0.4).

Cash and cash equivalents amounted to SEK 3,612.5 M, a decrease since year-end of SEK 3,855.0 M.

The total holding of marketable securities at the end of June amounted to SEK 7,225.2 M, compared with SEK 9,589.2 M at year-end, a decrease of SEK 2,364.0 M.

Financing is obtained both through loans to external and internal counterparties. The main part of the internal borrowing is obtained via cash pools. The total lending has decreased with SEK 4,917.9 M since year-end.

On May 10, Volvo Treasury AB entered into a new 5 year syndicated credit facility of EUR 2 billion, which replaced two old facilities.

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

The changed assumptions of life expectancy for the PRI defined benefit plan will affect the pension debt at year end. The changed assumptions of life expectancy will be classified as an actuarial loss. Due to application of the corridor method the result for the year will not be affected.

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

Gothenburg, August 26, 2011

VOLVO TREASURY AB (publ)

Anders Osberg  
President and  
Board member

Mikael Bratt  
Chairman of the board

Scott Rafkin  
Board member

Fredrik Brunell  
Board member

Rikard Bentelius  
Board member

Christer Johansson  
Board member

Thomas Alexandersson  
Board member

Tommy Olsson  
Board member

Rune Alsterholm  
Board member