

## THE FOURTH QUARTER AND FULL YEAR 2016



### THE FOURTH QUARTER 2016

- » In Q4 2016 net sales increased by 4% to SEK 82.6 bn (79.6). Adjusted for currency movements and acquired and divested units sales decreased by 1%.
- » Adjusted operating income in Q4 2016 amounted to SEK 5,660 M (4,573), corresponding to an operating margin of 6.9% (5.7), excluding a capital gain on the sale of real estate of SEK 1,371 M.
- » Currency movements had a positive impact on operating income of SEK 336 M.
- » Operating cash flow in the Industrial Operations amounted to SEK 4.8 bn (14.7). Adjusted for the EU antitrust investigation and the sale of real estate, operating cash flow was SEK 8.7 bn.

### THE FULL YEAR 2016

- » For the full year 2016 net sales decreased by 3% to SEK 301.9 bn (312.5).
- » Adjusted operating income amounted to SEK 21,094 M (20,235) corresponding to an operating margin of 7.0% (6.5).
- » Operating cash flow in the Industrial Operations amounted to SEK 3.5 bn (18.3).
- » The Board of Directors proposes a dividend of SEK 3.25 per share (3.00).

SEK M unless otherwise stated	Fourth quarter		Year	
	2016	2015	2016	2015
Net sales	82,559	79,636	301,914	312,515
Adjusted operating income <sup>1</sup>	5,660	4,573	21,094	20,235
Adjusted operating margin, %	6.9	5.7	7.0	6.5
Operating income	7,031	4,511	20,826	23,318
Operating margin, %	8.5	5.7	6.9	7.5
Income after financial items	6,358	3,901	19,230	20,418
Income for the period	4,832	2,597	13,223	15,099
Diluted earnings per share, SEK	2.37	1.27	6.47	7.41
Operating cash flow in Industrial Operations, SEK bn	4.8	14.7	3.5	18.3
Return on shareholders' equity, 12 months rolling, %			14.9	18.4
Net order intake, number of trucks	53,950	49,088	188,898	198,057
Deliveries, number of trucks	50,489	56,198	190,424	207,475
Net order intake, number of construction equipment	13,276	9,844	46,151	45,142
Deliveries, number of construction equipment	10,639	8,975	44,306	44,718

<sup>1</sup> For more information on adjusted operating income, please see note 6.

## CEO'S COMMENTS

# Improved underlying performance on lower volumes

2016 was a year with somewhat lower volumes. Our revenues declined by 3% to SEK 302 bn. Nonetheless, our profitability improved with an adjusted operating margin of 7.0% for the full year 2016. This reflects our ability to manage volume changes in different regions as well as continued cost reductions and productivity improvements.

The fourth quarter followed the pattern of previous quarters with somewhat improved profitability on lower volumes. Adjusted operating income was SEK 5,660 M, corresponding to a margin of 6.9% (5.7).

In Europe, truck demand continues to be high due to good freight volumes combined with low fuel prices and interest rates that support our customers' profitability. Volvo Trucks improved its market share to a historically high level of 16.9%, while Renault Trucks came in slightly lower than the previous year on 8.1%.

The downward correction in the North American highway segment continued, but with some signs of stabilization as the industry's inventory of new trucks came down to more healthy levels. However, there is still an overhang of used trucks in the market that will continue to dampen demand. The Japanese market is continuing to move side-ways at high levels, while there is still no sign of a recovery in the Brazilian truck market.

In total, we delivered 50,489 trucks in the fourth quarter, which is 10% less than the preceding year. However, sales in our service business picked up and grew by 2% in local currencies. Profitability in Trucks improved and the adjusted operating margin was 8.7% (7.9).

Global demand for construction equipment was roughly flat in 2016. However, there are now some signs of improving demand in Asia. Volvo CE continues to gain market share in its stronghold segments – excavators, wheel loaders and articulated haulers – and the fourth quarter turned positive with 19% higher machine deliveries year on year. The adjusted operating income improved to SEK 494 M corresponding to a margin of 3.8% (-1.7).

The on-going work to strengthen Volvo CE's competitiveness is yielding result. During the quarter further steps were taken. A new and more efficient R&D organization will be implemented and we have also decided that Volvo CE will fit the Group's in-house 8 liter engine into mid-sized excavators and wheel loaders replacing externally sourced engines. Furthermore, Volvo CE's headquarters will be moved to Gothenburg to facilitate closer cooperation with the Group's other business areas and operations.

Buses profitability was slightly lower than in the previous year as a result of lower volumes. The adjusted operating margin was 3.3% (4.0) in the quarter.

Volvo Penta had yet another strong quarter with sales growth within marine diesel and off-road engines. Operating



income amounted to SEK 156 M corresponding to a margin of 6.5% (6.3).

Financial Services improved earnings while increasing the share of the Group's products financed. Operating income in the quarter was SEK 567 M and return on equity for the full year 2016 was 13.7% (13.4).

2016 was my first full year with the Volvo Group. We finalized the restructuring program and the goal to have a SEK 10 billion lower structural cost level in 2016 compared with 2012 was achieved. During the year we also took two important steps to optimize our business portfolio with the divestment of our external IT business and start-up of the process to divest Governmental Sales.

We have also made a review of Volvo CE's performance. After a couple of years with extraordinary growth, the construction equipment market witnessed a sharp decline in global demand, especially in China. This led to declining sales and unsatisfactory profitability affecting the entire industry, including Volvo CE. Our response to these market conditions has been to introduce a comprehensive performance improvement plan to drive efficiency across the company. The performance plan has led to profitability improvements despite continued challenging market conditions. During the implementation of the plan additional potential has been identified. Volvo CE is expected to deliver industry leading results and over time positively contribute to the Group's operating margin.

In order for the Board of Directors of AB Volvo to be more efficient in following up and supporting the positive development of Volvo CE, while at the same time keeping full focus on the development of the Group's truck operation, the Board has decided to establish a Volvo CE Committee. To create further simplicity, transparency and flexibility, the intention is to increase Volvo CE's structural independence within the Volvo Group.

In 2017 we will focus on leveraging the new brand-based organization in trucks that is now fully operational. We will also continue the process of decentralization and empowerment to be able to even better serve our customers.

I would like to extend a thank you to all my colleagues in the Group for all the good efforts made during the year.

Martin Lundstedt  
President and CEO

## FINANCIAL SUMMARY OF THE FOURTH QUARTER AND FULL YEAR 2016

### Net sales

In Q4 2016, the Volvo Group's net sales increased by 4% to SEK 82,559 M. However, adjusted for currency movements and acquired and divested operations, net sales decreased by 1%.

Vehicle sales decreased by 3% adjusted for currency movements. The decrease was primarily an effect of the slowdown in the North American truck market, which was partly counterbalanced by improving demand for the Group's products in Europe and Asia. Adjusted for currency movements, service sales increased by 3%, reflecting good utilization in the installed truck population in most markets.

For the full year 2016, net sales decreased by 3% to SEK 301,914 M. Adjusted for currency movements and acquired and divested operations, the decrease was also 3%. The decrease is primarily an effect of the lower demand for vehicles in North America.

### Operating income

Adjusted operating income in Q4 2016 amounted to SEK 5,660 M (4,573), corresponding to an operating margin of 6.9% (5.7). The adjustment in Q4 2016 refers to a capital gain from the sale of real estate amounting to SEK 1,371 M, impacting segment Trucks by SEK 71 M, Buses by SEK 41 M and Group functions and other by SEK 1,258 M.

The higher adjusted operating income is primarily an effect of higher service earnings, improved earnings in Volvo CE, a positive market mix with higher truck volumes in Europe and lower material costs compared to Q4 2015. This was partly off-set by lower volumes and capacity utilization in North America and higher costs for R&D as a result of lower capitalization. Favorable currency movements compared to the same quarter last year had a positive impact of SEK 336 M.

In Q4 2015 earnings were negatively impacted by credit losses in China amounting to SEK 158 M in Volvo CE.

Net sales by market area SEK M	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
Europe	37,017	32,983	12	131,712	120,413	9
North America	19,762	24,720	-20	80,701	101,952	-21
South America	4,356	4,233	3	14,863	16,725	-11
Asia	15,691	13,150	19	55,501	53,470	4
Africa and Oceania	5,733	4,551	26	19,137	19,955	-4
<b>Total</b>	<b>82,559</b>	<b>79,636</b>	<b>4</b>	<b>301,914</b>	<b>312,515</b>	<b>-3</b>
<b>Of which:</b>						
Vehicles <sup>1</sup>	61,983	61,085	1	223,996	237,430	-6
Services	17,810	16,344	9	67,463	66,152	2
Financial Services revenue	2,994	2,760	8	11,242	11,199	0
Eliminations	-228	-553	59	-787	-2,265	65

<sup>1</sup> Including construction equipment machines and Volvo Penta engines

Consolidated Income Statement, Volvo Group SEK M	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Net sales</b>	<b>82,559</b>	<b>79,636</b>	<b>301,914</b>	<b>312,515</b>
Cost of sales	-63,216	-61,757	-231,602	-240,653
<b>Gross income</b>	<b>19,343</b>	<b>17,879</b>	<b>70,312</b>	<b>71,862</b>
Research and development expenses	-4,218	-3,844	-14,631	-15,368
Selling expenses	-7,303	-7,134	-26,867	-27,694
Administrative expenses	-1,278	-1,529	-5,121	-5,769
Other operating income and expenses	361	-768	-3,135	-4,179
Income/loss from investments in Joint Ventures and associated companies	117	-100	156	-143
Income from other investments	9	6	112	4,609
<b>Operating income</b>	<b>7,031</b>	<b>4,511</b>	<b>20,826</b>	<b>23,318</b>
Interest income and similar credits	54	52	240	257
Interest expenses and similar charges	-467	-683	-1,847	-2,366
Other financial income and expenses	-260	20	11	-792
<b>Income after financial items</b>	<b>6,358</b>	<b>3,901</b>	<b>19,230</b>	<b>20,418</b>
Income taxes	-1,526	-1,305	-6,008	-5,320
<b>Income for the period *</b>	<b>4,832</b>	<b>2,597</b>	<b>13,223</b>	<b>15,099</b>
* Attributable to:				
Equity holders of the parent company	4,815	2,589	13,147	15,058
Minority interests	17	8	75	41
	<b>4,832</b>	<b>2,597</b>	<b>13,223</b>	<b>15,099</b>
Basic earnings per share, SEK	2.37	1.27	6.47	7.42
Diluted earnings per share, SEK	2.37	1.27	6.47	7.41

Reported operating income in Q4 2016 amounted to SEK 7,031 M (4,511).

For the full year 2016, adjusted operating income amounted to SEK 21,094 M (20,235) corresponding to an adjusted operating margin of 7.0% (6.5). For adjustments, please refer to note 6. Reported operating income amounted to SEK 20,826 M (23,318).

#### Financial items

Compared with Q4 2015 interest income increased by SEK 2 M while interest expenses decreased by SEK 216 M primarily due to lower outstanding debt and lower capitalized borrowing costs in the preceding year.

In Q4 2016 other financial income and expenses amounted to SEK -260 M (20). The increased expense compared with the previous year is primarily related to negative realized result and unrealized revaluations of derivatives.

#### Income taxes

In Q4 2016 the tax expense amounted to SEK 1,526 M (1,305) corresponding to a tax rate of 24%. The tax rate was reduced by a non-taxable capital gain from the sale of real estate. This was partly off-set by a negative effect from revaluation of deferred tax assets in France related to a future reduction of the corporate tax rate.

#### Income for the period and earnings per share

In Q4 2016 income for the period amounted to SEK 4,832 M (2,597). Diluted earnings per share amounted to SEK 2.37 (1.27).

#### Operating cash flow in the Industrial Operations

In Q4 2016 operating cash flow in the Industrial Operations was positive in an amount of SEK 4.8 billion (14.7). This year's cash flow was negatively impacted by the payment of SEK 6.5 billion related to the EU antitrust investigation. This was partly off-set by the sale of real estate impacting cash flow positively by SEK 2.6 billion. Adjusted for these items, operating cash flow amounted to SEK 8.7 billion (14.7). The lower cash flow is primarily related to an increase in accounts receivable of SEK 2.7 billion compared to a decrease of SEK 1.3 billion last year as well as higher tax payments. The higher outstanding amount of accounts receivable is due to changed geographical mix with higher sales in Europe, where payment terms are longer, and lower sales in North America, where payment terms are shorter.

#### Volvo Group financial position

At the end of the fourth quarter net financial debt, excluding provision for post-employment benefits, in the Industrial Operations amounted to SEK 1.2 billion, a decrease of SEK 5.8 billion compared to the end of the third quarter and equal to 1.3% of shareholders' equity. Including provisions for post-employment benefits, the Industrial Operations net financial debt amounted to SEK 15.7 billion which is equal to 18.1% of shareholders' equity. The change compared with the third quarter is mainly explained by a positive operating cash flow of SEK 4.8 billion in the quarter and re-measurements of the defined benefit pension obligations of SEK 4.8 billion. The decrease in the pension obligations is an effect of higher discount rates, mainly in Sweden, the US and the UK. During the fourth quarter currency movements had a positive impact on net financial debt of SEK 1.2 billion.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined, amounted to SEK 25.2 billion on December 31, 2016. In addition to this, granted but not utilized credit facilities amounted to SEK 42.5 billion. Cash and cash equivalents as of December 31, 2016 include SEK 0.8 (0.8) billion that is not available to use by the Volvo Group and SEK 6.0 (5.4) billion where other limitations exists, mainly liquid funds in countries where exchange controls or other legal restrictions apply.

Total assets in the Volvo Group increased by SEK 24.8 billion from year-end 2015 whereof SEK 23.9 billion was related to currency effects from revaluation of assets in foreign subsidiaries.

At the end of the fourth quarter the shareholders' equity for the Volvo Group amounted to SEK 97.8 billion compared to SEK 85.6 billion at year-end 2015. The equity ratio was 24.5% compared to 22.9% on December 31 2015. On the same date the equity ratio in the Industrial Operations was 30.9% (28.6).

#### Number of employees

On December 31, 2016 the Volvo Group had 94,914 employees including temporary employees and consultants, which was a decrease of 4,587 employees, of which 2,963 white-collar employees, compared with December 31, 2015.

Number of employees	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
	2016	2016	2016	2016	2015
Blue-collar	45,744	47,123	47,768	46,825	47,368
Of which temporary employees and consultants	4,946	5,911	6,060	4,977	4,341
White-collar	49,170	49,541	49,522	51,819	52,133
Of which temporary employees and consultants	5,929	6,147	6,055	6,806	6,696
<b>Total number of employees</b>	<b>94,914</b>	<b>96,664</b>	<b>97,290</b>	<b>98,644</b>	<b>99,501</b>
Of which temporary employees and consultants	10,875	12,058	12,115	11,783	11,037

## BUSINESS SEGMENT OVERVIEW

Net sales SEK M	Fourth quarter		Change		Year		Change	
	2016	2015	%	% <sup>1</sup>	2016	2015	%	% <sup>1</sup>
Trucks	54,544	55,077	-1	-6	200,650	213,978	-6	-7
Construction Equipment	13,110	10,967	20	15	50,731	51,008	-1	1
Buses	8,023	7,289	10	8	25,386	23,580	8	10
Volvo Penta	2,409	2,228	8	3	9,893	9,406	5	5
Group Functions & Other	2,665	2,736	-3	9	7,754	8,346	-7	7
Eliminations	-958	-868	-10	-10	-2,955	-2,736	-8	-8
<b>Industrial Operations</b>	<b>79,793</b>	<b>77,429</b>	<b>3</b>	<b>-1</b>	<b>291,459</b>	<b>303,582</b>	<b>-4</b>	<b>-3</b>
Financial Services	2,994	2,760	8	4	11,242	11,199	0	2
Reclassifications and eliminations	-228	-553	59	59	-787	-2,265	65	65
<b>Volvo Group</b>	<b>82,559</b>	<b>79,636</b>	<b>4</b>	<b>-1</b>	<b>301,914</b>	<b>312,515</b>	<b>-3</b>	<b>-3</b>

<sup>1</sup> Adjusted for exchange rate fluctuations and acquired and divested units.

Adjusted operating income <sup>1</sup> SEK M	Fourth quarter		Change		Year		Change	
	2016	2015	%	% <sup>1</sup>	2016	2015	%	% <sup>1</sup>
Trucks	4,754	4,374	9		17,472	16,169	8	
Construction Equipment	494	-191	-		2,246	2,090	7	
Buses	266	294	-10		870	845	3	
Volvo Penta	156	140	11		1,269	1,102	15	
Group Functions & Other	-577	-574	-1		-2,823	-1,973	-43	
Eliminations	0	-5	-		-28	-6	-	
<b>Industrial Operations</b>	<b>5,093</b>	<b>4,039</b>	<b>26</b>		<b>19,008</b>	<b>18,229</b>	<b>4</b>	
Financial Services	567	534	6		2,086	2,006	4	
<b>Volvo Group</b>	<b>5,660</b>	<b>4,573</b>	<b>24</b>		<b>21,094</b>	<b>20,235</b>	<b>4</b>	
Adjustments <sup>1</sup>	1,371	-62	-		-268	3,084	-	
<b>Volvo Group operating income</b>	<b>7,031</b>	<b>4,511</b>	<b>56</b>		<b>20,826</b>	<b>23,318</b>	<b>-11</b>	

<sup>1</sup> For more information on adjusted operating income, please see note 6.

Adjusted operating margin %	Fourth quarter		Year	
	2016	2015	2016	2015
Trucks	8.7	7.9	8.7	7.6
Construction Equipment	3.8	-1.7	4.4	4.1
Buses	3.3	4.0	3.4	3.6
Volvo Penta	6.5	6.3	12.8	11.7
<b>Industrial Operations</b>	<b>6.4</b>	<b>5.2</b>	<b>6.5</b>	<b>6.0</b>
<b>Volvo Group</b>	<b>6.9</b>	<b>5.7</b>	<b>7.0</b>	<b>6.5</b>
<b>Volvo Group operating margin</b>	<b>8.5</b>	<b>5.7</b>	<b>6.9</b>	<b>7.5</b>

## TRUCKS

### Profitability continued to improve despite lower volumes

- » Good demand in Europe; North American new truck inventory at healthier levels
- » Adjusted operating income:
  - SEK 4,754 M (4,374) in Q4 2016
  - SEK 17,472 M (16,169) for FY 2016
- » Truck deliveries decreased by 10% in Q4 2016 and by 8% for the full year



#### Market development

The truck market in Europe continued to develop favorably in Q4. For the full year 2016 registrations in Europe are estimated to reach around 300,000 in total. Demand for transport continued to be good, resulting in high capacity utilization for truck fleets and good customer profitability. Demand for new trucks was also driven by some customers renewing their fleets. For 2017 demand for trucks in Europe is expected to remain on about the same level as in 2016.

The North American heavy-duty truck industry continued in a correction mode in Q4 with low production in response to reduced demand and elevated inventories of new and used trucks. While decent economic conditions prevailed, retail deliveries were down 19% in 2016 compared to the exceptionally strong market in 2015. Virtually the entire decline was registered in the highway tractor segments. At the end of 2016, new truck inventories had come down to much healthier levels. However, there is still a used truck overhang which is expected to continue to dampen demand for new heavy-duty trucks and in 2017 the market is expected to come down a bit further and amount to 215,000 units.

Registrations of heavy-duty trucks in Brazil declined by 29% in 2016. The market seems however to be bottoming out at the current level and is expected to remain relatively flat for 2017.

In India registrations of heavy-duty trucks rose by 5% in 2016, driven by good economic activity and good business confidence. The positive development was dampened in Q4, primarily as a consequence of the demonetization in India, which is also the main reason for the downward revision of the forecast for 2017.

Chinese heavy-duty truck registrations increased by 33% and medium-duty trucks registrations increased by 14% in 2016. The increase in demand for heavy-duty trucks during the second half of 2016 was partly driven by new legislation on maximum load for commercial vehicles. The Chinese market is expected to continue on a healthy level for 2017.

In Japan, demand grew with around 5% in 2016 for both heavy-duty and medium-duty trucks. The Japanese market for 2017 is expected to be on about the same level as in 2016.

Total market development	Year		Change %	Forecast 2017	Change vs. previous forecast
	2016	2015			
Registrations, number of trucks					
Europe 28 <sup>1</sup> heavy-duty	264,569	233,292	13	-	-
Europe 30 <sup>1</sup> heavy-duty	-	-	-	300,000	+20,000
North America heavy-duty	243,229	301,740	-19	215,000	unchanged
Brazil heavy-duty	29,664	41,603	-29	30,000	-5,000
China heavy-duty	732,919	550,716	33	655,000	+15,000
China medium-duty	229,063	200,414	14	245,000	+15,000
India heavy-duty	219,879	209,894	5	225,000	-65,000
India medium-duty	73,471	68,245	8	60,000	-40,000
Japan heavy-duty	47,304	44,463	6	48,000	+3,000
Japan medium-duty	47,344	45,181	5	47,000	+2,000

<sup>1</sup>From the third quarter 2016 registration data is no longer available for the UK. Registrations for EU 28 for the years 2016 and 2015 include Norway and Switzerland but exclude the UK and Bulgaria. The UK reported 36,238 registered trucks for the full year 2015. Note! Forecast for EU 30 includes the UK and Bulgaria.

Net order intake per market area	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
Number of trucks						
Europe	28,779	25,686	12	101,837	92,905	10
North America	10,098	10,395	-3	33,221	50,959	-35
South America	2,326	2,288	2	9,293	9,010	3
Asia	9,111	7,370	24	31,864	32,121	-1
Africa and Oceania	3,636	3,349	9	12,683	13,062	-3
<b>Total orders</b>	<b>53,950</b>	<b>49,088</b>	<b>10</b>	<b>188,898</b>	<b>198,057</b>	<b>-5</b>
Heavy duty (>16 tons)	46,358	40,326	15	157,118	166,104	-5
Medium duty (7-16 tons)	3,623	3,982	-9	14,421	14,415	0
Light duty (<7 tons)	3,969	4,780	-17	17,359	17,538	-1
<b>Total orders</b>	<b>53,950</b>	<b>49,088</b>	<b>10</b>	<b>188,898</b>	<b>198,057</b>	<b>-5</b>
Volvo	30,989	25,581	21	103,079	107,043	-4
UD	5,360	5,270	2	20,826	21,224	-2
Renault Trucks	12,705	12,705	0	48,509	48,348	0
Mack	4,896	5,532	-11	16,484	21,442	-23
<b>Total orders</b>	<b>53,950</b>	<b>49,088</b>	<b>10</b>	<b>188,898</b>	<b>198,057</b>	<b>-5</b>
<b>Non-consolidated operations</b>						
VE Commercial Vehicles (Eicher)	9,470	12,264	-23	43,310	46,257	-6

### Orders and deliveries

Total net orders increased by 10% to 53,950 trucks in Q4 2016, compared to Q4 2015, and deliveries declined by 10% to 50,489 trucks.

Orders in Europe increased by 12% with orders for Volvo Trucks being up 24% whereas orders for Renault Trucks were almost flat. Production in Europe was elevated in the beginning of the quarter to meet the increased order intake earlier in the year, but was adjusted down when lead times were back at normal. Deliveries in Europe increased by 7% in the quarter.

In North America order intake was almost flat compared to the same quarter last year while deliveries came down by 47% in total. The decline in deliveries compared with 2015 was an effect of the low order intake earlier in the year as demand came down and dealers focused on reducing their inventories. Production output in the Group's North American manufacturing system was lowered in the quarter to meet the correction and facilitate destocking of new trucks in the dealer network. As a result of this measure inventories were

normalized and a previously planned additional production cut in Q1 2017 in the Volvo Trucks assembly plant will not be implemented for the time being.

Order intake in South America remained at low levels reflecting the ongoing economic recession in Brazil and deliveries were down 17%.

In Asia order intake increased by 24% in Q4 driven by demand for Volvo trucks as well as demand for UD Quester in Southeast Asia. Truck deliveries in Asia were flat.

### Net sales and operating income

The truck operation's net sales amounted to SEK 54,544 M in Q4 2016, which was 1% lower than Q4 2015. The decrease in sales was mainly driven by lower new vehicle sales in North America, partly offset by an increase in service sales. Adjusted for currency movements net sales decreased by 6%, with sales of vehicles decreasing by 9% and service sales increasing by 2%.

Adjusted operating income in Q4 amounted to SEK 4,754 M (4,374) corresponding to an adjusted operating margin of

Deliveries per market area	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
Number of trucks						
Europe	27,748	25,917	7	97,909	86,448	13
North America	8,105	15,389	-47	39,193	64,507	-39
South America	2,590	3,108	-17	9,442	11,069	-15
Asia	8,762	8,758	0	31,502	31,979	-1
Africa and Oceania	3,284	3,026	9	12,378	13,472	-8
<b>Total deliveries</b>	<b>50,489</b>	<b>56,198</b>	<b>-10</b>	<b>190,424</b>	<b>207,475</b>	<b>-8</b>
Heavy duty (>16 tons)	42,223	47,411	-11	158,025	176,589	-11
Medium duty (7-16 tons)	4,131	3,960	4	15,691	14,749	6
Light duty (<7 tons)	4,135	4,827	-14	16,708	16,137	4
<b>Total deliveries</b>	<b>50,489</b>	<b>56,198</b>	<b>-10</b>	<b>190,424</b>	<b>207,475</b>	<b>-8</b>
Volvo	27,934	30,201	-8	102,857	113,066	-9
UD	5,245	5,111	3	20,738	20,025	4
Renault Trucks	13,191	13,829	-5	47,983	46,973	2
Mack	4,119	7,057	-42	18,846	27,411	-31
<b>Total deliveries</b>	<b>50,489</b>	<b>56,198</b>	<b>-10</b>	<b>190,424</b>	<b>207,475</b>	<b>-8</b>
<b>Non-consolidated operations</b>						
VE Commercial Vehicles (Eicher)	9,535	10,544	-10	42,929	35,751	20
Dongfeng Commercial Vehicle Company (Dongfeng Trucks) <sup>1</sup>	49,604	36,536	36	128,501	113,931	13

<sup>1</sup> Quarter includes 4 months of deliveries.

Net sales and operating income SEK M	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
Europe	25,975	23,156	12	91,468	83,767	9
North America	12,064	17,403	-31	51,849	73,017	-29
South America	3,084	3,048	1	10,613	11,624	-9
Asia	9,633	8,330	16	33,464	31,589	6
Africa and Oceania	3,787	3,141	21	13,256	13,982	-5
<b>Total net sales</b>	<b>54,544</b>	<b>55,077</b>	<b>-1</b>	<b>200,650</b>	<b>213,978</b>	<b>-6</b>
<b>Of which:</b>						
Vehicles	41,375	42,965	-4	150,911	165,029	-9
Services	13,169	12,112	9	49,739	48,949	2
<b>Adjusted operating income<sup>1</sup></b>	<b>4,754</b>	<b>4,374</b>	<b>9</b>	<b>17,472</b>	<b>16,169</b>	<b>8</b>
Adjustments <sup>1</sup>	71	-65	-	-2,453	3,348	-
<b>Operating income</b>	<b>4,825</b>	<b>4,310</b>	<b>12</b>	<b>15,020</b>	<b>19,517</b>	<b>-23</b>
Adjusted operating margin, %	8.7	7.9		8.7	7.6	
Operating margin, %	8.8	7.8		7.5	9.1	

<sup>1</sup> For more information on adjusted operating income, please see note 6.

8.7% (7.9). Adjustments in Q4 2016 referred to a gain from the divestment of properties of SEK 71 M.

Operating income was positively impacted by higher service earnings and a favorable market mix with increased volumes for Volvo Trucks in Europe. This was partly off-set by lower vehicle sales volumes and lower capacity utilization in North America as well as higher R&D costs as a consequence of lower capitalization. Compared with Q4 2015 currency movements had a positive impact of SEK 246 M.

Reported operating income amounted to SEK 4,825 M (4,310) in Q4 2016.

For the full year, net sales decreased by 6% to SEK 200,650 M. Adjusted operating income for the full year increased from SEK 16,169 M in 2015 to SEK 17,472 M in

2016 corresponding to an adjusted operating margin of 8.7% (7.6).

Reported operating income decreased from SEK 19,517 M in 2015 to SEK 15,020 M in 2016.

#### Events in the quarter

Renault Trucks started a collaboration project with BSF Souakri Industrial Group for a new assembly factory in Algeria. Capacity will gradually be ramped up to 2,000 trucks and the plant will be able to produce trucks for both Renault Trucks and Volvo. Renault Trucks is the largest heavy-duty truck brand in Algeria with a market share of close to 40% in the European heavy-duty segment.



## CONSTRUCTION EQUIPMENT Improved earnings

- » Global market flat with more positive outlook in China
- » Adjusted operating income:
  - SEK 494 M (-191) for Q4 2016
  - SEK 2,246 M (2,090) for FY 2016
- » Market share gains in Europe and globally on larger, more profitable machines
- » Performance plan yielding result



### Market development

Through November the European market was up by 9%, mainly driven by a strong recovery in the French market and considerable growth in Germany and Italy, while the market in the UK slowed down. The Russian market started to recover from low levels in 2015 and recorded positive growth.

The North American market was 2% below the preceding year with a decline for larger machines. However the market for compact equipment was still positive with growth driven mainly by the increase in demand for compact excavators.

The decline in South America continued throughout 2016. The Brazilian market was 44% below 2015 and is still experiencing low overall business confidence.

The Asian market (excluding China) was 5% below 2015 through November, mainly driven by a decline in Japan while India continued to grow strongly.

The Chinese market was 3% above the preceding year. This is the first growth after a long period of decline in the Chinese market. The excavator market started to recover in June and through November the market was up by 15% compared with the previous year. The wheel loader market was 9% below 2015, but the long decline ended in October,

with two months of increasing demand thereafter.

### Orders and deliveries

Net order intake increased by 35% to 13,276 machines in Q4 2016 from low levels in the previous year, while deliveries increased by 19% to 10,639 machines. Order intake increased in all markets, most notably in China and Europe.

Europe recorded a 46% order increase with an increase in most countries, including Russia, and for all product segments.

North America saw a 35% order intake increase from low levels in 2015. The increase was also impacted by a large order in Mexico in Q4 2016.

In Asia (including China), order intake increased by 29%. This was driven by increased order intake for the Volvo brand in China, where the excavator market continues to recover, and in India, where strong market growth continued, as well as from increased sales of SDLG branded products in China and Southeast Asia.

The increase in total deliveries in Q4 2016 was a result of higher volumes in Europe and Asia, where China, India and Southeast Asia contributed to the growth.

Total market development	Year-to-date Nov		
	2016	Forecast 2017	Previous forecast
Change in % measured in units			
Europe	9	0% to +10%	-5% to +5%
North America	-2	-5% to +5%	-10% to 0%
South America	-33	0% to +10%	-5% to +5%
Asia excl. China	-5	0% to +10%	-5% to +5%
China	3	+5% to +15%	0% to +10%

Net order intake per market area	Fourth quarter			Year		Change %
	2016	2015	Change %	2016	2015	
Number of construction equipment						
Europe	5,605	3,851	46	16,202	13,892	17
North America	1,288	956	35	5,485	5,315	3
South America	324	317	2	1,068	1,840	-42
Asia	5,493	4,267	29	21,120	22,115	-4
Africa and Oceania	566	453	25	2,276	1,980	15
<b>Total orders</b>	<b>13,276</b>	<b>9,844</b>	<b>35</b>	<b>46,151</b>	<b>45,142</b>	<b>2</b>

### Of which

Volvo	9,506	6,778	40	32,318	30,720	5
SDLG	3,726	3,034	23	13,681	14,267	-4
Of which in China	2,985	2,154	39	10,744	11,311	-5

Deliveries per market area	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
Number of construction equipment						
Europe	3,150	2,799	13	14,700	12,539	17
North America	1,026	1,013	1	5,105	5,710	-11
South America	341	428	-20	1,175	2,036	-42
Asia	5,446	4,241	28	21,072	22,339	-6
Africa and Oceania	676	494	37	2,254	2,094	8
<b>Total deliveries</b>	<b>10,639</b>	<b>8,975</b>	<b>19</b>	<b>44,306</b>	<b>44,718</b>	<b>-1</b>
<b>Of which</b>						
Volvo	6,869	5,897	16	30,473	30,296	1
SDLG	3,726	3,046	22	13,681	14,267	-4
Of which in China	2,985	2,154	39	10,744	11,311	-5

Net sales and operating income	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
SEK M						
Europe	4,893	4,308	14	19,739	17,732	11
North America	2,466	2,379	4	10,724	11,843	-9
South America	459	476	-4	1,414	2,207	-36
Asia	4,177	3,200	31	15,765	16,424	-4
Africa and Oceania	1,115	605	84	3,088	2,802	10
<b>Total net sales</b>	<b>13,110</b>	<b>10,967</b>	<b>20</b>	<b>50,731</b>	<b>51,008</b>	<b>-1</b>
<b>Of which:</b>						
Construction Equipment	10,655	8,667	23	41,279	41,420	0
Services	2,455	2,300	7	9,452	9,588	-1
<b>Adjusted operating income <sup>1</sup></b>	<b>494</b>	<b>-191</b>	<b>-</b>	<b>2,246</b>	<b>2,090</b>	<b>7</b>
Adjustments <sup>1</sup>	-	41	-	-	-46	-
<b>Operating income</b>	<b>494</b>	<b>-150</b>	<b>-</b>	<b>2,246</b>	<b>2,044</b>	<b>10</b>
Adjusted operating margin, %	3.8	-1.7		4.4	4.1	
Operating margin, %	3.8	-1.4		4.4	4.0	

<sup>1</sup> For more information on adjusted operating income, please see note 6.

### Net sales and operating income

In Q4 2016, net sales increased by 20% to SEK 13,110 M (10,967). Adjusted for currency movements net sales increased by 15% compared with Q4 2015, of which net sales of machines increased by 18% and service sales by 2%.

Adjusted operating income amounted to SEK 494 M (-191), corresponding to an operating margin of 3.8% (-1.7). Adjustments refer to restructuring charges of SEK 41 M in Q4 2015. Earnings were positively impacted by a favorable product mix, higher sales volumes, lower costs for credit losses in China (SEK 158 M in Q4 2015) and reduced operating expenses. Earnings were also positively impacted by improved capacity utilization. Currency movements had a positive impact on operating income in an amount of SEK 135 M. Reported operating income amounted to SEK 494 M (-150) in Q4 2016.

For the full year sales decreased by 1% to SEK 50,731 M (51,008). Adjusted operating income increased to SEK 2,246 M (2,090), corresponding to an operating margin of 4.4% (4.1). Reported operating income was SEK 2,246 M (2,044).

### Events in the quarter

In the ongoing work to strengthen Volvo CE's competitiveness a series of measures were decided that will

lower costs in the long term and improve efficiency. The technology function will be reorganized in order to bring R&D spending in line with revenues and improve customer and product focus.

Volvo CE has also decided to move the global headquarters from its current location in Brussels, Belgium to Gothenburg, Sweden. The relocation will facilitate closer cooperation with the Group's other business areas and allow better access to the competences and resources of the wider business.

In order to better utilize existing Volvo Group assets, it has been decided that excavators and wheel loaders today fitted with 7 and 8 liter engines sourced from Deutz will, in the future, be fitted with the Volvo Group's in-house 8 liter engine. The transition period will begin in 2020 and be completed in 2023. Based on 2016 volumes, the transition, in combination with the implementation of the Volvo Group's in-house 8 liter engine also for other applications in the Group, will result in about 11,000 more engines on the Group's medium-duty engine platform and reduce the number of engines that the Volvo Group sources from Deutz with the same amount. With their competitive offer of off-road engines, Deutz will remain a very important supplier to the Volvo Group for 4-7 liter engines.

## BUSES

### Lower volumes impacted profitability

- » Mixed market development – unit deliveries declined by 6% in Q4
- » Adjusted operating income:
  - SEK 266 M (294) for Q4 2016
  - SEK 870 M (845) for FY 2016
- » Volvo has sold more than 3,000 hybrid buses



The bus market in Europe has continued to improve and grew by 6% in 2016, mainly driven by Norway, the UK and Southern Europe. The North American market is stable on a good level thanks to a positive development in the economy as well as federal funding to the transit and commuter coach market. Demand continues to be very low in Brazil and Asia.

Volvo Buses delivered 2,787 buses during Q4 2016, a decline of 6% compared to the preceding year. The lower deliveries are mainly explained by the continued negative market development in Brazil. Order intake declined by 15% to 2,454 buses, with declines in most market areas.

Major orders in the quarter were 285 Nova buses to Toronto, Canada, 83 double-decker hybrid buses to the UK and 90 chassis to Egypt. During the quarter Volvo Buses reached 3,000 sold hybrid buses since the start in 2010. Volvo's hybrid bus lowers fuel consumption by up to 40% and has been sold to 22 countries.

In Q4 2016 net sales increased by 10% to SEK 8,023 M (7,289) compared to the same period in 2015. Adjusted for

currency movements, sales increased by 8%. Vehicle sales also increased by 8% adjusted for currency despite unit sales being down by 6%. This is explained by a higher share of complete buses versus chassis. Service sales increased by 7% adjusted for currency.

During Q4 2016 Buses adjusted operating income amounted to SEK 266 M (294), corresponding to an operating margin of 3.3% (4.0). The adjustment in Q4 2016 refers to a capital gain on sales of real estate of SEK 41 M. Operating income was negatively affected primarily by lower sales volumes. Compared with Q4 2015, currency movements had a negative impact on operating income of SEK 3 M. Reported operating income amounted to SEK 308 M (322) in Q4 2016.

For the full year 2016 net sales increased by 8% to SEK 25,386 M (23,580). Adjusted operating income amounted to SEK 870 M (845), which corresponds to an operating margin of 3.4% (3.6). Reported operating income amounted to SEK 911 M (860).

Net order intake and deliveries	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
Number of buses						
Total orders	2,454	2,877	-15	8,829	8,640	2
Total deliveries	2,787	2,970	-6	9,553	8,825	8

  

Net sales and operating income	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
SEK M						
Europe	2,703	2,488	9	7,861	7,284	8
North America	3,550	3,235	10	11,345	10,635	7
South America	372	349	7	1,363	1,425	-4
Asia	823	846	-3	3,067	2,557	20
Africa and Oceania	574	370	55	1,749	1,678	4
<b>Total net sales</b>	<b>8,023</b>	<b>7,289</b>	<b>10</b>	<b>25,386</b>	<b>23,580</b>	<b>8</b>
<b>Of which:</b>						
Vehicles	6,955	6,317	10	21,295	19,569	9
Services	1,068	972	10	4,091	4,011	2
<b>Adjusted operating income</b> <sup>1</sup>	<b>266</b>	<b>294</b>	<b>-10</b>	<b>870</b>	<b>845</b>	<b>3</b>
Adjustments <sup>1</sup>	41	29	-	41	14	-
<b>Operating income</b>	<b>308</b>	<b>322</b>	<b>-4</b>	<b>911</b>	<b>860</b>	<b>6</b>
Adjusted operating margin, %	3.3	4.0		3.4	3.6	
Operating margin, %	3.8	4.4		3.6	3.6	

<sup>1</sup> For more information on adjusted operating income, please see note 6.

## VOLVO PENTA Continued strong performance

- » Continued strong sales growth within marine diesel and off-road engines
- » Adjusted operating income:
  - SEK 156 M (140) for Q4 2016
  - SEK 1,269 M (1,102) for FY 2016
- » Volvo Penta easy drain solution wins IBEX innovation award



The overall marine leisure market remains flat, with signs of a slight increase. The gasoline segment is still at low levels, but Volvo Penta is gaining market share. At the IBEX marine trade show, Volvo Penta received an innovation award for the patent-pending easy drain solution - the first gasoline sterndrive raw water engine-draining system that can be activated with a single knob, whether the boat is in or out of the water.

The marine commercial market is still impacted by low demand from customers in the oil and gas industry.

For industrial off-road engines, the market is showing positive signs – with stability in the material handling segment and a low, but increasing demand in the construction segment. Growth continues for Volvo Penta within the off-road engine segment, including new customers in the agriculture industry.

The market for industrial power generation engines shows a slight increase in Asia, the Middle East, Africa, and the export-oriented European market. The domestic European and North America markets are stable on low levels.

In Q4 2016 net order intake increased by 20% to 10,093 units, while deliveries declined by 4% to 9,013 units.

Net sales increased by 8% to SEK 2,409 M (2,228). Adjusted for currency movements, net sales increased by 3%, of which net sales of engines increased by 3% mainly driven by a positive product mix and increases for marine leisure diesel and industrial off-road engines. Adjusted for currency net sales of services increased by 2% primarily driven by growth in the industrial off-road segment.

Operating income amounted to SEK 156 M (140). The operating margin was 6.5% (6.3), positively impacted by currency partly off-set by higher costs for research and development. Compared with Q4 2015, operating income was impacted positively by currency movements in an amount of SEK 50 M.

For the full year 2016 net sales increased by 5% to SEK 9,893 M (9,406). Adjusted operating income amounted to SEK 1,269 M (1,102), which corresponds to an operating margin of 12.8% (11.7). Reported operating income amounted to SEK 1,269 M (1,086).

Net order intake and deliveries	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
Number of Engines						
Total orders	10,093	8,386	20	37,744	38,036	-1
Total deliveries	9,013	9,340	-4	37,267	38,138	-2

Net sales and operating income	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
SEK M						
Europe	1,144	1,029	11	4,973	4,462	11
North America	585	567	3	2,191	2,161	1
South America	93	89	4	291	365	-20
Asia	431	406	6	1,891	1,855	2
Africa and Oceania	157	137	15	546	562	-3
<b>Total net sales</b>	<b>2,409</b>	<b>2,228</b>	<b>8</b>	<b>9,893</b>	<b>9,406</b>	<b>5</b>
<b>Of which:</b>						
Engines	1,815	1,670	9	7,078	6,836	4
Services	594	558	6	2,815	2,570	10
<b>Adjusted operating income <sup>1</sup></b>	<b>156</b>	<b>140</b>	<b>11</b>	<b>1,269</b>	<b>1,102</b>	<b>15</b>
Adjustments <sup>1</sup>	-	-	-	-	-16	-
<b>Operating income</b>	<b>156</b>	<b>140</b>	<b>11</b>	<b>1,269</b>	<b>1,086</b>	<b>17</b>
Adjusted operating margin, %	6.5	6.3		12.8	11.7	
Operating margin, %	6.5	6.3		12.8	11.5	

<sup>1</sup> For more information on adjusted operating income, please see note 6.

## FINANCIAL SERVICES

### Continued good performance

- » Good new financing volumes
- » Operating income improvement:
  - SEK 567 M (534) in Q4 2016
  - SEK 2,086 M (2,006) for FY 2016
- » Continued good portfolio performance

Volvo Financial Services (VFS) continued to improve earnings during Q4 while increasing penetration rate and defending price in a competitive environment. In addition, overall portfolio performance remained good with low levels of customer overdues in general.

Conditions in Brazil continue to be challenging, with the economy still in recession. Work with downturn management activities has mitigated the negative effects on the business.

During Q4, operating income increased to SEK 567 M (534) due mainly to improved gross income levels.

In Q4 VFS syndicated approximately SEK 1.7 billion of the



credit portfolio across a number of markets, effectively reducing concentration risks and freeing up credit capacity to support sales.

For the full year 2016, operating income improved to SEK 2,086 M (2,006), primarily due to lower credit provisions, which contributed to improving return on equity to 13.7% (13.4).

Financial Services SEK M	Fourth quarter		Year	
	2016	2015	2016	2015
Number of financed units	13,748	13,370	49,809	49,038
Total penetration rate <sup>1</sup> , %	27	24	26	25
New financing volume, SEK billion	15.6	14.9	54.6	54.8
Credit portfolio net, SEK billion			130	123
Credit provision expenses	230	229	677	817
Operating income, SEK M	567	534	2,086	2,006
Credit reserves, % of credit portfolio			1.43	1.41
Return on shareholders' equity, rolling 12 months, %			13.7	13.4

<sup>1</sup> Share of unit sales financed by Volvo Financial Services in relation to the total number of units sold by the Volvo Group in markets where financial services are offered.

## IMPORTANT EVENTS

### Volvo divested properties in Gothenburg

On October 21, 2016 the Volvo Group signed an agreement with Platzer Fastigheter regarding the sale of properties in Arendal, Torslanda and S ave in Gothenburg, Sweden. The transaction was completed on December 15. The sales price amounted to SEK 2.7 billion on a debt free basis and the divestment resulted in a capital gain of SEK 1,371 M, which impacted operating income in the fourth quarter 2016.

Operating cash flow and financial net debt was positively impacted in the amounts of SEK 2.6 billion and SEK 2.3 billion, respectively.

### Initiation of process to divest Governmental Sales

On November 4, 2016 the Volvo Group announced its intent to initiate a process in order to divest its Governmental Sales business area, which sales correspond to approximately 1.5% of the Group's total sales. The business, which has about 1,300 employees, most of whom are in France, manufactures and sells specially designed vehicles to governments, the defense industry, peacekeeping forces and aid organizations.

### Previously reported important events

- New truck organization
- Volvo completed sale of IT operation
- Annual General Meeting of AB Volvo
- Volvo reached settlement with the European Commission
- Additional provision in connection with EU competition investigation

## EVENTS AFTER BALANCE SHEET DATE

### Volvo CE to move headquarters to Gothenburg, Sweden

On January 12, 2017 Volvo Construction Equipment announced that its global headquarters will move from Brussels, Belgium to Gothenburg, Sweden. The relocation will facilitate closer cooperation with the Group's other business areas and allow for better usage of competence and resources of the whole Group.

Detailed information about the events is available at [www.volvogroup.com](http://www.volvogroup.com)

## CONSOLIDATED INCOME STATEMENT **FOURTH QUARTER**

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Net sales</b>	<b>79,793</b>	77,429	<b>2,994</b>	2,760	<b>-228</b>	-553	<b>82,559</b>	79,636
Cost of sales	<b>-61,748</b>	-60,726	<b>-1,696</b>	-1,584	<b>228</b>	553	<b>-63,216</b>	-61,757
<b>Gross income</b>	<b>18,045</b>	<b>16,703</b>	<b>1,298</b>	<b>1,176</b>	-	-	<b>19,343</b>	<b>17,879</b>
Research and development expenses	<b>-4,218</b>	-3,844	-	-	-	-	<b>-4,218</b>	-3,844
Selling expenses	<b>-6,799</b>	-6,686	<b>-505</b>	-448	-	-	<b>-7,303</b>	-7,134
Administrative expenses	<b>-1,268</b>	-1,518	<b>-10</b>	-10	-	-	<b>-1,278</b>	-1,529
Other operating income and expenses	<b>577</b>	-584	<b>-216</b>	-184	-	-	<b>361</b>	-768
Income/loss from investments in Joint Ventures and associated companies	<b>117</b>	-100	-	-	-	-	<b>117</b>	-100
Income from other investments	<b>9</b>	6	<b>0</b>	0	-	-	<b>9</b>	6
<b>Operating income</b>	<b>6,464</b>	<b>3,976</b>	<b>567</b>	<b>534</b>	-	-	<b>7,031</b>	<b>4,511</b>
Interest income and similar credits	<b>54</b>	52	-	-	0	-	<b>54</b>	52
Interest expenses and similar charges	<b>-467</b>	-683	<b>0</b>	0	0	-	<b>-467</b>	-683
Other financial income and expenses	<b>-260</b>	20	-	0	-	-	<b>-260</b>	20
<b>Income after financial items</b>	<b>5,791</b>	<b>3,366</b>	<b>567</b>	<b>534</b>	-	-	<b>6,358</b>	<b>3,901</b>
Income taxes	<b>-1,384</b>	-1,141	<b>-142</b>	-163	-	-	<b>-1,526</b>	-1,305
<b>Income for the period *</b>	<b>4,407</b>	<b>2,225</b>	<b>425</b>	<b>371</b>	-	-	<b>4,832</b>	<b>2,597</b>
* Attributable to:								
Equity holders of the parent company							<b>4,815</b>	2,589
Minority interests							<b>17</b>	8
							<b>4,832</b>	<b>2,597</b>
Basic earnings per share, SEK							<b>2.37</b>	1.27
Diluted earnings per share, SEK							<b>2.37</b>	1.27
<b>Key operating ratios, %</b>								
Gross margin	<b>22.6</b>	21.6	-	-	-	-	<b>23.4</b>	22.5
Research and development expenses as percentage of net sales	<b>5.3</b>	5.0	-	-	-	-	<b>5.1</b>	4.8
Selling expenses as percentage of net sales	<b>8.5</b>	8.6	-	-	-	-	<b>8.8</b>	9.0
Administrative expenses as percentage of net sales	<b>1.6</b>	2.0	-	-	-	-	<b>1.5</b>	1.9
Operating margin	<b>8.1</b>	5.1	-	-	-	-	<b>8.5</b>	5.7

## CONSOLIDATED OTHER COMPREHENSIVE INCOME **FOURTH QUARTER**

SEK M	2016	2015
<b>Income for the period</b>	<b>4,832</b>	2,597
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	<b>3,428</b>	2,034
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	<b>858</b>	-1,215
Share of OCI related to Joint Ventures and associated companies	<b>-6</b>	-24
Accumulated translation difference reversed to income	<b>1</b>	2
Available-for-sale investments	<b>30</b>	117
Change in cash flow hedges	<b>14</b>	-4
<b>Other comprehensive income, net of income taxes</b>	<b>4,325</b>	<b>910</b>
<b>Total comprehensive income for the period *</b>	<b>9,157</b>	<b>3,507</b>
* Attributable to:		
Equity holders of the parent company	<b>9,104</b>	3,546
Minority interests	<b>52</b>	-39
	<b>9,157</b>	<b>3,507</b>

## CONSOLIDATED INCOME STATEMENT YEAR

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Net sales</b>	<b>291,459</b>	303,582	<b>11,242</b>	11,199	<b>-787</b>	-2,265	<b>301,914</b>	312,515
Cost of sales	<b>-225,797</b>	-236,311	<b>-6,591</b>	-6,607	<b>787</b>	2,265	<b>-231,602</b>	-240,653
<b>Gross income</b>	<b>65,662</b>	<b>67,271</b>	<b>4,651</b>	<b>4,591</b>	-	-	<b>70,312</b>	<b>71,862</b>
Research and development expenses	<b>-14,631</b>	-15,368	-	-	-	-	<b>-14,631</b>	-15,368
Selling expenses	<b>-24,946</b>	-25,857	<b>-1,920</b>	-1,837	-	-	<b>-26,867</b>	-27,694
Administrative expenses	<b>-5,081</b>	-5,728	<b>-40</b>	-41	-	-	<b>-5,121</b>	-5,769
Other operating income and expenses	<b>-2,531</b>	-3,473	<b>-605</b>	-706	-	-	<b>-3,135</b>	-4,179
Income/loss from investments in Joint Ventures and associated companies	<b>156</b>	-143	-	-	-	-	<b>156</b>	-143
Income from other investments	<b>112</b>	4,610	<b>0</b>	-2	-	-	<b>112</b>	4,609
<b>Operating income</b>	<b>18,740</b>	<b>21,312</b>	<b>2,086</b>	<b>2,006</b>	-	-	<b>20,826</b>	<b>23,318</b>
Interest income and similar credits	<b>240</b>	257	-	-	0	-	<b>240</b>	257
Interest expenses and similar charges	<b>-1,847</b>	-2,366	<b>0</b>	0	0	-	<b>-1,847</b>	-2,366
Other financial income and expenses	<b>11</b>	-792	<b>0</b>	0	-	-	<b>11</b>	-792
<b>Income after financial items</b>	<b>17,144</b>	<b>18,411</b>	<b>2,086</b>	<b>2,006</b>	-	-	<b>19,230</b>	<b>20,418</b>
Income taxes	<b>-5,377</b>	-4,687	<b>-631</b>	-633	-	-	<b>-6,008</b>	-5,320
<b>Income for the period *</b>	<b>11,767</b>	<b>13,725</b>	<b>1,455</b>	<b>1,373</b>	-	-	<b>13,223</b>	<b>15,099</b>
* Attributable to:								
Equity holders of the parent company							<b>13,147</b>	15,058
Minority interests							<b>75</b>	41
							<b>13,223</b>	<b>15,099</b>
Basic earnings per share, SEK							<b>6.47</b>	7.42
Diluted earnings per share, SEK							<b>6.47</b>	7.41
<b>Key operating ratios, %</b>								
Gross margin	<b>22.5</b>	22.2	-	-	-	-	<b>23.3</b>	23.0
Research and development expenses as percentage of net sales	<b>5.0</b>	5.1	-	-	-	-	<b>4.8</b>	4.9
Selling expenses as percentage of net sales	<b>8.6</b>	8.5	-	-	-	-	<b>8.9</b>	8.9
Administrative expenses as percentage of net sales	<b>1.7</b>	1.9	-	-	-	-	<b>1.7</b>	1.8
Operating margin	<b>6.4</b>	7.0	-	-	-	-	<b>6.9</b>	7.5

## CONSOLIDATED OTHER COMPREHENSIVE INCOME YEAR

SEK M	2016	2015
<b>Income for the period</b>	<b>13,223</b>	15,099
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	<b>-304</b>	2,783
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	<b>5,585</b>	-2,481
Share of OCI related to Joint Ventures and associated companies	<b>-97</b>	24
Accumulated translation difference reversed to income	<b>-48</b>	45
Available-for-sale investments	<b>-57</b>	-3,837
Change in cash flow hedges	<b>68</b>	-32
<b>Other comprehensive income, net of income taxes</b>	<b>5,147</b>	<b>-3,498</b>
<b>Total comprehensive income for the period *</b>	<b>18,370</b>	<b>11,601</b>
* Attributable to:		
Equity holders of the parent company	<b>18,249</b>	11,527
Minority interests	<b>121</b>	74
	<b>18,370</b>	<b>11,601</b>

## CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
<b>Assets</b>								
<b>Non-current assets</b>								
Intangible assets	37,768	36,314	149	102	-	-	37,916	36,416
<i>Tangible assets</i>								
Property, plant and equipment	55,812	53,554	64	64	-	-	55,875	53,618
Assets under operating leases	22,752	20,616	19,556	18,253	-7,615	-6,338	34,693	32,531
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	11,643	11,148	-	-	-	-	11,643	11,148
Other shares and participations	766	893	11	8	-	-	776	902
Non-current customer-financing receivables	965	3	57,830	52,163	-968	-1,204	57,827	50,962
Prepaid pensions	79	34	-	-	-	-	79	34
Non-current interest-bearing receivables	2,481	1,138	-	500	-1,222	-487	1,258	1,150
Other non-current receivables	4,083	3,271	211	140	-147	-143	4,148	3,268
Deferred tax assets	13,332	12,582	1,068	868	-	-	14,399	13,450
<b>Total non-current assets</b>	<b>149,679</b>	<b>139,552</b>	<b>78,888</b>	<b>72,098</b>	<b>-9,953</b>	<b>-8,172</b>	<b>218,615</b>	<b>203,478</b>
<b>Current assets</b>								
Inventories	48,080	44,194	206	196	-	-	48,287	44,390
<i>Current receivables</i>								
Customer-financing receivables	733	9	53,082	52,404	-821	-792	52,994	51,621
Tax assets	1,166	1,537	193	624	-	-	1,359	2,161
Interest-bearing receivables	1,935	2,600	191	14	-991	-827	1,135	1,788
Internal funding	7,503	7,963	-	-	-7,503	-7,963	-	-
Accounts receivable	33,593	28,577	826	525	-	-	34,419	29,101
Other receivables	16,003	14,259	1,348	1,327	-940	-1,667	16,410	13,920
Non interest-bearing assets held for sale	525	3,314	-	-	-	-	525	3,314
Marketable securities	1,223	3,344	-	-	-	-	1,223	3,344
Cash and cash equivalents	19,653	17,866	5,175	3,651	-879	-469	23,949	21,048
<b>Total current assets</b>	<b>130,414</b>	<b>123,664</b>	<b>61,021</b>	<b>58,741</b>	<b>-11,134</b>	<b>-11,717</b>	<b>180,301</b>	<b>170,687</b>
<b>Total assets</b>	<b>280,093</b>	<b>263,216</b>	<b>139,910</b>	<b>130,839</b>	<b>-21,087</b>	<b>-19,890</b>	<b>398,916</b>	<b>374,165</b>
<b>Equity and liabilities</b>								
Equity attributable to the equity holders of the parent company								
	84,876	73,350	11,185	10,460	-	-	96,061	83,810
Minority interests	1,703	1,801	-	-	-	-	1,703	1,801
<b>Total equity</b>	<b>86,579</b>	<b>75,151</b>	<b>11,185</b>	<b>10,460</b>	<b>-</b>	<b>-</b>	<b>97,764</b>	<b>85,610</b>
<i>Non-current provisions</i>								
Provisions for post-employment benefits	14,608	13,621	61	53	-	-	14,669	13,673
Provisions for deferred taxes	1,842	546	3,429	2,949	-	-	5,270	3,495
Other provisions	9,540	9,286	252	214	13	35	9,804	9,536
<i>Non-current liabilities</i>								
Bond loans	60,653	47,776	-	-	-	-	60,653	47,776
Other loans	13,578	17,123	11,287	11,581	-968	-1,204	23,898	27,500
Internal funding	-52,487	-42,442	48,071	42,712	4,415	-270	-	-
Other liabilities	24,631	20,359	934	733	-5,243	-4,554	20,322	16,538
Current provisions	11,164	14,104	82	67	87	6	11,333	14,176
<i>Current liabilities</i>								
Loans	47,976	50,339	10,165	8,480	-1,644	-1,488	56,497	57,331
Internal funding	-35,777	-40,234	49,964	49,013	-14,187	-8,780	-	-
Non interest-bearing liabilities held for sale	148	573	-	-	-	-	148	573
Trade payables	54,790	55,250	474	398	-	-	55,264	55,648
Tax liabilities	544	1,113	141	209	-	-	685	1,322
Other liabilities	42,305	40,652	3,864	3,970	-3,560	-3,635	42,608	40,986
<b>Total equity and liabilities</b>	<b>280,093</b>	<b>263,216</b>	<b>139,910</b>	<b>130,839</b>	<b>-21,087</b>	<b>-19,890</b>	<b>398,916</b>	<b>374,165</b>
<b>Key ratios, %</b>								
Shareholders' equity as percentage of total assets	30.9	28.6	8.0	8.0	-	-	24.5	22.9
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	47.3	41.3
Return on operating capital, 12 months rolling	21.5	25.0	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling	-	-	13.7	13.4	-	-	14.9	18.4



## CONSOLIDATED CASH FLOW STATEMENT FOURTH QUARTER

SEK bn	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Operating activities</b>								
Operating income	6.5	4.0	0.6	0.5	-	0.0	7.0	4.5
Depreciation tangible assets	1.7	1.6	0.0	0.0	-	-	1.7	1.6
Amortization intangible assets	1.1	0.8	0.0	0.0	-	-	1.1	0.8
Depreciation leasing vehicles	0.8	0.8	1.1	1.2	0.0	0.0	1.9	2.0
Other non-cash items <sup>1) 2)</sup>	-3.5	1.4	0.2	0.2	0.0	-0.2	-3.3	1.4
Total change in working capital whereof	0.4	9.8	-1.0	-1.4	0.1	-0.2	-0.6	8.2
<i>Change in accounts receivables</i>	-2.7	1.3	-0.2	-0.1	0.0	0.0	-2.9	1.2
<i>Change in customer financing receivables</i>	0.1	0.1	-0.9	-1.6	0.0	-0.1	-0.9	-1.6
<i>Change in inventories</i>	2.6	2.2	0.0	0.0	0.0	0.0	2.6	2.2
<i>Change in trade payables</i>	5.0	5.0	0.0	0.0	0.0	0.0	5.0	5.0
<i>Other changes in working capital <sup>1)</sup></i>	-4.6	1.2	0.1	0.3	0.1	-0.1	-4.4	1.5
Interest and similar items received	0.0	0.1	-	-	0.0	0.0	0.1	0.1
Interest and similar items paid	-0.3	-0.3	-	-	0.0	0.0	-0.3	-0.3
Other financial items	-0.1	-0.1	-	-	-	-	-0.1	-0.1
Income taxes paid	-1.1	-0.4	-0.2	-0.3	0.0	0.0	-1.2	-0.7
<b>Cash flow from operating activities</b>	<b>5.5</b>	<b>17.6</b>	<b>0.7</b>	<b>0.3</b>	<b>0.1</b>	<b>-0.4</b>	<b>6.3</b>	<b>17.6</b>
<b>Investing activities</b>								
Investments in tangible assets	-2.5	-2.2	0.0	0.0	-	-	-2.5	-2.2
Investments in intangible assets	-0.6	-0.9	0.0	0.0	-	-	-0.6	-0.9
Investment in leasing vehicles	-0.1	0.0	-3.7	-3.5	0.0	0.0	-3.7	-3.5
Disposals of fixed assets and leasing vehicles <sup>2)</sup>	2.6	0.1	1.9	1.4	-	0.0	4.5	1.6
<b>Operating cash flow</b>	<b>4.8</b>	<b>14.7</b>	<b>-1.0</b>	<b>-1.8</b>	<b>0.1</b>	<b>-0.4</b>	<b>3.9</b>	<b>12.6</b>
Investments and divestments of shares, net							0.0	0.0
Acquired and divested operations, net							0.1	0.1
Interest-bearing receivables incl. marketable							4.9	2.4
<b>Cash flow after net investments</b>							<b>8.9</b>	<b>15.1</b>
<b>Financing activities</b>								
Change in loans, net							-4.8	-11.6
Dividend to AB Volvo shareholders							-	-
Dividend to minority shareholders							-0.2	0.0
Other							0.0	0.0
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>3.9</b>	<b>3.4</b>
Translation difference on cash and cash equivalents							0.3	-0.2
<b>Change in cash and cash equivalents</b>							<b>4.2</b>	<b>3.2</b>

<sup>1</sup> The payment of the settlement of the EU antitrust investigation has impacted Other non-cash items by SEK 2.6 bn related to provisions made in previous quarters this year and Other changes in working capital has been impacted from provisions made in 2014 by SEK 3.9 bn.

<sup>2</sup> The gain on sale of real estate of SEK 1.4 bn has been reclassified from Other non-cash items to Disposals of fixed assets and leasing vehicles. The total positive operating cash flow impact from the sale amounted to SEK 2.6 bn.

## CONSOLIDATED CASH FLOW STATEMENT YEAR

SEK bn	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Operating activities</b>								
Operating income <sup>1)</sup>	18.7	21.3	2.1	2.0	-	0.0	20.8	23.3
Depreciation tangible assets	6.3	6.4	0.0	0.0	-	0.0	6.3	6.4
Amortization intangible assets	3.4	3.3	0.0	0.0	-	0.0	3.4	3.3
Depreciation leasing vehicles	2.9	2.8	4.1	4.2	0.0	0.0	7.0	7.0
Other non-cash items <sup>2) 3)</sup>	-1.1	-1.1	0.7	0.8	0.0	-0.2	-0.4	-0.5
Total change in working capital whereof	-14.7	-1.9	0.9	-7.5	-0.1	0.3	-13.9	-9.0
Change in accounts receivables	-3.7	0.6	-0.3	-0.1	0.0	0.0	-4.0	0.5
Change in customer financing receivables	0.3	0.1	1.0	-8.3	-0.2	-0.1	1.1	-8.3
Change in inventories	-1.6	-2.2	0.0	-0.1	0.0	0.0	-1.6	-2.3
Change in trade payables	-3.0	-1.2	0.1	0.1	0.0	0.0	-2.9	-1.1
Other changes in working capital <sup>1)</sup>	-6.6	0.8	0.1	1.0	0.1	0.4	-6.4	2.2
Interest and similar items received	0.3	0.4	-	-	0.0	0.0	0.3	0.4
Interest and similar items paid	-1.6	-1.6	-	-	0.0	0.0	-1.6	-1.6
Other financial items	-0.3	-0.3	-	-	-	-	-0.3	-0.3
Income taxes paid	-4.1	-2.6	-0.1	-0.5	0.0	0.0	-4.2	-3.1
<b>Cash flow from operating activities</b>	<b>9.9</b>	<b>26.7</b>	<b>7.7</b>	<b>-1.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>17.5</b>	<b>25.9</b>
<b>Investing activities</b>								
Investments in tangible assets	-6.6	-6.5	0.0	0.0	-	0.0	-6.6	-6.6
Investments in intangible assets	-2.8	-2.2	-0.1	0.0	-	0.0	-2.9	-2.3
Investment in leasing vehicles	-0.1	-0.3	-10.7	-10.2	0.0	-	-10.8	-10.5
Disposals of fixed assets and leasing vehicles <sup>2)</sup>	3.2	0.7	5.9	5.4	-	0.0	9.0	6.0
<b>Operating cash flow</b>	<b>3.5</b>	<b>18.3</b>	<b>2.8</b>	<b>-5.9</b>	<b>-0.1</b>	<b>0.1</b>	<b>6.2</b>	<b>12.5</b>
Investments and divestments of shares, net							0.2	-2.0
Acquired and divested operations, net <sup>3)</sup>							1.4	0.4
Interest-bearing receivables incl. marketable							2.5	3.6
<b>Cash flow after net investments</b>							<b>10.4</b>	<b>14.5</b>
<b>Financing activities</b>								
Change in loans, net							-2.2	-13.2
Dividend to AB Volvo shareholders							-6.1	-6.1
Dividend to minority shareholders							-0.2	0.0
Other							0.0	0.0
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>1.9</b>	<b>-4.8</b>
Translation difference on cash and cash equivalents							1.0	-0.4
<b>Change in cash and cash equivalents</b>							<b>2.9</b>	<b>-5.2</b>

<sup>1)</sup> The payment of the settlement of the EU antitrust investigation has impacted Operating income by SEK 2.6 bn related to provisions made in previous quarters this year and Other changes in working capital has been impacted from provisions made in 2014 by SEK 3.9 bn.

<sup>2)</sup> The gain on sale of real estate of SEK 1.4 bn has been reclassified from Other non-cash items to Disposals of fixed assets and leasing vehicles. The total positive operating cash flow impact from the sale amounted to SEK 2.6 bn.

<sup>3)</sup> The gain on sale of IT operations of SEK 0.9 bn has been reclassified from Other non-cash items to Acquired and divested operations, net. The total positive cash flow impact from the sale amounted to SEK 1.1 bn.

## CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial Operations		Volvo Group	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
<i>Non-current interest-bearing assets</i>				
Non-current customer-financing receivables	-	-	57.8	51.0
Non-current interest-bearing receivables	2.5	1.1	1.3	1.2
<i>Current interest-bearing assets</i>				
Customer-financing receivables	-	-	53.0	51.6
Interest-bearing receivables	1.9	2.6	1.1	1.8
Internal funding	7.5	8.0	-	-
Marketable securities	1.2	3.3	1.2	3.3
Cash and cash equivalents	19.7	17.9	23.9	21.0
<b>Total interest-bearing financial assets</b>	<b>32.8</b>	<b>32.9</b>	<b>138.4</b>	<b>129.9</b>
<i>Non-current interest-bearing liabilities</i>				
Bond loans	-60.7	-47.8	-60.7	-47.8
Other loans	-13.6	-17.1	-23.9	-27.5
Internal funding	52.5	42.4	-	-
<i>Current interest-bearing liabilities</i>				
Loans	-48.0	-50.3	-56.5	-57.3
Internal funding	35.8	40.2	-	-
<b>Total interest-bearing financial liabilities</b>	<b>-33.9</b>	<b>-32.6</b>	<b>-141.0</b>	<b>-132.6</b>
<b>Net financial position excl. post-employment benefits</b>	<b>-1.2</b>	<b>0.3</b>	<b>-2.7</b>	<b>-2.7</b>
Provisions for post-employment benefits, net	-14.5	-13.6	-14.6	-13.6
<b>Net financial position incl. post-employment benefits</b>	<b>-15.7</b>	<b>-13.2</b>	<b>-17.3</b>	<b>-16.3</b>
<b>Key ratios, %</b>				
Net financial position excl. post-employment benefits as percentage of shareholders' equity	-1.3	0.5		
Net financial position incl. post-employment benefits as percentage of shareholders' equity	-18.1	-17.6		

## CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Fourth quarter 2016	Year 2016
<b>Beginning of period</b>	<b>-26.4</b>	<b>-13.2</b>
Cash flow from operating activities	5.5	9.9
Investments in fixed assets	-3.2	-9.6
Disposals	2.6	3.2
<b>Operating cash flow</b>	<b>4.8</b>	<b>3.5</b>
Investments and divestments of shares, net	0.0	0.2
Acquired and divested operations, net	0.1	1.4
Capital injections to/from Customer Finance operations	0.2	2.1
Currency effect	1.2	-2.7
Dividend paid to AB Volvo shareholders	-	-6.1
Dividend paid to minority shareholders	-0.2	-0.2
Remeasurements of defined benefit pension plans	4.8	-0.4
Pension payments and costs, net	0.3	0.3
Other changes	-0.5	-0.6
<b>Total change</b>	<b>10.7</b>	<b>-2.4</b>
<b>Net financial position at end of period</b>	<b>-15.7</b>	<b>-15.7</b>

## CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Dec 31 2016	Dec 31 2015
<b>Total equity at the end of previous period</b>	<b>85.6</b>	<b>80.0</b>
<b>Shareholders' equity attributable to equity holders of the parent company at beginning of period</b>	<b>83.8</b>	<b>78.3</b>
Income for the period	13.1	15.1
Other comprehensive income	5.1	-3.5
<b>Total comprehensive income</b>	<b>18.2</b>	<b>11.5</b>
Dividend to AB Volvo's shareholders	-6.1	-6.1
Share-based payments	0.1	0.1
Other changes	0.0	0.0
<b>Shareholders' equity attributable to equity holders of the parent company at end of period</b>	<b>96.1</b>	<b>83.8</b>
<b>Minority interests at beginning of period</b>	<b>1.8</b>	<b>1.7</b>
Income for the period	0.1	0.0
Other comprehensive income	0.1	0.0
<b>Total comprehensive income</b>	<b>0.1</b>	<b>0.1</b>
Dividend to minority shareholders	-0.2	-
Other changes	0.0	0.0
<b>Minority interests at end of period</b>	<b>1.7</b>	<b>1.8</b>
<b>Total equity at end of period</b>	<b>97.8</b>	<b>85.6</b>



## QUARTERLY FIGURES

<b>Income Statements, Volvo Group</b>						Year	Year
SEK M unless otherwise stated	4/2015	1/2016	2/2016	3/2016	4/2016	2016	2015
<b>Net sales</b>	<b>79,636</b>	<b>71,707</b>	<b>78,890</b>	<b>68,758</b>	<b>82,559</b>	<b>301,914</b>	312,515
Cost of sales	-61,757	-55,400	-60,412	-52,573	-63,216	-231,602	-240,653
<b>Gross income</b>	<b>17,879</b>	<b>16,307</b>	<b>18,478</b>	<b>16,184</b>	<b>19,343</b>	<b>70,312</b>	<b>71,862</b>
Research and development expenses	-3,844	-3,449	-3,675	-3,289	-4,218	-14,631	-15,368
Selling expenses	-7,134	-6,524	-6,664	-6,375	-7,303	-26,867	-27,694
Administrative expenses	-1,529	-1,342	-1,366	-1,135	-1,278	-5,121	-5,769
Other operating income and expenses	-768	502	-3,189	-810	361	-3,135	-4,179
Income/loss from investments in Joint Ventures and associated companies	-100	-201	179	61	117	156	-143
Income from other investments	6	52	32	20	9	112	4,609
<b>Operating income</b>	<b>4,511</b>	<b>5,344</b>	<b>3,796</b>	<b>4,656</b>	<b>7,031</b>	<b>20,826</b>	<b>23,318</b>
Interest income and similar credits	52	66	55	65	54	240	257
Interest expenses and similar charges	-683	-453	-429	-497	-467	-1,847	-2,366
Other financial income and expenses	20	343	32	-103	-260	11	-792
<b>Income after financial items</b>	<b>3,901</b>	<b>5,299</b>	<b>3,453</b>	<b>4,120</b>	<b>6,358</b>	<b>19,230</b>	<b>20,418</b>
Income taxes	-1,305	-1,510	-1,462	-1,509	-1,526	-6,008	-5,320
<b>Income for the period *</b>	<b>2,597</b>	<b>3,789</b>	<b>1,991</b>	<b>2,612</b>	<b>4,832</b>	<b>13,223</b>	<b>15,099</b>
* Attributable to:							
Equity holders of the parent company	2,589	3,767	1,977	2,589	4,815	13,147	15,058
Minority interests	8	22	14	23	17	75	41
	2,597	3,789	1,991	2,612	4,832	13,223	15,099
<b>Key operating ratios, Volvo Group, %</b>							
Gross margin	22.5	22.7	23.4	23.5	23.4	23.3	23.0
Research and development expenses as percentage of net sales	4.8	4.8	4.7	4.8	5.1	4.8	4.9
Selling expenses as percentage of net sales	9.0	9.1	8.4	9.3	8.8	8.9	8.9
Administrative expenses as percentage of net sales	1.9	1.9	1.7	1.7	1.5	1.7	1.8
Operating margin	5.7	7.5	4.8	6.8	8.5	6.9	7.5
<b>Key operating ratios, Industrial operations, %</b>							
Gross margin	21.6	22.0	22.8	22.7	22.6	22.5	22.2
Research and development expenses as percentage of net sales	5.0	5.0	4.8	5.0	5.3	5.0	5.1
Selling expenses as percentage of net sales	8.6	8.7	8.1	8.9	8.5	8.6	8.5
Administrative expenses as percentage of net sales	2.0	1.9	1.8	1.7	1.6	1.7	1.9
Operating margin	5.1	7.0	4.3	6.3	8.1	6.4	7.0
<b>EBITDA, Industrial operations, %</b>							
<b>Operating income Industrial operations</b>	<b>3,976</b>	<b>4,851</b>	<b>3,297</b>	<b>4,128</b>	<b>6,464</b>	<b>18,740</b>	<b>21,312</b>
Product and Software development, amortization	701	672	667	699	787	2,826	2,953
Other intangible assets, amortization	91	90	92	94	297*	573	360
Tangible assets, depreciation	2,418	2,230	2,219	2,265	2,520	9,234	9,261
<b>Total depreciation and amortization</b>	<b>3,210</b>	<b>2,993</b>	<b>2,978</b>	<b>3,058</b>	<b>3,604</b>	<b>12,633</b>	<b>12,574</b>
<b>Operating income before depreciation and amortization (EBITDA)</b>	<b>7,186</b>	<b>7,844</b>	<b>6,275</b>	<b>7,186</b>	<b>10,068</b>	<b>31,373</b>	<b>33,886</b>
EBITDA margin, %	9.3	11.3	8.2	10.9	12.6	10.8	11.2
<b>Net capitalization of research and development</b>							
Capitalization	863	806	749	609	550	2,714	2,138
Amortization	-639	-622	-618	-650	-735	-2,624	-2,687
<b>Net capitalization and amortization</b>	<b>223</b>	<b>184</b>	<b>131</b>	<b>-41</b>	<b>-185</b>	<b>90</b>	<b>-550</b>

\* Including impairment of intangible assets.

## QUARTERLY FIGURES

<b>Net sales</b>						Year	Year
SEK M	4/2015	1/2016	2/2016	3/2016	4/2016	2016	2015
Trucks	55,077	48,037	52,313	45,757	54,544	200,650	213,978
Construction Equipment	10,967	12,452	13,630	11,539	13,110	50,731	51,008
Buses	7,289	5,258	6,734	5,371	8,023	25,386	23,580
Volvo Penta	2,228	2,340	2,679	2,465	2,409	9,893	9,406
Group Functions & Other	2,736	1,870	1,773	1,446	2,665	7,754	8,346
Eliminations	-868	-672	-762	-564	-958	-2,955	-2,736
<b>Industrial Operations</b>	<b>77,429</b>	<b>69,285</b>	<b>76,367</b>	<b>66,014</b>	<b>79,793</b>	<b>291,459</b>	<b>303,582</b>
Financial Services	2,760	2,701	2,724	2,823	2,994	11,242	11,199
Reclassifications and eliminations	-553	-279	-200	-80	-228	-787	-2,265
<b>Volvo Group</b>	<b>79,636</b>	<b>71,707</b>	<b>78,890</b>	<b>68,758</b>	<b>82,559</b>	<b>301,914</b>	<b>312,515</b>

<b>Operating income</b>						Year	Year
SEK M	4/2015	1/2016	2/2016	3/2016	4/2016	2016	2015
Trucks	4,310	3,741	2,888	3,566	4,825	15,020	19,517
Construction Equipment	-150	341	810	601	494	2,246	2,044
Buses	322	59	313	232	308	911	860
Volvo Penta	140	366	389	358	156	1,269	1,086
Group Functions & Other	-641	366	-1,092	-634	681	-679	-2,189
Eliminations	-5	-22	-11	6	0	-28	-6
<b>Industrial Operations</b>	<b>3,976</b>	<b>4,851</b>	<b>3,297</b>	<b>4,128</b>	<b>6,464</b>	<b>18,740</b>	<b>21,312</b>
Financial Services	534	493	499	528	567	2,086	2,006
<b>Volvo Group</b>	<b>4,511</b>	<b>5,344</b>	<b>3,796</b>	<b>4,656</b>	<b>7,031</b>	<b>20,826</b>	<b>23,318</b>

<b>Adjusted operating income<sup>1</sup></b>						Year	Year
SEK M	4/2015	1/2016	2/2016	3/2016	4/2016	2016	2015
Trucks	4,374	3,741	5,222	3,756	4,754	17,472	16,169
Construction Equipment	-191	341	810	601	494	2,246	2,090
Buses	294	59	313	232	266	870	845
Volvo Penta	140	366	389	358	156	1,269	1,102
Group Functions & Other	-574	-519	-1,092	-634	-577	-2,823	-1,973
Eliminations	-5	-22	-11	6	0	-28	-6
<b>Industrial Operations</b>	<b>4,039</b>	<b>3,966</b>	<b>5,631</b>	<b>4,318</b>	<b>5,093</b>	<b>19,008</b>	<b>18,229</b>
Financial Services	534	493	499	528	567	2,086	2,006
<b>Volvo Group</b>	<b>4,573</b>	<b>4,459</b>	<b>6,130</b>	<b>4,846</b>	<b>5,660</b>	<b>21,094</b>	<b>20,235</b>

<sup>1</sup> For more information on adjusted operating income, please see note 6.

<b>Operating margin</b>						Year	Year
%	4/2015	1/2016	2/2016	3/2016	4/2016	2016	2015
Trucks	7.8	7.8	5.5	7.8	8.8	7.5	9.1
Construction Equipment	-1.4	2.7	5.9	5.2	3.8	4.4	4.0
Buses	4.4	1.1	4.6	4.3	3.8	3.6	3.6
Volvo Penta	6.3	15.6	14.5	14.5	6.5	12.8	11.5
<b>Industrial Operations</b>	<b>5.1</b>	<b>7.0</b>	<b>4.3</b>	<b>6.3</b>	<b>8.1</b>	<b>6.4</b>	<b>7.0</b>
<b>Volvo Group</b>	<b>5.7</b>	<b>7.5</b>	<b>4.8</b>	<b>6.8</b>	<b>8.5</b>	<b>6.9</b>	<b>7.5</b>

<b>Adjusted operating margin</b>						Year	Year
%	4/2015	1/2016	2/2016	3/2016	4/2016	2016	2015
Trucks	7.9	7.8	10.0	8.2	8.7	8.7	7.6
Construction Equipment	-1.7	2.7	5.9	5.2	3.8	4.4	4.1
Buses	4.0	1.1	4.6	4.3	3.3	3.4	3.6
Volvo Penta	6.3	15.6	14.5	14.5	6.5	12.8	11.7
<b>Industrial Operations</b>	<b>5.2</b>	<b>5.7</b>	<b>7.4</b>	<b>6.5</b>	<b>6.4</b>	<b>6.5</b>	<b>6.0</b>
<b>Volvo Group</b>	<b>5.7</b>	<b>6.2</b>	<b>7.8</b>	<b>7.0</b>	<b>6.9</b>	<b>7.0</b>	<b>6.5</b>

## QUARTERLY FIGURES

Share data	4/2015	1/2016	2/2016	3/2016	4/2016	Year 2016	Year 2015
Earnings per share, SEK <sup>1</sup>	1.27	1.85	0.97	1.27	<b>2.37</b>	<b>6.47</b>	7.42
Earnings per share, SEK <sup>1</sup> , 12 months rolling	7.42	7.18	5.62	5.38	<b>6.47</b>	-	-
Diluted earnings per share, SEK	1.27	1.85	0.97	1.27	<b>2.37</b>	<b>6.47</b>	7.41
Number of outstanding shares in millions	2,031	2,031	2,031	2,031	<b>2,031</b>	<b>2,031</b>	2,031
Average number of shares before dilution in millions	2,031	2,031	2,031	2,031	<b>2,031</b>	<b>2,031</b>	2,030
Average number of shares after dilution in millions	2,032	2,032	2,032	2,033	<b>2,033</b>	<b>2,033</b>	2,032
Number of own shares in millions	98	97	97	97	<b>97</b>	<b>97</b>	98
Average number of own shares in millions	98	98	98	97	<b>97</b>	<b>97</b>	98

<sup>1</sup> Earnings per share are calculated as Income for the period (excl. Minority interests) divided by the weighted average number of shares outstanding during the period.

## NOTE 1 | ACCOUNTING PRINCIPLES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted and definitions are consistent with those described in the Volvo Group Annual Report 2015 (available at [www.volvogroup.com](http://www.volvogroup.com)). There are no new accounting principles applicable from 2016 that significantly affects the Volvo Group.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The parent company applies the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities.

## NOTE 2 | RISKS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favorable 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. Volvo works continuously to identify, measure and manage risk, and in some cases Volvo can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo's control, the aim is to minimize the consequences.

The risks to which the Volvo Group is exposed are classified into three main categories:

**External-related risks** – such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations;

**Financial risks** – such as currency fluctuations, interest levels fluctuations, valuations of shares or similar instruments, credit risk and liquidity risk and;

**Operational risks** – such as market reception of new products, reliance on suppliers, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital.

For a more elaborate account of these risks, please refer to the Risk Management section on pages 107-109 in the Volvo Group Annual Report 2015 (available at [www.volvogroup.com](http://www.volvogroup.com)).

### Risk updates for the period

Short-term risks, when applicable, are also described in the respective segment section of this report.

An increase in demand could potentially result in delivery disturbances due to suppliers' financial instability or shortage of resources.

Uncertainty regarding customers' access to the financing of products in emerging markets might have a negative impact on demand.

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas and other intangible assets for possible impairment. The size of the surplus value differs between the business areas and they are, to a varying

degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities as of December 31, 2016, amounted to SEK 16.1 billion, an increase of SEK 0.5 billion compared to December 31, 2015. The gross exposure of SEK 16.1 billion is partly reduced by counter guarantees and collaterals. The contingent liabilities for credit guarantees for construction equipment in China have decreased. However, including both contingent liabilities and on-balance sheet exposure the credit risk is still significant. The decrease in the contingent liabilities for credit guarantees are offset by increased tax claims and residual value guarantees.

In July 2016, the Volvo Group reached a settlement with the European Commission in the EU competition investigation. As part of the settlement, Volvo paid a fine of EUR 670 M (SEK 6.5 bn) in the fourth quarter 2016. Following the adoption of the European Commission's settlement decision, the Volvo Group will be dealing with private damages claims from customers and other third parties alleging that they suffered loss by reason of the conduct covered in the decision. At this stage it is not possible to make a reliable estimate of the amount of any liability that could arise from any such proceedings.

In the matter regarding the competition investigation initiated by the Korean Fair Trade Commission (KFTC), a decision was rendered in August 2016 by the High Court in Seoul which found in favor of Volvo's appeal of the fine imposed by KFTC of approximately 133 MSEK (as of September 30, 2016). The KFTC filed an appeal of the High Court decision to the Supreme Court in September 2016. The Supreme Court has dismissed the KFTC's appeal in December 2016 and the High Court's decision is thus final. The previously disclosed contingent liability corresponding to the fine amount has therefore been cancelled.

The other legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual Report 2015 are progressing but no material changes have occurred in these matters in the fourth quarter of 2016.



### NOTE 3 | CORPORATE ACQUISITIONS AND DIVESTMENTS

#### Acquisitions and divestments

Volvo has not made any acquisitions or divestments of operations during the fourth quarter that have had a significant impact on the Volvo Group.

Volvo completed the sale of its external IT operation and related assets and the outsourcing of its IT infrastructure during the first quarter. The divestment resulted in a positive effect on operating income and net financial debt of SEK 885 M.

During the third quarter the Volvo Group decreased the share of ownership in the joint venture Shanghai Sunwin Bus Co to less than 20% and thus discontinued equity method accounting. The remaining share in the company was reclassified to Other shares and participations.

During the fourth quarter the Volvo Group liquidated the share of ownership in the joint venture DONGVO Truck Co., Ltd. (DVT) China. The transaction resulted in a non-significant effect on operating income.

#### Assets and liabilities held for sale

Assets held for sale has decreased in the fourth quarter due to the divestment of properties in Gothenburg. The transaction reduced net financial debt by SEK 2.3 billion and impacted operating cash flow by SEK 2.6 billion. The capital gain from the transaction had a positive impact on the Group's operating income of SEK 1,371 M for the fourth quarter, whereof SEK 1,258 M in the segment Group Functions & Other, SEK 71 M in the segment Trucks and SEK 41 M in the segment Buses.

During the fourth quarter a reclassification of the North American used truck business, Arrow Truck Sales, was made from assets and liabilities held for sale to the related balance sheet items, as a consequence of the discontinued sales process.

### NOTE 4 | CURRENCY AND FINANCIAL INSTRUMENTS

#### Fair value of financial instruments

Valuation principles and principles for hedge accounting for Volvo Group financial instruments, as described in Volvo Group Annual Report 2015 Note 30 (available at [www.volvogroup.com](http://www.volvogroup.com)), have been consistently applied throughout the reporting period. Financial instruments in the Volvo Group reported at fair value through profit and loss consist mainly of marketable securities (see balance sheet) and interest-, currency- and raw material derivatives. Derivatives with positive fair values amounted to SEK 3.6

billion and derivatives with negative fair values amounted to SEK 1.5 billion as of December 31, 2016. The derivatives are accounted for on gross-basis. Financial liabilities valued at amortized cost, reported as current and non-current bond loans and other loans, amounted to SEK 139.9 billion in reported carrying value with a fair value of SEK 142.6 billion. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 1.0 billion.

Currency effect on operating income Industrial operations	Compared to fourth quarter 2015			Compared to third quarter 2016		
	Fourth quarter	Fourth quarter	Change	Fourth quarter	Third quarter	Change
	2016	2015		2016	2016	
SEK M						
Net flow in foreign currency			135			388
Realized and unrealized gains and losses on hedging	17	-2	19	17	32	-15
Unrealized gains and losses on receivables and liabilities in foreign currency	-58	-58	0	-58	69	-127
Translation effect on operating income in foreign subsidiaries			182			83
<b>Total currency effect on operating income Industrial operations</b>			<b>336</b>			<b>329</b>

Applicable currency rates	Quarterly exchange rates		Close rates	
	Fourth quarter	Fourth quarter	Dec 31	Dec 31
	2016	2015	2016	2015
BRL	2.74	2.21	2.80	2.16
CNY	1.32	1.33	1.31	1.29
EUR	9.77	9.32	9.58	9.14
USD	9.04	8.50	9.10	8.35
JPY	0.0829	0.0700	0.0778	0.0694

## NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 349 M (775) and purchases from associated companies amounted to SEK 500 M (515) during the fourth quarter. As of December 31, 2016, receivables from associated companies amounted to SEK 352 M (637) and liabilities to associated companies to SEK 438 M (515). Sales to joint

ventures amounted to SEK 456 M (487) and purchases from joint ventures amounted to SEK 175 M (255) during the fourth quarter of 2016. As of December 31, 2016, receivables from joint ventures amounted to SEK 182 M (319) and liabilities to joint ventures to SEK 169 M (194).

## NOTE 6 | OTHER INFORMATION

Adjusted operating income										
SEK M	1/2015	2/2015	3/2015	4/2015	1/2016	2/2016	3/2016	4/2016	Year 2016	Year 2015
Trucks	3,775	4,405	3,615	4,374	3,741	5,222	3,756	4,754	17,472	16,169
Construction Equipment	352	1,353	576	-191	341	810	601	494	2,246	2,090
Buses	104	111	337	294	59	313	232	266	870	845
Volvo Penta	292	353	316	140	366	389	358	156	1,269	1,102
Group Functions & Other	-407	-726	-266	-574	-519	-1,092	-634	-577	-2,823	-1,973
Eliminations	5	-14	8	-5	-22	-11	6	0	-28	-6
<b>Industrial Operations</b>	<b>4,121</b>	<b>5,482</b>	<b>4,586</b>	<b>4,039</b>	<b>3,966</b>	<b>5,631</b>	<b>4,318</b>	<b>5,093</b>	<b>19,008</b>	<b>18,229</b>
Financial Services	474	497	501	534	493	499	528	567	2,086	2,006
<b>Volvo Group</b>	<b>4,595</b>	<b>5,979</b>	<b>5,087</b>	<b>4,573</b>	<b>4,459</b>	<b>6,130</b>	<b>4,846</b>	<b>5,660</b>	<b>21,094</b>	<b>20,235</b>

Adjustments										
SEK M	1/2015	2/2015	3/2015	4/2015	1/2016	2/2016	3/2016	4/2016	Year 2016	Year 2015
<b>Restructuring charges related to Efficiency program in 2015</b>										
Trucks	-127	-701	-368	-837	-	-	-	-	-	-2,032
Construction Equipment	-75	-17	5	41	-	-	-	-	-	-46
Buses	0	-5	-9	-8	-	-	-	-	-	-23
Volvo Penta	-16	-	-	-	-	-	-	-	-	-16
Group Functions & Other	-11	-76	-62	-67	-	-	-	-	-	-216
<b>Industrial Operations</b>	<b>-229</b>	<b>-799</b>	<b>-434</b>	<b>-871</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2,333</b>
Financial Services	0	0	0	-	-	-	-	-	-	-
<b>Volvo Group</b>	<b>-229</b>	<b>-799</b>	<b>-434</b>	<b>-871</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2,333</b>

Other items (segment)										
Capital gain on sale of shares in Eicher Motors Ltd. (Trucks)	2,471	2,137	-	-	-	-	-	-	-	4,608
Favorable outcome in arbitration case (Trucks)	-	-	-	772	-	-	-	-	-	772
Favorable outcome in arbitration case (Buses)	-	-	-	37	-	-	-	-	-	37
Capital gain from sale of external IT-operation (Group functions & other)	-	-	-	-	885	-	-	-	885	-
Provision for EU investigation (Trucks)	-	-	-	-	-	-2,334	-190	-	-2,524	-
Sale of properties in Gothenburg (Trucks)	-	-	-	-	-	-	-	71	71	-
Sale of properties in Gothenburg (Buses)	-	-	-	-	-	-	-	41	41	-
Sale of properties in Gothenburg (Group functions & Other)	-	-	-	-	-	-	-	1,258	1,258	-

Total adjustments ( Restructuring charges related to Efficiency program in 2015 + Other items )										
Trucks	2,344	1,436	-368	-65	-	-2,334	-190	71	-2,453	3,348
Construction Equipment	-75	-17	5	41	-	-	-	-	-	-46
Buses	0	-5	-9	29	-	-	-	41	41	14
Volvo Penta	-16	-	-	-	-	-	-	-	-	-16
Group Functions & Other	-11	-76	-62	-67	885	-	-	1,258	2,143	-216
<b>Industrial Operations</b>	<b>2,242</b>	<b>1,338</b>	<b>-434</b>	<b>-62</b>	<b>885</b>	<b>-2,334</b>	<b>-190</b>	<b>1,371</b>	<b>-268</b>	<b>3,084</b>
Financial Services	0	0	0	-	-	-	-	-	-	-
<b>Volvo Group</b>	<b>2,242</b>	<b>1,338</b>	<b>-434</b>	<b>-62</b>	<b>885</b>	<b>-2,334</b>	<b>-190</b>	<b>1,371</b>	<b>-268</b>	<b>3,084</b>

Operating income										
SEK M	1/2015	2/2015	3/2015	4/2015	1/2016	2/2016	3/2016	4/2016	Year 2016	Year 2015
Trucks	6,120	5,841	3,247	4,310	3,741	2,888	3,566	4,825	15,020	19,517
Construction Equipment	277	1,336	581	-150	341	810	601	494	2,246	2,044
Buses	104	106	328	322	59	313	232	308	911	860
Volvo Penta	276	353	316	140	366	389	358	156	1,269	1,086
Group Functions & Other	-418	-802	-328	-641	366	-1,092	-634	681	-679	-2,189
Eliminations	5	-14	8	-5	-22	-11	6	0	-28	-6
<b>Industrial Operations</b>	<b>6,363</b>	<b>6,821</b>	<b>4,153</b>	<b>3,976</b>	<b>4,851</b>	<b>3,297</b>	<b>4,128</b>	<b>6,464</b>	<b>18,740</b>	<b>21,312</b>
Financial Services	474	497	501	534	493	499	528	567	2,086	2,006
<b>Volvo Group</b>	<b>6,837</b>	<b>7,317</b>	<b>4,653</b>	<b>4,511</b>	<b>5,344</b>	<b>3,796</b>	<b>4,656</b>	<b>7,031</b>	<b>20,826</b>	<b>23,318</b>

## PARENT COMPANY

Income from investments in Group companies for the fourth quarter includes dividends amounting to SEK 31 M (496) and write-downs of shareholdings of net SEK 367 M (110). Allocations include Group contributions, net, of SEK 13,763 M (12,566). Income from investments in joint ventures and associated companies includes write-down of participations of SEK 44 M (reversal of write-down 29).

Investments in tangible assets amounted to SEK 1 M (10).

Financial net debt amounted to SEK 38,890 M (42,933) at the end of the fourth quarter.

<b>Income Statement</b>				
SEK M	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Net sales<sup>1</sup></b>	<b>217</b>	<b>270</b>	<b>625</b>	<b>884</b>
Cost of sales <sup>1</sup>	-217	-270	-625	-884
<b>Gross income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Operating expenses <sup>1</sup>	-335	-409	-1,445	-1,503
Income from investments in Group companies	-141	233	774	288
Income from investments in joint ventures and associated companies	-44	29	27	84
Income from other investments	-1	-3	18	4,612
<b>Operating income (loss)</b>	<b>-521</b>	<b>-150</b>	<b>-626</b>	<b>3,481</b>
Interest income and expenses	-206	-286	-902	-1,195
Other financial income and expenses	15	-5	26	-9
<b>Income after financial items</b>	<b>-712</b>	<b>-441</b>	<b>-1,502</b>	<b>2,277</b>
Allocations	11,265	12,565	11,265	12,565
Income taxes	-2,184	-2,605	-1,636	-2,103
<b>Income for the period</b>	<b>8,369</b>	<b>9,519</b>	<b>8,127</b>	<b>12,739</b>

<sup>1</sup> Of net sales in the fourth quarter, SEK 187 M (230) pertained to Group companies, while purchases from Group companies amounted to SEK 166 M (236).

<b>Other comprehensive income</b>				
<b>Income for the period</b>	<b>8,369</b>	<b>9,519</b>	<b>8,127</b>	<b>12,739</b>
<i>Items that may be reclassified subsequently to income statement:</i>				
Available-for-sale investments	-	-	-	-3,995
<b>Other comprehensive income, net of income taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3,995</b>
<b>Total comprehensive income for the period</b>	<b>8,369</b>	<b>9,519</b>	<b>8,127</b>	<b>8,744</b>

<b>Balance Sheet</b>	<b>Dec 31</b>	<b>Dec 31</b>
SEK M	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	-	8
Tangible assets	11	41
Financial assets		
Shares and participations in Group companies	60,816	60,766
Receivables from Group companies	48	54
Investments in joint ventures and associated companies	10,353	10,397
Other shares and participations	7	13
Deferred tax assets	168	157
<b>Total non-current assets</b>	<b>71,403</b>	<b>71,436</b>
<b>Current assets</b>		
Current receivables from Group companies	23,332	28,627
Tax assets	2	-
Other current receivables	235	116
<b>Total current assets</b>	<b>23,569</b>	<b>28,743</b>
<b>Total assets</b>	<b>94,972</b>	<b>100,179</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	33,207	31,115
Untaxed reserves	2,502	4
Provisions	118	128
Non-current liabilities <sup>1</sup>	13,978	13,976
Current liabilities <sup>2</sup>	35,276	45,065
<b>Total shareholders' equity and liabilities</b>	<b>94,972</b>	<b>100,179</b>

<sup>1</sup> Of which SEK 13,973 M (13,973) pertains to Group companies.

<sup>2</sup> Of which SEK 34,504 M (44,470) pertains to Group companies.

#### Events after the balance sheet date

For important events after the balance sheet date, see page 13 of this report. No other significant events have occurred after the end of the fourth quarter 2016 that are expected to have a substantial effect on the Volvo Group.

#### Proposed ordinary dividend of SEK 3.25 per share

For the full year 2016, the Board proposes a dividend of SEK 3.25 per share, compared to SEK 3.00 per share the preceding year.

Gothenburg, February 1, 2017  
AB Volvo (publ)

The Board of Directors

This report has not been reviewed by AB Volvo's auditors.

## NET ORDER INTAKE

Net order intake of trucks by brand	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
<b>Volvo</b>						
Number of trucks						
Europe	17,431	14,090	24	58,119	49,882	17
North America	5,873	5,414	8	18,345	31,365	-42
South America	1,975	1,987	-1	8,275	7,740	7
Asia	3,942	2,830	39	12,880	13,018	-1
Africa and Oceania	1,768	1,260	40	5,460	5,038	8
<b>Total Volvo</b>	<b>30,989</b>	<b>25,581</b>	<b>21</b>	<b>103,079</b>	<b>107,043</b>	<b>-4</b>
Heavy duty (>16 tons)	30,090	24,689	22	99,699	103,998	-4
Medium duty (7-16 tons)	899	892	1	3,380	3,045	11
<b>Total Volvo</b>	<b>30,989</b>	<b>25,581</b>	<b>21</b>	<b>103,079</b>	<b>107,043</b>	<b>-4</b>
<b>UD</b>						
North America	1	23	-96	68	144	-53
South America	-	114	-	97	252	-62
Asia	4,624	3,905	18	17,476	16,947	3
Africa and Oceania	735	1,228	-40	3,185	3,881	-18
<b>Total UD</b>	<b>5,360</b>	<b>5,270</b>	<b>2</b>	<b>20,826</b>	<b>21,224</b>	<b>-2</b>
Heavy duty (>16 tons)	4,119	3,293	25	14,361	13,739	5
Medium duty (7-16 tons)	1,196	1,846	-35	5,839	6,779	-14
Light duty (<7 tons)	45	131	-66	626	706	-11
<b>Total UD</b>	<b>5,360</b>	<b>5,270</b>	<b>2</b>	<b>20,826</b>	<b>21,224</b>	<b>-2</b>
<b>Renault Trucks</b>						
Europe	11,348	11,596	-2	43,718	43,023	2
North America	18	53	-66	199	224	-11
South America	67	-7		83	39	113
Asia	545	623	-13	1,508	2,125	-29
Africa and Oceania	727	440	65	3,001	2,937	2
<b>Total Renault Trucks</b>	<b>12,705</b>	<b>12,705</b>	<b>0</b>	<b>48,509</b>	<b>48,348</b>	<b>0</b>
Heavy duty (>16 tons)	7,253	6,812	6	26,574	26,925	-1
Medium duty (7-16 tons)	1,528	1,244	23	5,202	4,591	13
Light duty (<7 tons)	3,924	4,649	-16	16,733	16,832	-1
<b>Total Renault Trucks</b>	<b>12,705</b>	<b>12,705</b>	<b>0</b>	<b>48,509</b>	<b>48,348</b>	<b>0</b>
<b>Mack</b>						
North America	4,206	4,905	-14	14,609	19,226	-24
South America	284	194	46	838	979	-14
Asia	-	12	-	-	31	-
Africa and Oceania	406	421	-4	1,037	1,206	-14
<b>Total Mack</b>	<b>4,896</b>	<b>5,532</b>	<b>-11</b>	<b>16,484</b>	<b>21,442</b>	<b>-23</b>
Heavy duty (>16 tons)	4,896	5,532	-11	16,484	21,442	-23
<b>Total Mack</b>	<b>4,896</b>	<b>5,532</b>	<b>-11</b>	<b>16,484</b>	<b>21,442</b>	<b>-23</b>

## DELIVERIES

Delivered trucks by brand	Fourth quarter		Change %	Year		Change %
	2016	2015		2016	2015	
<b>Volvo</b>						
Europe	16,146	13,408	20	55,013	46,036	19
North America	4,458	8,756	-49	21,686	38,890	-44
South America	2,328	2,843	-18	8,476	9,612	-12
Asia	3,813	4,039	-6	12,728	13,564	-6
Africa and Oceania	1,189	1,155	3	4,954	4,964	0
<b>Total Volvo</b>	<b>27,934</b>	<b>30,201</b>	<b>-8</b>	<b>102,857</b>	<b>113,066</b>	<b>-9</b>
Heavy duty (>16 tons)	26,934	29,266	-8	99,414	110,302	-10
Medium duty (7-16 tons)	1,000	935	7	3,443	2,764	25
<b>Total Volvo</b>	<b>27,934</b>	<b>30,201</b>	<b>-8</b>	<b>102,857</b>	<b>113,066</b>	<b>-9</b>
<b>UD</b>						
Europe	-	1	-	-	1	-
North America	14	26	-46	142	93	53
South America	-	29	-	244	167	46
Asia	4,528	4,201	8	17,091	16,042	7
Africa and Oceania	703	854	-18	3,261	3,722	-12
<b>Total UD</b>	<b>5,245</b>	<b>5,111</b>	<b>3</b>	<b>20,738</b>	<b>20,025</b>	<b>4</b>
Heavy duty (>16 tons)	3,745	3,312	13	13,789	12,765	8
Medium duty (7-16 tons)	1,411	1,543	-9	6,291	6,498	-3
Light duty (<7 tons)	89	256	-65	658	762	-14
<b>Total UD</b>	<b>5,245</b>	<b>5,111</b>	<b>3</b>	<b>20,738</b>	<b>20,025</b>	<b>4</b>
<b>Renault Trucks</b>						
Europe	11,602	12,508	-7	42,896	40,411	6
North America	82	54	52	198	222	-11
South America	5	10	-50	16	180	-91
Asia	421	518	-19	1,681	2,332	-28
Africa and Oceania	1,081	739	46	3,192	3,828	-17
<b>Total Renault Trucks</b>	<b>13,191</b>	<b>13,829</b>	<b>-5</b>	<b>47,983</b>	<b>46,973</b>	<b>2</b>
Heavy duty (>16 tons)	7,425	7,776	-5	25,976	26,111	-1
Medium duty (7-16 tons)	1,720	1,482	16	5,957	5,487	9
Light duty (<7 tons)	4,046	4,571	-11	16,050	15,375	4
<b>Total Renault Trucks</b>	<b>13,191</b>	<b>13,829</b>	<b>-5</b>	<b>47,983</b>	<b>46,973</b>	<b>2</b>
<b>Mack</b>						
North America	3,551	6,553	-46	17,167	25,302	-32
South America	257	226	14	706	1,110	-36
Asia	-	-	-	2	41	-95
Africa and Oceania	311	278	12	971	958	1
<b>Total Mack</b>	<b>4,119</b>	<b>7,057</b>	<b>-42</b>	<b>18,846</b>	<b>27,411</b>	<b>-31</b>
Heavy duty (>16 tons)	4,119	7,057	-42	18,846	27,411	-31
<b>Total Mack</b>	<b>4,119</b>	<b>7,057</b>	<b>-42</b>	<b>18,846</b>	<b>27,411</b>	<b>-31</b>

This information is information that AB Volvo (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out in the press release concerning this report, at 7.20 CET on February 1, 2017.

This report contains forward-looking statements that reflect the Board of Directors' and management's current views with respect to certain future events and potential financial performance. Although the Board of Directors and the management believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business and operating initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

This report does not imply that the Company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with Nasdaq Stockholm, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

### Financial calendar

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Annual and Sustainability Report 2016	March 2017
Annual General Meeting 2017	April 4, 2017
Report on the first quarter 2017	April 25, 2017
Report on the second quarter 2017	Changed to July 19, 2017
Report on the third quarter 2017	October 20, 2017

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