

VOLVO

Volvo Group

REPORT ON THE FOURTH QUARTER AND FULL YEAR 2017



The new 100-ton Volvo rigid hauler.

THE FOURTH QUARTER 2017

- » In Q4 2017 net sales increased by 11% to SEK 91.7 billion (82.6). Adjusted for currency movements and acquired and divested units sales increased by 16%.
- » Both adjusted and reported operating income amounted to SEK 7,334 M, corresponding to an operating margin of 8.0%. In Q4 2016, adjusted operating income amounted to SEK 5,660 M and the adjusted operating margin to 6.9%.
- » Currency movements had a negative impact on operating income of SEK 778 M.
- » Operating cash flow in the Industrial Operations amounted to SEK 14.4 billion (4.9).

THE FULL YEAR 2017

- » For the full year 2017 net sales increased by 11% to SEK 334.7 billion (301.9).
- » Operating income amounted to SEK 30,327 M (20,826) corresponding to an operating margin of 9.1% (6.9).
- » Currency movements had a negative impact of SEK 362 M
- » Operating cash flow in the Industrial Operations amounted to SEK 28.4 billion (3.5).
- » The Board of Directors proposes a dividend of SEK 4.25 per share (3.25).

SEK M unless otherwise stated	Fourth quarter		Year	
	2017	2016	2017	2016
Net sales	91,749	82,559	334,748	301,914
Adjusted operating income ¹	7,334	5,660	29,928	21,094
Adjusted operating margin, %	8.0	6.9	8.9	7.0
Operating income	7,334	7,031	30,327	20,826
Operating margin, %	8.0	8.5	9.1	6.9
Income after financial items	6,757	6,358	28,254	19,230
Income for the period	4,948	4,832	21,283	13,223
Diluted earnings per share, SEK	2.39	2.37	10.32	6.47
Operating cash flow in Industrial Operations	14,352	4,879	28,372	3,531
Return on shareholders' equity, 12 months rolling, %			20.8	14.9
Net order intake, number of trucks	69,597	53,950	232,439	188,898
Deliveries, number of trucks	59,814	50,489	202,402	190,424
Net order intake, number of construction equipment	19,678	13,276	66,795	46,151
Deliveries, number of construction equipment	15,855	10,639	64,127	44,306

¹ For more information on adjusted operating income, please see note 6.

CEO'S COMMENTS

2017 – A year of improved performance

In 2017 the Volvo Group achieved its highest sales and operating income in history. For the full year, we grew our net sales by 11% to SEK 335 billion and improved our operating income to SEK 30.3 billion. Trucks, Construction Equipment, Volvo Penta and Financial Services all recorded their highest operating income ever.

We also improved our profitability with an operating margin of 9.1% (6.9). All business segments contributed with the biggest step up in margin in Volvo CE. In 2017 we also increased our financial strength. The operating cash flow of SEK 28 billion led to that we had a net cash position of SEK 26 billion at year end.

In Q4 we maintained the trend of previous quarters, with higher volumes and improved profitability. Compared to the same period in 2016, net sales grew by 11% to SEK 92 billion and the adjusted operating margin improved to 8.0% (6.9). Improvements came from all business segments. Our efforts to grow our service business is clearly delivering with a currency adjusted growth of 8% in the quarter.

Most truck markets are on high levels or in upward trends. In Europe, good freight environment, low fuel prices and low interest rates provide support to customer profitability and their demand for our trucks. Our performance in Europe is strong, with Volvo Trucks' market share on a historically high level of 16.8% for the full year and with Renault Trucks regaining market share, ending the year on 8.6%.

The North American truck market is picking up. Both Volvo and Mack have benefited from the increased demand. However, both are currently in the transition to new truck generations, which will affect production output and market shares in the short term. The new truck ranges have been well received by customers and dealers and order intake is good, which should translate into higher market shares when production of the new products is fully ramped-up.

The Brazilian truck market is also rebounding, albeit from low levels. The Japanese market for heavy-duty trucks continued to be good. UD Trucks regained 2 percentage points of market share in the heavy-duty truck segment in Japan, ending the year at 19.0%, and also increased the penetration of the service business.

In total, we delivered 59,814 trucks in Q4, which was 18% more than in the preceding year, despite continued constraints in the supply chain. Order intake increased by 29% to 69,597 trucks. With the high order intake we will continue to have a stretched supply chain. The adjusted operating margin improved to 9.5% (8.7).

In 2017, we carried out a major product renewal for our UD truck range in Japan and growth markets. We also launched new truck generations for Volvo and Mack in North America. It was also a year when we demonstrated new technologies and innovations within automation, connectivity and electrification. In the beginning of 2018, we announced that both Volvo Trucks and Renault Trucks will start selling electric medium-duty trucks for city distribution in Europe in 2019. The first of these trucks will be put into operation together with selected customers already this year. These trucks are based on the Group's modular technology already used for



our electrical buses and which can be leveraged also by our other business areas.

Our performance program to strengthen Volvo CE's competitiveness combined with increased market demand yielded good results in 2017. Volvo CE improved its profitability substantially and in Q4 the operating margin increased to 10.9% (3.8). Furthermore, Volvo CE gained market shares in its stronghold segments – excavators, wheel loaders and articulated haulers. In January 2018, Volvo CE took another step to strengthen its customer offer with the announcement of the Volvo brand entering the rigid hauler market. The range consists of four rigid haulers from 45 tons to a flagship 100-ton machine.

Buses improved its profitability in Q4, although from low levels. The adjusted operating margin was 4.1% (3.3). Volvo Buses is the Group's spearhead in electrification with turnkey solutions for complete electric bus routes, including charging infrastructure. To date Volvo Buses has delivered over 3,800 electrified buses, bringing the advantages of fuel efficiency, low emissions and reduced noise to cities and commuters around the world.

Volvo Penta continued its good performance with increased sales and improved profitability. In the seasonally weak Q4, the operating margin increased to 7.0% (6.5). Volvo Penta has a strong position in the marine engine market and is also successfully driving and developing the industrial engine business by continuously expanding the product offer to fit new market segments, such as agriculture.

Financial Services' credit portfolio continues to perform well with low credit losses. The profitability continued to improve during the fourth quarter and the underlying return on shareholders' equity was 14.3% (13.7).

Our strategy with brand and business area driven organizations combined with decentralized accountability is working well. The increased focus on retail and services and on developing our business in close cooperation with customers is also paying off. The improved profitability is the result of hard work across the Group and in the whole value chain. I would like to extend my gratitude to all colleagues and business partners for their efforts.

In 2018 we will continue to focus on driving operational efficiency throughout the Group and the value chain and on managing the introduction and production ramp-ups of the new trucks in North America. It will also be a year when we continue to invest in new and innovative technologies to the benefit of our customers and society. We are a company working hard with continuous improvement, which is a decisive factor to secure our customers' success and shareholder value in both the short and the long term.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE FOURTH QUARTER 2017

Net sales

In Q4 2017, the Volvo Group's net sales increased by 11% to SEK 91,749 M (82,559). Adjusted for currency movements and acquired and divested operations, net sales increased by 16%.

Vehicle sales increased by 18% adjusted for currency movements, primarily due to higher truck and construction equipment volumes. Adjusted for currency movements, service sales increased by 8%, reflecting higher utilization of customer fleets.

For the full year 2017 net sales increased by 11% to SEK 334,748 M (301,914).

Operating income

Both adjusted and reported operating income in Q4 2017 amounted to SEK 7,334 M, corresponding to an operating margin of 8.0%. In Q4 2016 adjusted operating income amounted to SEK 5,660 M and the adjusted operating margin to 6.9%. The adjustment referred to a capital gain

on the sale of real estate of SEK 1,371 M.

Compared with Q4 2016, the higher adjusted operating income is primarily an effect of higher truck and construction equipment volumes. This was partly offset by higher operating expenses for selling and administration and R&D as well as costs related to a stretched situation in parts of the supply chain. Q4 2017 was also negatively impacted by an impairment of a customer contract of SEK 308 M in Governmental Sales, impacting the segment Group Functions and Other.

Currency movements, compared to Q4 2016, had a negative impact of SEK 778 M.

For the full year 2017, adjusted operating income amounted to SEK 29,928 M (21,094) corresponding to an adjusted operating margin of 8.9% (7.0). The adjustment in 2017 refers to the capital gain of SEK 400 M from the divestment of shares in Deutz. For adjustments in 2016, please refer to note 6.

Net sales by market area SEK M	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Europe	40,242	37,017	9	143,236	131,712	9
North America	21,766	19,762	10	84,047	80,701	4
South America	4,871	4,356	12	17,257	14,863	16
Asia	19,153	15,691	22	68,398	55,501	23
Africa and Oceania	5,718	5,733	0	21,811	19,137	14
Total	91,749	82,559	11	334,748	301,914	11
Of which:						
Vehicles ¹	70,619	61,983	14	252,063	223,996	13
Services	18,349	17,810	3	71,747	67,463	6
Financial Services revenue	3,078	2,994	3	11,812	11,242	5
Eliminations	-296	-228	-30	-873	-787	-11

¹ Including construction equipment and Volvo Penta engines

Consolidated Income Statement, Volvo Group SEK M	Fourth quarter		Year	
	2017	2016	2017	2016
Net sales	91,749	82,559	334,748	301,914
Cost of sales	-70,751	-63,216	-254,581	-231,602
Gross income	20,998	19,343	80,167	70,312
Research and development expenses	-4,533	-4,218	-16,098	-14,631
Selling expenses	-7,602	-7,303	-28,582	-26,867
Administrative expenses	-1,640	-1,278	-5,642	-5,121
Other operating income and expenses	-45	361	-1,061	-3,135
Income/loss from investments in Joint Ventures and associated companies	166	117	1,407	156
Income from other investments	-10	9	135	112
Operating income	7,334	7,031	30,327	20,826
Interest income and similar credits	39	54	164	240
Interest expenses and similar charges	-484	-467	-1,852	-1,847
Other financial income and expenses	-132	-260	-385	11
Income after financial items	6,757	6,358	28,254	19,230
Income taxes	-1,809	-1,526	-6,971	-6,008
Income for the period *	4,948	4,832	21,283	13,223
* Attributable to:				
Equity holders of the parent company	4,867	4,815	20,981	13,147
Minority interests	81	17	302	75
	4,948	4,832	21,283	13,223
Basic earnings per share, SEK	2.40	2.37	10.33	6.47
Diluted earnings per share, SEK	2.39	2.37	10.32	6.47

Financial items

Compared with Q4 2016 interest income decreased by SEK 15 M to SEK 39 M while interest expenses increased by SEK 17 M to SEK 484 M.

In Q4 2017 other financial income and expenses amounted to SEK -132 M (-260).

Income taxes

In Q4 2017 the tax expense amounted to SEK 1,809 M (1,526) corresponding to a tax rate of 27% (24). Tax expenses were negatively impacted by SEK 354 M related to a revaluation of the Group's tax assets and liabilities in the US made as a consequence of the recently enacted tax reform legislation which lowered the corporate tax rate. The Industrial Operations was impacted negatively in an amount of SEK 1,251 M while Financial Services had a positive impact of SEK 897 M.

Income for the period and earnings per share

In Q4 2017 income for the period amounted to SEK 4,948 M (4,832). Diluted earnings per share amounted to SEK 2.39 (2.37).

Operating cash flow in the Industrial Operations

In Q4 2017, operating cash flow in the Industrial Operations was positive in an amount of SEK 14.4 billion (4.9). The improved cash flow in Q4 2017 is primarily related to a decrease in working capital of SEK 6.6 billion. Cash flow in Q4 2016 was negatively impacted by the payment of SEK 6.5 billion related to the EU antitrust investigation, partly offset by a positive impact of SEK 2.6 billion from the sale of real estate.

Volvo Group financial position

During Q4, net financial assets in the Industrial Operations, excluding provisions for post-employment benefits, increased by SEK 15.4 billion, resulting in a net financial asset position of SEK 26.3 billion on December 31, 2017. This equals 26.9%

of shareholders' equity. Including provisions for post-employment benefits, the Industrial Operations' net financial assets amounted to SEK 12.2 billion which is equal to 12.5% of shareholders' equity. The change is mainly related to a positive operating cash flow of SEK 14.4 billion, reduced by remeasurements of the defined benefit obligations of SEK 0.4 billion. During the quarter currency movements decreased net financial assets by SEK 0.3 billion.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined amounted to SEK 36.3 billion on December 31, 2017. In addition to this, granted but unutilized credit facilities amounted to SEK 45.4 billion. Cash and cash equivalents as of December 31, 2017 include 1.3 (0.8) billion that is not available to use by the Volvo Group and SEK 5.0 (6.0) 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 13.6 billion since year-end 2016. Currency effects had a negative impact on total assets in an amount of SEK 12.9 billion.

On December 31, 2017 shareholders' equity for the Volvo Group amounted to SEK 109.0 billion compared to SEK 97.8 billion at year-end 2016. The equity ratio was 26.4% (24.5). On the same date the equity ratio in the Industrial Operations amounted to 32.5% (30.9).

Number of employees

At the end of 2017 the Volvo Group had 99,488 employees, including temporary employees and consultants, which was an increase of 4,574 employees compared with the end of 2016. The number of blue-collar employees increased by 3,564 and the number of white-collar employees increased by 1,010. The increase in white-collar employees is primarily related to increased sales and R&D activities in Trucks.

Number of employees	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
	2017	2017	2017	2017	2016
Blue-collar	49,308	49,698	49,430	47,098	45,744
Whereof temporary employees and consultants	6,222	7,246	7,417	5,961	4,946
White-collar	50,180	49,933	49,553	49,300	49,170
Whereof temporary employees and consultants	6,162	6,236	6,113	6,111	5,929
Total number of employees	99,488	99,631	98,983	96,398	94,914
Whereof temporary employees and consultants	12,384	13,482	13,530	12,072	10,875

BUSINESS SEGMENT OVERVIEW

Net sales SEK M	Fourth quarter		Change %	Change % ¹	Year		Change %	Change % ¹
	2017	2016			2017	2016		
Trucks	60,849	54,544	12	16	216,480	200,650	8	7
Construction Equipment	16,733	13,110	28	37	66,497	50,731	31	32
Buses	7,020	8,023	-13	-8	26,078	25,386	3	3
Volvo Penta	2,676	2,409	11	14	11,119	9,893	12	11
Group Functions & Other	1,892	2,665	-29	-29	6,449	7,754	-17	-12
Eliminations	-202	-958	79	79	-2,814	-2,955	5	5
Industrial Operations	88,968	79,793	11	16	323,809	291,459	11	11
Financial Services	3,078	2,994	3	7	11,812	11,242	5	4
Reclassifications and eliminations	-296	-228	-30	-30	-873	-787	-11	-11
Volvo Group	91,749	82,559	11	16	334,748	301,914	11	11

¹ Adjusted for exchange rate fluctuations and acquired and divested units.

Adjusted operating income ¹ SEK M	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Trucks	5,796	4,754	22	20,383	17,472	17
Construction Equipment	1,816	494	268	7,917	2,246	252
Buses	288	266	8	928	870	7
Volvo Penta	187	156	20	1,439	1,269	13
Group Functions & Other	-1,353	-577	-134	-2,934	-2,823	-4
Eliminations	11	0	-	2	-28	107
Industrial Operations	6,746	5,093	32	27,735	19,008	46
Financial Services	588	567	4	2,192	2,086	5
Volvo Group	7,334	5,660	30	29,928	21,094	42
Adjustments ¹	-	1,371	-100	400	-268	249
Volvo Group operating income	7,334	7,031	4	30,327	20,826	46

¹ For more information on adjusted operating income, please see note 6.

Adjusted operating margin %	Fourth quarter		Year	
	2017	2016	2017	2016
Trucks	9.5	8.7	9.4	8.7
Construction Equipment	10.9	3.8	11.9	4.4
Buses	4.1	3.3	3.6	3.4
Volvo Penta	7.0	6.5	12.9	12.8
Industrial Operations	7.6	6.4	8.6	6.5
Volvo Group	8.0	6.9	8.9	7.0
Volvo Group operating margin	8.0	8.5	9.1	6.9

TRUCKS

Increased sales and good order intake

- » Demand remains high in Europe and increases in North America and Brazil
- » Adjusted operating income:
 - SEK 5,796 M (4,754) for Q4 2017
 - SEK 20,383 M (17,472) for FY 2017
- » Order intake increased by 29% in Q4
- » Sales start of electrical medium duty trucks for city distribution in 2019



Market development

The truck market in Europe remained strong in 2017. High demand for transport resulted in high capacity utilization for truck fleets and good customer profitability. This led to continued renewal and expansion of fleets. Demand is expected to continue to be good in 2018 with an upgraded forecast for a total market of 310,000 heavy-duty trucks.

In North America the freight environment is strong. Good economic activity and high demand for freight combined with a tighter transport capacity has led to improving freight rates. Demand for construction trucks continues to be good, while highway trucks have seen the biggest increase in demand. The total market forecast for retail sales is upgraded to 280,000 heavy-duty trucks in 2018.

Demand for heavy-duty trucks in Brazil rebounded strongly in Q4 2017 with high order activity, although from low levels. The total market forecast for 2018 is increased to 45,000 heavy-duty trucks.

In India, demand improved as a result of good economic activity and improving business confidence. The market

forecast for 2018 is raised to 340,000 heavy- and medium-duty trucks.

The Chinese heavy-duty truck market reached an all-time high level in 2017, driven by a good freight environment, higher construction activity and by new emission and weight legislation, which led to the need for early renewal and expansion of fleets. Demand is expected to be good also in 2018, although not on the level of 2017. The total truck market is forecasted to amount to 1,150,000 heavy- and medium-duty trucks in 2018.

In Japan, demand remained good through 2017, with support from some customers deciding to buy trucks ahead of new emission regulations for rigid trucks, which came into effect in September. For tractor trucks, the new emission regulations will come into force in September 2018, which is expected to drive a shift in market mix from rigids to tractors during 2018. Overall, demand for heavy-duty trucks is expected to stay roughly flat in Japan in 2018.

Total market development	Year		Change %	Forecast 2018	Change vs. previous forecast
	2017	2016			
Registrations, number of trucks					
Europe 28 ¹ heavy-duty (as of November)	249,622	244,919	2	-	-
Europe 30 ¹ heavy-duty	307,000	305,400	1	310,000	+10,000
North America heavy-duty	244,417	243,229	0	280,000	+20,000
Brazil heavy-duty	32,289	29,664	9	45,000	+10,000
China heavy-duty	1,116,851	732,919	52	950,000	unchanged
China medium-duty	229,113	229,063	0	200,000	unchanged
India heavy-duty	251,448	219,879	14	255,000	+15,000
India medium-duty	82,185	73,471	12	85,000	+5,000
Japan heavy-duty	46,781	47,304	-1	45,000	unchanged
Japan medium-duty	48,935	47,344	3	40,000	unchanged

¹ From the third quarter 2016 registration data is no longer available for the UK. Registrations for EU 28 for the year 2017 and 2016 include Norway and Switzerland but exclude the UK and Bulgaria. The UK reported 36,356 registered trucks for the full year 2016. Note! Forecast for EU 30 include the UK and Bulgaria. The total market for EU 30 is estimated to 307,000 trucks for the full year 2017.

Net order intake	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	35,606	28,779	24	115,863	101,837	14
Heavy- and medium-duty	30,249	24,873	22	97,430	85,336	14
Light-duty	5,357	3,906	37	18,433	16,501	12
North America	18,543	10,098	84	51,693	33,221	56
South America	4,644	2,326	100	15,504	9,293	67
Asia	7,627	9,111	-16	35,144	31,864	10
Africa and Oceania	3,177	3,636	-13	14,235	12,683	12
Total orders	69,597	53,950	29	232,439	188,898	23
Heavy-duty (>16 tons)	60,217	46,358	30	198,135	157,118	26
Medium-duty (7-16 tons)	3,924	3,623	8	15,379	14,421	7
Light-duty (<7 tons)	5,456	3,969	37	18,925	17,359	9
Total orders	69,597	53,950	29	232,439	188,898	23
Volvo	40,610	30,989	31	129,186	103,079	25
UD	4,986	5,360	-7	21,198	20,826	2
Renault Trucks	16,431	12,705	29	56,733	48,509	17
Heavy- and medium-duty	11,013	8,781	25	38,026	31,776	20
Light-duty	5,418	3,924	38	18,707	16,733	12
Mack	7,570	4,896	55	25,322	16,484	54
Total orders	69,597	53,950	29	232,439	188,898	23
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	14,453	9,470	53	47,353	43,310	9

Orders and deliveries

Truck deliveries increased by 18% to 59,814 vehicles in Q4 2017. Net order intake in the quarter increased by 29% to 69,597 trucks, with an especially strong development in South and North America and with good order intake also in Europe.

Deliveries of heavy- and medium-duty trucks in Europe increased by 14% to 27,135 trucks, while orders increased by 22% to 30,249 trucks. Through November, Volvo Trucks' market share for heavy-duty trucks in Europe was stable on a historically good level of 16.8% (16.9), while Renault Trucks regained market share to 8.6% (8.0) for heavy-duty trucks.

In North America, deliveries were up 28%. Volvo Trucks' market share came in lower at 8.3% (9.9) for the full year while Mack's market share amounted to 7.3% (7.8). The big order intake increase of 84% in North America was driven by both Volvo and Mack reflecting high activity in both construction and highway segments.

Deliveries in South America increased by 33% while order intake increased by 100% in Q4 2017. Freight volumes in Brazil are improving supported by a record harvest, higher activity in the economy and increased consumer spending. This has led to customers renewing their fleets. In Brazil

Deliveries	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	31,843	27,748	15	105,432	97,909	8
Heavy- and medium-duty	27,135	23,751	14	89,748	82,095	9
Light-duty	4,708	3,997	18	15,684	15,814	-1
North America	10,409	8,105	28	37,941	39,193	-3
South America	3,446	2,590	33	11,073	9,442	17
Asia	10,845	8,762	24	35,476	31,502	13
Africa and Oceania	3,271	3,284	0	12,480	12,378	1
Total deliveries	59,814	50,489	18	202,402	190,424	6
Heavy-duty (>16 tons)	51,242	42,223	21	171,963	158,025	9
Medium-duty (7-16 tons)	3,709	4,131	-10	14,331	15,691	-9
Light-duty (<7 tons)	4,863	4,135	18	16,108	16,708	-4
Total deliveries	59,814	50,489	18	202,402	190,424	6
Volvo	34,293	27,934	23	112,245	102,857	9
UD	5,652	5,245	8	20,583	20,738	-1
Renault Trucks	14,757	13,191	12	49,930	47,983	4
Heavy- and medium-duty	9,949	9,145	9	34,026	31,933	7
Light-duty	4,808	4,046	19	15,904	16,050	-1
Mack	5,112	4,119	24	19,644	18,846	4
Total deliveries	59,814	50,489	18	202,402	190,424	6
Non-consolidated operations						
VE Commercial Vehicles (Eicher)	14,221	9,535	49	47,376	42,929	10
Dongfeng Commercial Vehicle Company (Dongfeng Trucks) ¹	54,796	49,604	10	170,655	128,501	33

¹ Fourth quarter includes 4 months of deliveries.

Net sales and operating income SEK M	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Europe	29,324	25,975	13	99,642	91,468	9
North America	13,555	12,064	12	52,405	51,849	1
South America	3,659	3,084	19	12,789	10,613	21
Asia	10,686	9,633	11	36,998	33,464	11
Africa and Oceania	3,625	3,787	-4	14,646	13,256	10
Total net sales	60,849	54,544	12	216,480	200,650	8
Of which:						
Vehicles	47,237	41,375	14	163,895	150,911	9
Services	13,612	13,169	3	52,585	49,739	6
Adjusted operating income¹	5,796	4,754	22	20,383	17,472	17
Adjustments ¹	-	71	-	-	-2,453	-
Operating income	5,796	4,825	20	20,383	15,020	36
Adjusted operating margin, %	9.5	8.7		9.4	8.7	
Operating margin, %	9.5	8.8		9.4	7.5	

¹ For more information on adjusted operating income, please see note 6.

Volvo's market share in heavy-duty trucks decreased somewhat to 18.4% (18.9). Demand in the main markets outside Brazil continued to be good.

In Asia, truck deliveries increased by 24% in the quarter, primarily related to higher volumes of Volvo trucks. For the full year 2017, UD Trucks increased its heavy-duty market share in Japan to 19.0% (17.0). Net order intake in Asia decreased by 16% as a consequence of lower demand in the Middle East and the phasing out of the medium-duty truck UD Condor.

Net sales and operating income

The truck operation's net sales amounted to SEK 60,849 M, which was 12% higher than in Q4 2016. Adjusted for currency movements net sales increased by 16%, with sales of vehicles increasing by 18% and service sales increasing by 9%.

Both adjusted and reported operating income in Q4 2017 amounted to SEK 5,796 M corresponding to an operating margin of 9.5%. Adjusted operating income in Q4 2016 amounted to SEK 4,754 M, corresponding to an adjusted operating margin 8.7%. The adjustment referred to a capital gain of SEK 71 M from the sale of properties.

Compared to Q4 2016, the operating income was positively impacted by higher volumes. This was partly offset by higher selling and R&D costs as well as costs related to a stretched

situation in parts of the supply chain. Compared with Q4 2016, currency movements had a negative impact of SEK 377 M.

For the full year 2017 net sales increased by 8% to SEK 216,480 M (200,650). In 2017 adjusted operating income amounted to SEK 20,383 M (17,472), corresponding to an operating margin of 9.4% (8.7).

Important events

At the Volvo Group Innovation Summit in Beijing on November 15, a self-driving truck, driving autonomously from one hub to another was unveiled. The truck is part of a development project exploring how automation can contribute to increased productivity, enhanced safety and lower environmental impact.

On January 23, 2018, it was announced that Volvo Trucks will start selling electric medium-duty trucks for city distribution in Europe in 2019. The first of these trucks will be put into operation together with selected customers in 2018. Renault Trucks will also start selling electric medium-duty trucks in 2019. The electric trucks are based on the Group's modular technology.

CONSTRUCTION EQUIPMENT

Continued good earnings momentum

- » Good growth in sales (+28%) and order intake (+48%)
- » Adjusted operating income:
 - SEK 1,816 M (494) for Q4 2017
 - SEK 7,917 M (2,246) for FY 2017
- » Q4 operating margin increased to 10.9% (3.8)
- » New Volvo branded rigid hauler line announced in January 2018



Market development

Through November the European market for construction equipment increased by 16%, driven by growth in major markets including the United Kingdom, France and Italy. The German market was slightly above last year. The strong recovery in the Russian market continued.

The North American market was 10% above last year mainly due to growth for both compact and larger excavators. In South America the market increased by 17% from very low levels, mainly driven by markets outside Brazil.

The Asian markets (excluding China) were 11% above last year, mainly driven by growth in Japan, India and Indonesia where the recovery in mining continued, while the Middle East continued to decline mainly due to weak demand in Saudi Arabia. In China, the market was 74% above last year with a strong recovery for both excavators and wheel loaders. The

market for larger excavators increased by 121% and for smaller compact excavators by 83%. The wheel loader market was up 50% through November.

Orders and deliveries

In Q4 2017 net order intake increased by 48% primarily driven by the strong demand in China and an improvement in North America. In China order intake increased by 95% driven by SDLG branded wheel loaders as well as a continued increase in orders for both Volvo and SDLG branded excavators. After a slowdown in Q3 2017, order intake in North America saw an 86% increase in Q4, which was supported by improving used equipment prices as well as renewal and expansion of dealer rental fleets.

Deliveries increased by 49% in Q4 2017, primarily as a result of significantly higher volumes in China.

Total market development	Year-to-date Nov		
	2017	Forecast 2018	Previous forecast
Change in % measured in units			
Europe	16	0% to +10%	-5% to +5%
North America	10	0% to +10%	-5% to +5%
South America	17	0% to +10%	0% to +10%
Asia excl. China	11	0% to +10%	0% to +10%
China	74	+10% to +20%	+5% to +15%

Net order intake	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Number of construction equipment						
Europe	6,059	5,605	8	18,216	16,202	12
North America	2,396	1,288	86	6,826	5,485	24
South America	514	324	59	1,544	1,068	45
Asia	9,668	5,493	76	36,648	21,120	74
Africa and Oceania	1,041	566	84	3,561	2,276	56
Total orders	19,678	13,276	48	66,795	46,151	45
Large and medium construction equipment ¹	14,647	9,105	61	50,857	33,775	51
Compact construction equipment ²	5,031	4,171	21	15,938	12,376	29
Total orders	19,678	13,276	48	66,795	46,151	45
Of which:						
Volvo	12,572	9,506	32	40,544	32,318	25
SDLG	7,060	3,726	89	26,046	13,681	90
Of which in China	5,729	2,985	92	21,698	10,744	102

¹ Excavators >10 tons, wheel loaders engine power >120 hp, articulated haulers, rigid haulers and road machinery products.

² Excavators <10 tons, wheel loaders engine power <120 hp, skid steer loaders and backhoe loaders.

Deliveries	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Number of construction equipment						
Europe	3,594	3,150	14	17,519	14,700	19
North America	1,084	1,026	6	5,685	5,105	11
South America	377	341	11	1,372	1,175	17
Asia	9,666	5,446	77	36,254	21,072	72
Africa and Oceania	1,134	676	68	3,297	2,254	46
Total deliveries	15,855	10,639	49	64,127	44,306	45
Large and medium construction equipment ¹	12,528	8,285	51	48,139	33,054	46
Compact construction equipment ²	3,327	2,354	41	15,988	11,252	42
Total deliveries	15,855	10,639	49	64,127	44,306	45

Of which:

Volvo	8,749	6,869	27	37,876	30,473	24
SDLG	7,060	3,726	89	26,046	13,681	90
Of which in China	5,729	2,985	92	21,698	10,744	102

¹ Excavators >10 tons, wheel loaders engine power >120 hp, articulated haulers, rigid haulers and road machinery products.

² Excavators <10 tons, wheel loaders engine power <120 hp, skid steer loaders and backhoe loaders.

Net sales and operating income SEK M	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Europe	5,338	4,893	9	22,977	19,739	16
North America	2,498	2,466	1	12,234	10,724	14
South America	497	459	8	1,760	1,414	24
Asia	6,931	4,177	66	25,058	15,765	59
Africa and Oceania	1,469	1,115	32	4,468	3,088	45
Total net sales	16,733	13,110	28	66,497	50,731	31
Of which:						
Construction equipment	14,116	10,655	32	56,097	41,279	36
Services	2,617	2,455	7	10,400	9,452	10
Adjusted operating income ¹	1,816	494	268	7,917	2,246	252
Adjustments ¹	-	-	-	-	-	-
Operating income	1,816	494	268	7,917	2,246	252
Adjusted operating margin, %	10.9	3.8		11.9	4.4	
Operating margin, %	10.9	3.8		11.9	4.4	

¹ For more information on adjusted operating income, please see note 6.

Net sales and operating income

In Q4 2017, net sales increased by 28% to SEK 16,733 M (13,110). Adjusted for currency movements net sales increased by 34%, of which net sales of machines increased by 39% and service sales by 11%.

Both adjusted and reported operating income amounted to 1,816 M (494), corresponding to an operating margin of 10.9% (3.8). Earnings were positively impacted by higher sales and higher utilization in the industrial system. Changes in currency exchange rates had a negative impact on operating income in an amount of SEK 324 M.

For the full year, sales increased by 31% to SEK 66,497 M (50,731). Both adjusted and reported operating income increased to SEK 7,917 M (2,246), corresponding to an operating margin of 11.9% (4.4).

Important events

As of January 1, 2018 Melker Jernberg is new President for Volvo CE, as previously announced. Former President Martin Weissburg will take up a new position as President of Mack Trucks in June 2018.

On January 11, Volvo CE announced that it will enter the rigid hauler market with its own range of Volvo branded rigid haulers in the second quarter of 2018. The development of the new four-model range has relied on the longstanding rigid hauler expertise of Volvo CE's subsidiary Terex Trucks, combined with the technological resources of the Volvo Group. The range consists of 45-ton, 60-ton, 72-ton and the flagship 100-ton machines.

BUSES

Breakthrough electromobility order in South East Asia

- » First major order for hybrid buses in Asia
- » Adjusted operating income:
 - SEK 288 M (266) for Q4 2017
 - SEK 928 M (870) for FY 2017
- » Volvo Buses has delivered more than 3,800 electrified buses since 2009



The European bus market weakened somewhat in Q4 2017, mainly due to low tender activity in the UK and Scandinavia which was partly compensated for by higher volumes in Belgium, the Netherlands and the Baltics. The North American market continued on a high level with strong demand for city buses, while demand for coaches started to weaken from high levels. The Asian market was stable with India gradually recovering.

Order intake declined by 28% in Q4 2017, mainly due to high order intake for transit buses from Nova Bus in Q4 2016 but also a decline in the Middle East and Africa in 2017.

Volvo Buses delivered 2,826 buses in Q4 2017, an increase of 1% compared to the same period in 2016.

During Q4, Volvo Buses secured a breakthrough electromobility order in South East Asia when the Land Transport Authority of Singapore ordered 50 hybrid buses. On January 11, 2018 this was followed by the announcement of a R&D partnership on electric autonomous buses for Singapore between Volvo Buses and the Nanyang Technology University.

Since 2009 Volvo Buses has delivered more than 3,800 electrified buses.

In Q4 2017, net sales decreased by 13% to SEK 7,020 M (8,023) compared to the same period in 2016. Adjusted for currency movements, sales decreased by 8% whereof vehicle sales decreased by 11% and service sales increased by 8%.

Both adjusted and reported operating income amounted to SEK 288 M, corresponding to an operating margin of 4.1%. In Q4 2016 adjusted operating income amounted to SEK 266 M, corresponding to an adjusted operating margin of 3.3%. The adjustment referred to a capital gain on the sale of real estate of SEK 41 M. Earnings were positively impacted by increased service sales and internal efficiency gains, which were offset by negative currency movements and higher selling and administrative expenses. Compared to Q4 2016, currency movements had a negative impact on operating income of SEK 89 M.

For the full year 2017 net sales increased by 3% to SEK 26,078 M (25,386). In 2017 adjusted operating income amounted to SEK 928 M (870), corresponding to an operating margin of 3.6% (3.4).

Net order intake and deliveries	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Number of buses						
Total orders	1,774	2,454	-28	8,984	8,829	2
Total deliveries	2,826	2,787	1	9,393	9,553	-2

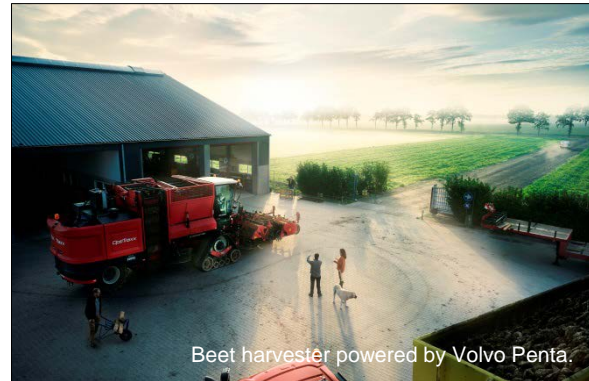
Net sales and operating income	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
SEK M						
Europe	2,250	2,703	-17	7,753	7,861	-1
North America	3,330	3,550	-6	12,512	11,345	10
South America	338	372	-9	1,148	1,363	-16
Asia	760	823	-8	3,135	3,067	2
Africa and Oceania	341	574	-41	1,530	1,749	-13
Total net sales	7,020	8,023	-13	26,078	25,386	3
Of which:						
Vehicles	5,926	6,955	-15	21,712	21,295	2
Services	1,094	1,068	2	4,366	4,091	7
Adjusted operating income ¹	288	266	8	928	870	7
Adjustments ¹	-	41	-	-	41	-
Operating income	288	308	-6	928	911	2
Adjusted operating margin, %	4.1	3.3		3.6	3.4	
Operating margin, %	4.1	3.8		3.6	3.6	

¹ For more information on adjusted operating income, please see note 6.

VOLVO PENTA

Continued profit improvement

- » Sales growth across all segments, especially in industrial off-road engines
- » Adjusted operating income:
 - SEK 187 M (156) for Q4 2017
 - SEK 1,439 M (1,269) for FY 2017
- » New D5 and D13 engines in the industrial off-road Stage V range



The market for marine leisure engines shows signs of modest growth and Volvo Penta continues to gain market share. At the Fort Lauderdale International Boat Show in November, Volvo Penta saw increased adoption of its Inboard Performance System (IPS) for the larger yacht segment, including the repower of a 72-foot yacht with its new 13 liter, 1,000 horsepower engine and latest IPS package.

The marine commercial market shows positive development in sub-segments, such as offshore energy and people transportation, as well increased interest for hybrid and electrified solutions.

The market for industrial off-road engines continues to grow, including increased demand in mining and material handling segments, as well as continued growth in construction and agriculture. In November at the world's largest agriculture trade fair, Agritechnica, Volvo Penta revealed two additional industrial off-road engines in its European Stage V range, the D5 and D13, which fulfill the upcoming emissions regulations. Volvo Penta continues to grow strongly within off-road engines, including increased business in the agriculture segment.

The market for industrial power generation engines is flat, with positive signs in construction and data centers/e-commerce.

Net order intake in Q4 2017 increased by 17% to 11,783 units, while deliveries increased by 11% to 9,970 units. This was driven by both the industrial and marine segment.

Net sales increased by 11% to SEK 2,676 M (2,409). Adjusted for currency movements, net sales increased by 14%, of which sales of engines increased by 17% and sales of services increased by 6%.

In Q4 2017, both adjusted and reported operating income amounted to SEK 187 M (156). The operating margin was 7.0% (6.5). Earnings were positively impacted by higher sales and a positive product mix. Compared with Q4 2016, the currency impact on operating income was negative in an amount of SEK 30 M.

For the full year 2017, net sales increased by 12% to SEK 11,119 M (9,893). Both adjusted and reported operating income amounted to SEK 1,439 M (1,269), which corresponds to an operating margin of 12.9% (12.8).

Net order intake and deliveries	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Number of Engines						
Total orders	11,783	10,093	17	42,460	37,744	12
Total deliveries	9,970	9,013	11	40,997	37,267	10

Net sales and operating income	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
SEK M						
Europe	1,384	1,144	21	5,727	4,973	15
North America	612	585	5	2,456	2,191	12
South America	87	93	-6	289	291	-1
Asia	458	431	6	2,082	1,891	10
Africa and Oceania	135	157	-14	566	546	4
Total net sales	2,676	2,409	11	11,119	9,893	12
Of which:						
Engines	2,067	1,815	14	8,125	7,078	15
Services	608	594	2	2,995	2,815	6
Adjusted operating income¹	187	156	20	1,439	1,269	13
Adjustments ¹	-	-	-	-	-	-
Operating income	187	156	20	1,439	1,269	13
Adjusted operating margin, %	7.0	6.5		12.9	12.8	
Operating margin, %	7.0	6.5		12.9	12.8	

¹ For more information on adjusted operating income, please see note 6.

FINANCIAL SERVICES

Continued good performance

- » Good new financing volumes
- » Operating income improvement:
 - SEK 588 M (567) for Q4 2017
 - SEK 2,192 M (2,086) for FY 2017
- » Continued strong portfolio performance



Volvo Financial Services (VFS) continued to grow the credit portfolio and increase profitability. VFS had record new business volume for the quarter due to increased deliveries of trucks and construction equipment and stable penetration. Adjusted for currency, the credit portfolio grew by 4% on a year over year basis. Overall portfolio performance continued to be strong with low levels of customer overdues and credit losses.

In Q4 2017, operating income increased to SEK 588 M (567), primarily due to lower credit provisions, which were partly offset by higher operating expenses. For the full year 2017, operating income improved to SEK 2,192 M (2,086).

Return on shareholders' equity improved to 14.3% (13.7), excluding a positive impact from the revaluation of deferred tax liabilities due to the recently enacted tax reform legislation in the United States. Reported return on shareholders' equity amounted to 22.6% for the year.

In November, VFS successfully completed an asset-backed securitization transaction, under which SEK 2.5 billion of securities tied to US-based dealer floorplan loans were issued. In addition, SEK 1.5 billion of assets were syndicated in the quarter, effectively reducing concentration risks and freeing up credit capacity to support sales.

Financial Services SEK M	Fourth quarter		Year	
	2017	2016	2017	2016
Number of financed units	15,540	13,748	51,919	49,809
Total penetration rate ¹ , %	26	27	25	26
New financing volume, SEK billion	17.1	15.6	57.9	54.6
Credit portfolio net, SEK billion			130	130
Credit provision expenses	122	230	534	677
Operating income	588	567	2,192	2,086
Credit reserves, % of credit portfolio			1.35	1.43
Return on shareholders' equity, rolling 12 months, %			22.6	13.7
Return on shareholders' equity excluding effect from US tax reform 2017, rolling 12 months, % ²			14.3	13.7

¹ 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.

² Excluding the positive impact of SEK 897 M from the revaluation of deferred tax liabilities related to the year 2017 tax reform in the United States.

IMPORTANT EVENTS FOR THE VOLVO GROUP

Martin Weissburg appointed President of Mack Trucks

On December 8, it was announced that, Martin Weissburg, at the time President of Volvo Construction Equipment, will become President of Mack Trucks effective June 1, 2018, in which capacity he will continue to be a member of the Executive Board for the Volvo Group.

- Melker Jernberg appointed President of Volvo CE
- The Volvo Group sold its shares in Deutz AG
- New Volvo VNL long-haul tractor in North America
- New financial targets for Volvo Group
- Mack Anthem introduced
- Volvo Group discontinues the process to divest Governmental Sales

Previously reported important events

- Annual General Meeting of AB Volvo
- New heavy-duty Quon and medium-duty Croner from UD
- New Volvo VNR truck for regional haul in North America

Detailed information about the events is available at www.volvogroup.com

CONSOLIDATED INCOME STATEMENT **FOURTH QUARTER**

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	88,968	79,793	3,078	2,994	-296	-228	91,749	82,559
Cost of sales	-69,220	-61,748	-1,828	-1,696	296	228	-70,751	-63,216
Gross income	19,748	18,045	1,250	1,298	-	-	20,998	19,343
Research and development expenses	-4,533	-4,218	-	-	-	-	-4,533	-4,218
Selling expenses	-7,048	-6,799	-553	-505	-	-	-7,602	-7,303
Administrative expenses	-1,630	-1,268	-10	-10	-	-	-1,640	-1,278
Other operating income and expenses	54	577	-99	-216	-	-	-45	361
Income/loss from investments in Joint Ventures and associated companies	166	117	-	-	-	-	166	117
Income from other investments	-10	9	0	0	-	-	-10	9
Operating income	6,746	6,464	588	567	-	-	7,334	7,031
Interest income and similar credits	39	54	-	-	-	0	39	54
Interest expenses and similar charges	-484	-467	0	0	-	0	-484	-467
Other financial income and expenses	-132	-260	-	-	-	-	-132	-260
Income after financial items	6,169	5,791	588	567	-	0	6,757	6,358
Income taxes	-2,542	-1,384	733	-142	-	-	-1,809	-1,526
Income for the period *	3,627	4,407	1,321	425	-	0	4,948	4,832
* Attributable to:								
Equity holders of the parent company							4,867	4,815
Minority interests							81	17
							4,948	4,832
Basic earnings per share, SEK							2.40	2.37
Diluted earnings per share, SEK							2.39	2.37
Key operating ratios, %								
Gross margin	22.2	22.6	-	-	-	-	22.9	23.4
Research and development expenses as percentage of net sales	5.1	5.3	-	-	-	-	4.9	5.1
Selling expenses as percentage of net sales	7.9	8.5	-	-	-	-	8.3	8.8
Administrative expenses as percentage of net sales	1.8	1.6	-	-	-	-	1.8	1.5
Operating margin	7.6	8.1	-	-	-	-	8.0	8.5

CONSOLIDATED OTHER COMPREHENSIVE INCOME **FOURTH QUARTER**

SEK M	2017	2016
Income for the period	4,948	4,832
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-864	3,428
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	2,068	858
Share of OCI related to Joint Ventures and associated companies	53	-6
Accumulated translation difference reversed to income	-	1
Available-for-sale investments	7	30
Change in cash flow hedges	-10	14
Other comprehensive income, net of income taxes	1,254	4,325
Total comprehensive income for the period *	6,202	9,157
* Attributable to:		
Equity holders of the parent company	6,061	9,104
Minority interests	141	52
	6,202	9,157

CONSOLIDATED INCOME STATEMENT YEAR

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	323,809	291,459	11,812	11,242	-873	-787	334,748	301,914
Cost of sales	-248,382	-225,797	-7,072	-6,591	873	787	-254,581	-231,602
Gross income	75,428	65,662	4,740	4,651	-	-	80,167	70,312
Research and development expenses	-16,098	-14,631	-	-	-	-	-16,098	-14,631
Selling expenses	-26,495	-24,946	-2,086	-1,920	-	-	-28,582	-26,867
Administrative expenses	-5,602	-5,081	-40	-40	-	-	-5,642	-5,121
Other operating income and expenses	-640	-2,531	-421	-605	-	-	-1,061	-3,135
Income/loss from investments in Joint Ventures and associated companies	1,407	156	-	-	-	-	1,407	156
Income from other investments	135	112	0	0	-	-	135	112
Operating income	28,135	18,740	2,193	2,086	-	-	30,327	20,826
Interest income and similar credits	164	240	-	-	-	0	164	240
Interest expenses and similar charges	-1,852	-1,847	0	0	-	0	-1,852	-1,847
Other financial income and expenses	-385	11	-	0	-	-	-385	11
Income after financial items	26,062	17,144	2,192	2,086	-	0	28,254	19,230
Income taxes	-7,219	-5,377	248	-631	-	-	-6,971	-6,008
Income for the period *	18,843	11,767	2,440	1,455	-	0	21,283	13,223
* Attributable to:								
Equity holders of the parent company							20,981	13,147
Minority interests							302	75
							21,283	13,223
Basic earnings per share, SEK							10.33	6.47
Diluted earnings per share, SEK							10.32	6.47
Key operating ratios, %								
Gross margin	23.3	22.5	-	-	-	-	23.9	23.3
Research and development expenses as percentage of net sales	5.0	5.0	-	-	-	-	4.8	4.8
Selling expenses as percentage of net sales	8.2	8.6	-	-	-	-	8.5	8.9
Administrative expenses as percentage of net sales	1.7	1.7	-	-	-	-	1.7	1.7
Operating margin	8.7	6.4	-	-	-	-	9.1	6.9

CONSOLIDATED OTHER COMPREHENSIVE INCOME YEAR

SEK M	2017	2016
Income for the period	21,283	13,223
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	-827	-304
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	-2,546	5,585
Share of OCI related to Joint Ventures and associated companies	25	-97
Accumulated translation difference reversed to income	-56	-48
Available-for-sale investments	-10	-57
Change in cash flow hedges	-20	68
Other comprehensive income, net of income taxes	-3,434	5,147
Total comprehensive income for the period *	17,849	18,370
* Attributable to:		
Equity holders of the parent company	17,601	18,249
Minority interests	248	121
	17,849	18,370

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
Assets								
Non-current assets								
Intangible assets	35,716	37,768	178	149	-	-	35,893	37,916
<i>Tangible assets</i>								
Property, plant and equipment	53,308	55,812	40	64	-	-	53,348	55,875
Assets under operating leases	24,051	22,752	21,075	19,556	-7,959	-7,615	37,166	34,693
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	10,525	11,643	-	-	-	-	10,525	11,643
Other shares and participations	690	766	10	11	-	-	699	776
Non-current customer-financing receivables	737	965	57,180	57,830	-744	-968	57,173	57,827
Prepaid pensions	252	79	-	-	-	-	252	79
Non-current interest-bearing receivables	2,892	2,481	-	-	-557	-1,222	2,335	1,258
Other non-current receivables	4,186	4,083	238	211	-143	-147	4,281	4,148
Deferred tax assets	10,948	13,332	834	1,068	-	-	11,782	14,399
Total non-current assets	143,304	149,679	79,554	78,888	-9,403	-9,953	213,455	218,615
Current assets								
Inventories	52,231	48,080	470	206	-	-	52,701	48,287
<i>Current receivables</i>								
Customer-financing receivables	621	733	52,294	53,082	-711	-821	52,205	52,994
Tax assets	1,137	1,166	430	193	-	-	1,567	1,359
Interest-bearing receivables	2,075	1,935	-	191	-908	-991	1,166	1,135
Internal funding	15,927	7,503	-	-	-15,927	-7,503	-	-
Accounts receivable	39,705	33,593	1,069	826	-	-	40,774	34,419
Other receivables	13,667	16,003	1,527	1,348	-889	-940	14,305	16,410
Non interest-bearing assets held for sale	51	525	-	-	-	-	51	525
Marketable securities	178	1,223	-	-	-	-	178	1,223
Cash and cash equivalents	32,269	19,653	4,892	5,175	-1,069	-879	36,092	23,949
Total current assets	157,861	130,414	60,682	61,021	-19,504	-11,134	199,039	180,301
Total assets	301,165	280,093	140,236	139,910	-28,907	-21,087	412,494	398,916
Equity and liabilities								
Equity attributable to the equity holders of the parent company								
Minority interests	95,849	84,876	11,221	11,185	-	-	107,069	96,061
Minority interests	1,941	1,703	-	-	-	-	1,941	1,703
Total equity	97,790	86,579	11,221	11,185	-	-	109,011	97,764
<i>Non-current provisions</i>								
Provisions for post-employment benefits	14,391	14,608	85	61	-	-	14,476	14,669
Provisions for deferred taxes	3,025	1,842	2,328	3,429	-	-	5,353	5,270
Other provisions	8,965	9,540	264	252	89	13	9,318	9,804
<i>Non-current liabilities</i>								
Bond loans	48,962	60,653	-	-	-	-	48,962	60,653
Other loans	12,865	13,578	12,817	11,287	-740	-968	24,942	23,898
Internal funding	-43,522	-52,487	49,934	48,071	-6,413	4,415	-	-
Other liabilities	26,232	24,631	1,285	934	-5,208	-5,243	22,309	20,322
Current provisions	10,690	11,164	71	82	45	87	10,806	11,333
<i>Current liabilities</i>								
Loans	46,331	47,976	9,312	10,165	-1,872	-1,644	53,771	56,497
Internal funding	-37,635	-35,777	48,527	49,964	-10,891	-14,187	-	-
Non interest-bearing liabilities held for sale	0	148	-	-	-	-	0	148
Trade payables	64,900	54,790	445	474	-	-	65,346	55,264
Tax liabilities	1,556	544	143	141	-	-	1,699	685
Other liabilities	46,615	42,305	3,803	3,864	-3,917	-3,560	46,501	42,608
Total equity and liabilities	301,165	280,093	140,236	139,910	-28,907	-21,087	412,494	398,916
Key ratios, %								
Shareholders' equity as percentage of total assets	32.5	30.9	8.0	8.0	-	-	26.4	24.5
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	52.7	47.3
Return on operating capital, 12 months rolling	32.5	21.5	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling	-	-	22.6	13.7	-	-	20.8	14.9

CONSOLIDATED CASH FLOW STATEMENT FOURTH QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating activities								
Operating income	6,746	6,463	588	567	-	-	7,334	7,031
Depreciation tangible assets	1,630	1,685	1	3	-	-	1,631	1,688
Amortization intangible assets	816	1,084	9	10	-	-	825	1,094
Depreciation leasing vehicles	831	835	1,107	1,101	0	-1	1,938	1,936
Other non-cash items ^{1) 2)}	1,280	-3,510	139	246	-17	-9	1,402	-3,273
Total change in working capital whereof	6,594	372	-2,837	-1,028	69	76	3,826	-580
Change in accounts receivables	-2,903	-2,700	-145	-236	0	35	-3,048	-2,902
Change in customer financing receivables	57	68	-2,914	-897	11	-22	-2,846	-851
Change in inventories	452	2,592	-36	12	-	-11	416	2,593
Change in trade payables	7,607	5,044	-52	-24	-	0	7,555	5,019
Other changes in working capital ¹⁾	1,380	-4,631	310	118	58	75	1,748	-4,438
Interest and similar items received	47	40	-	-	9	10	55	50
Interest and similar items paid	-217	-333	-	-	9	4	-208	-329
Other financial items	-89	-92	-	-	-	-	-89	-92
Income taxes paid	-994	-1,055	-268	-175	0	0	-1,262	-1,229
Cash flow from operating activities	16,643	5,489	-1,260	726	69	81	15,451	6,297
Investing activities								
Investments in tangible assets	-1,944	-2,513	-2	-5	-	-	-1,946	-2,518
Investments in intangible assets	-477	-587	-10	-18	-	-	-487	-605
Investment in leasing vehicles	-30	-74	-3,329	-3,667	0	0	-3,358	-3,741
Disposals of fixed assets and leasing vehicles ²⁾	160	2,564	1,151	1,929	0	0	1,311	4,493
Operating cash flow	14,352	4,879	-3,450	-1,035	69	81	10,971	3,925
Investments and divestments of shares, net							17	10
Acquired and divested operations, net							106	55
Interest-bearing receivables incl. marketable securities							-145	4,898
Cash flow after net investments							10,949	8,889
Financing activities								
Change in loans, net							-2,871	-4,753
Dividend to AB Volvo shareholders							-	6
Dividend to minority shareholders							-	-206
Other							-114	-76
Change in cash and cash equivalents excl. translation differences							7,964	3,861
Translation difference on cash and cash equivalents							211	327
Change in cash and cash equivalents							8,175	4,187

¹ In Q4 2016 the payment of the settlement of the EU antitrust investigation impacted Other non-cash items by SEK 2.6 bn and Other changes in working capital was impacted from provisions made in 2014 of SEK 3.9 bn.

² In Q4 2016 the gain on sale of real estate of SEK 1.4 bn was reclassified from Other non-cash items to Disposals of fixed assets. The total positive operating cash flow impact from the sale amounted to SEK 2.6 bn.

CONSOLIDATED CASH FLOW STATEMENT YEAR

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating activities								
Operating income ¹⁾	28,135	18,740	2,193	2,086	-	-	30,327	20,826
Depreciation tangible assets	6,449	6,327	6	13	-	-	6,456	6,339
Amortization intangible assets	3,212	3,398	34	33	-	-	3,246	3,431
Depreciation leasing vehicles	2,936	2,907	4,231	4,087	0	0	7,167	6,994
Other non-cash items ^{2) 3)}	857	-1,116	563	733	-20	-47	1,400	-431
Total change in working capital whereof	-177	-14,688	-4,144	892	-384	-97	-4,704	-13,893
Change in accounts receivables	-6,925	-3,747	-245	-296	0	0	-7,171	-4,043
Change in customer financing receivables	187	266	-3,922	1,003	-334	-207	-4,070	1,062
Change in inventories	-7,378	-1,601	-159	33	-	0	-7,537	-1,568
Change in trade payables	11,141	-2,973	-28	50	-	0	11,113	-2,923
Other changes in working capital ¹⁾	2,799	-6,633	211	102	-49	111	2,960	-6,420
Interest and similar items received	273	300	-	-	1	46	274	346
Interest and similar items paid	-1,621	-1,586	-	-	19	2	-1,602	-1,584
Other financial items	-206	-253	-	-	-	-	-206	-253
Income taxes paid	-4,083	-4,095	-675	-124	0	0	-4,758	-4,219
Cash flow from operating activities	35,775	9,934	2,208	7,720	-384	-97	37,599	17,559
Investing activities								
Investments in tangible assets	-5,730	-6,619	-4	-24	-	-	-5,734	-6,643
Investments in intangible assets	-1,951	-2,829	-55	-53	-	-	-2,006	-2,882
Investment in leasing vehicles	-84	-125	-11,410	-10,692	-	0	-11,494	-10,817
Disposals of fixed assets and leasing vehicles ²⁾	363	3,170	5,029	5,865	0	-	5,392	9,035
Operating cash flow	28,372	3,531	-4,231	2,816	-384	-97	23,757	6,251
Investments and divestments of shares, net							2,182	224
Acquired and divested operations, net ³⁾							928	1,425
Interest-bearing receivables incl. marketable securities							1,586	2,531
Cash flow after net investments							28,454	10,431
Financing activities								
Change in loans, net							-8,996	-2,245
Dividend to AB Volvo shareholders							-6,603	-6,093
Dividend to minority shareholders							-13	-206
Other							-31	-9
Change in cash and cash equivalents excl. translation differences							12,811	1,878
Translation difference on cash and cash equivalents							-667	1,023
Change in cash and cash equivalents							12,144	2,901

¹ In 2016 the payment of the settlement of the EU antitrust investigation impacted Operating income of SEK 2.6 bn and Other changes in working capital was impacted from provisions made in 2014 of SEK 3.9 bn.

² In 2016 the gain on sale of real estate of SEK 1.4 bn was reclassified from Other non-cash items to Disposals of fixed assets. The total positive operating cash flow impact from the sale amounted to SEK 2.6 bn.

³ In 2016 the gain on sale of IT operations of SEK 0.9 bn was 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 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
<i>Non-current interest-bearing assets</i>				
Non-current customer-financing receivables	-	-	57.2	57.8
Non-current interest-bearing receivables	2.9	2.5	2.3	1.3
<i>Current interest-bearing assets</i>				
Customer-financing receivables	-	-	52.2	53.0
Interest-bearing receivables	2.1	1.9	1.2	1.1
Internal funding	15.9	7.5	-	-
Interest-bearing assets held for sale	-	-	-	-
Marketable securities	0.2	1.2	0.2	1.2
Cash and cash equivalents	32.3	19.7	36.1	23.9
Total interest-bearing financial assets	53.3	32.8	149.1	138.4
<i>Non-current interest-bearing liabilities</i>				
Bond loans	-49.0	-60.7	-49.0	-60.7
Other loans	-12.9	-13.6	-24.9	-23.9
Internal funding	43.5	52.5	-	-
<i>Current interest-bearing liabilities</i>				
Loans	-46.3	-48.0	-53.8	-56.5
Internal funding	37.6	35.8	-	-
Interest-bearing liabilities held for sale	-	-	-	-
Total interest-bearing financial liabilities	-27.0	-33.9	-127.7	-141.0
Net financial position excl. post-employment benefits	26.3	-1.2	21.5	-2.7
Provisions for post-employment benefits, net	-14.1	-14.5	-14.2	-14.6
Net financial position incl. post-employment benefits	12.2	-15.7	7.3	-17.3
Key ratios, %				
Net financial position excl. post-employment benefits as percentage of shareholders' equity	26.9	-1.3		
Net financial position incl. post-employment benefits as percentage of shareholders' equity	12.5	-18.1		

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Fourth quarter 2017	Year 2017
Beginning of period	-2.5	-15.7
Cash flow from operating activities	16.6	35.8
Investments in fixed assets	-2.5	-7.8
Disposals	0.2	0.4
Operating cash flow	14.4	28.4
Investments and divestments of shares, net	0.0	2.2
Acquired and divested operations, net	0.1	0.9
Capital injections to/from Financial Services	0.8	1.9
Currency effect	-0.3	1.3
Dividend paid to AB Volvo shareholders	-	-6.6
Dividend paid to minority shareholders	0.0	0.0
Remeasurements of defined benefit pension plans	-0.4	-0.1
Pension payments and costs, net	0.1	0.1
Other changes	-0.1	-0.1
Total change	14.7	27.9
Net financial position at end of period	12.2	12.2

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Dec 31 2017	Dec 31 2016
Total equity at the end of previous period	97.8	85.6
Shareholders' equity attributable to equity holders of the parent company at beginning of period	96.1	83.8
Income for the period	21.0	13.1
Other comprehensive income	-3.4	5.1
Total comprehensive income	17.6	18.2
Dividend to AB Volvo's shareholders	-6.6	-6.1
Share-based payments	0.0	0.1
Other changes	0.0	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	107.1	96.1
Minority interests at beginning of period	1.7	1.8
Income for the period	0.3	0.1
Other comprehensive income	-0.1	0.1
Total comprehensive income	0.2	0.1
Dividend to minority shareholders	0.0	-0.2
Other changes	0.0	0.0
Minority interests at end of period	1.9	1.7
Total equity at end of period	109.0	97.8

QUARTERLY FIGURES

Income Statements, Volvo Group							Year	Year
SEK M unless otherwise stated	4/2016	1/2017	2/2017	3/2017	4/2017	2017	2016	
Net sales	82,559	77,365	88,409	77,225	91,749	334,748	301,914	
Cost of sales	-63,216	-57,835	-67,017	-58,978	-70,751	-254,581	-231,602	
Gross income	19,343	19,530	21,392	18,247	20,998	80,167	70,312	
Research and development expenses	-4,218	-3,994	-4,126	-3,445	-4,533	-16,098	-14,631	
Selling expenses	-7,303	-6,942	-7,247	-6,791	-7,602	-28,582	-26,867	
Administrative expenses	-1,278	-1,286	-1,443	-1,273	-1,640	-5,642	-5,121	
Other operating income and expenses	361	-616	-395	-5	-45	-1,061	-3,135	
Income/loss from investments in Joint Ventures and associated companies	117	340	268	634	166	1,407	156	
Income from other investments	9	-2	91	56	-10	135	112	
Operating income	7,031	7,029	8,540	7,424	7,334	30,327	20,826	
Interest income and similar credits	54	50	30	44	39	164	240	
Interest expenses and similar charges	-467	-463	-487	-417	-484	-1,852	-1,847	
Other financial income and expenses	-260	-177	-59	-17	-132	-385	11	
Income after financial items	6,358	6,440	8,023	7,034	6,757	28,254	19,230	
Income taxes	-1,526	-1,624	-2,019	-1,519	-1,809	-6,971	-6,008	
Income for the period *	4,832	4,816	6,004	5,515	4,948	21,283	13,223	
* Attributable to:								
Equity holders of the parent company	4,815	4,730	5,916	5,467	4,867	20,981	13,147	
Minority interests	17	85	88	48	81	302	75	
	4,832	4,816	6,004	5,515	4,948	21,283	13,223	
Key operating ratios, Volvo Group, %								
Gross margin	23.4	25.2	24.2	23.6	22.9	23.9	23.3	
Research and development expenses as percentage of net sales	5.1	5.2	4.7	4.5	4.9	4.8	4.8	
Selling expenses as percentage of net sales	8.8	9.0	8.2	8.8	8.3	8.5	8.9	
Administrative expenses as percentage of net sales	1.5	1.7	1.6	1.6	1.8	1.7	1.7	
Operating margin	8.5	9.1	9.7	9.6	8.0	9.1	6.9	
Key operating ratios, Industrial operations, %								
Gross margin	22.6	24.6	23.6	22.9	22.2	23.3	22.5	
Research and development expenses as percentage of net sales	5.3	5.4	4.8	4.6	5.1	5.0	5.0	
Selling expenses as percentage of net sales	8.5	8.6	7.8	8.4	7.9	8.2	8.6	
Administrative expenses as percentage of net sales	1.6	1.7	1.7	1.7	1.8	1.7	1.7	
Operating margin	8.1	8.7	9.4	9.2	7.6	8.7	6.4	
EBITDA, Industrial operations								
Operating income Industrial operations	6,464	6,499	8,019	6,871	6,746	28,135	18,740	
Product and Software development, amortization	787	720	747	600	740	2,807	2,826	
Other intangible assets, amortization	297 ¹	183 ¹	70	75	76	404 ¹	573	
Tangible assets, depreciation	2,520	2,250	2,323	2,351	2,461	9,385	9,234	
Total depreciation and amortization	3,604	3,153	3,141	3,027	3,276	12,597	12,633	
Operating income before depreciation and amortization (EBITDA)	10,068	9,652	11,160	9,898	10,022	40,732	31,373	
EBITDA margin, %	12.6	12.9	13.0	13.3	11.3	12.6	10.8	
Net capitalization of research and development								
Capitalization	550	464	433	457	405	1,758	2,714	
Amortization	-735	-674	-700	-558	-701	-2,634	-2,624	
Net capitalization and amortization	-185	-210	-267	-101	-296	-876	90	

¹ Including impairment of intangible assets.

QUARTERLY FIGURES

Net sales							
SEK M	4/2016	1/2017	2/2017	3/2017	4/2017	Year 2017	Year 2016
Trucks	54,544	49,467	56,366	49,798	60,849	216,480	200,650
Construction Equipment	13,110	16,163	18,511	15,091	16,733	66,497	50,731
Buses	8,023	5,548	6,971	6,539	7,020	26,078	25,386
Volvo Penta	2,409	2,701	3,081	2,662	2,676	11,119	9,893
Group Functions & Other	2,665	1,615	1,572	1,371	1,892	6,449	7,754
Eliminations	-958	-841	-833	-938	-202	-2,814	-2,955
Industrial Operations	79,793	74,652	85,668	74,522	88,968	323,809	291,459
Financial Services	2,994	2,892	2,946	2,896	3,078	11,812	11,242
Reclassifications and eliminations	-228	-179	-205	-193	-296	-873	-787
Volvo Group	82,559	77,365	88,409	77,225	91,749	334,748	301,914

Operating income							
SEK M	4/2016	1/2017	2/2017	3/2017	4/2017	Year 2017	Year 2016
Trucks	4,825	4,910	5,417	4,261	5,796	20,383	15,020
Construction Equipment	494	1,617	2,460	2,024	1,816	7,917	2,246
Buses	308	101	320	218	288	928	911
Volvo Penta	156	419	479	353	187	1,439	1,269
Group Functions & Other	681	-547	-641	7	-1,353	-2,534	-679
Eliminations	0	-1	-17	9	11	2	-28
Industrial Operations	6,464	6,499	8,019	6,871	6,746	28,135	18,740
Financial Services	567	531	521	553	588	2,192	2,086
Volvo Group	7,031	7,029	8,540	7,424	7,334	30,327	20,826

Adjusted operating income ¹							
SEK M	4/2016	1/2017	2/2017	3/2017	4/2017	Year 2017	Year 2016
Trucks	4,754	4,910	5,417	4,261	5,796	20,383	17,472
Construction Equipment	494	1,617	2,460	2,024	1,816	7,917	2,246
Buses	266	101	320	218	288	928	870
Volvo Penta	156	419	479	353	187	1,439	1,269
Group Functions & Other	-577	-547	-641	-393	-1,353	-2,934	-2,823
Eliminations	0	-1	-17	9	11	2	-28
Industrial Operations	5,093	6,499	8,019	6,472	6,746	27,735	19,008
Financial Services	567	531	521	553	588	2,192	2,086
Volvo Group	5,660	7,029	8,540	7,024	7,334	29,928	21,094

¹ For more information on adjusted operating income, please see note 6.

Operating margin							
%	4/2016	1/2017	2/2017	3/2017	4/2017	Year 2017	Year 2016
Trucks	8.8	9.9	9.6	8.6	9.5	9.4	7.5
Construction Equipment	3.8	10.0	13.3	13.4	10.9	11.9	4.4
Buses	3.8	1.8	4.6	3.3	4.1	3.6	3.6
Volvo Penta	6.5	15.5	15.5	13.3	7.0	12.9	12.8
Industrial Operations	8.1	8.7	9.4	9.2	7.6	8.7	6.4
Volvo Group	8.5	9.1	9.7	9.6	8.0	9.1	6.9

Adjusted operating margin							
%	4/2016	1/2017	2/2017	3/2017	4/2017	Year 2017	Year 2016
Trucks	8.7	9.9	9.6	8.6	9.5	9.4	8.7
Construction Equipment	3.8	10.0	13.3	13.4	10.9	11.9	4.4
Buses	3.3	1.8	4.6	3.3	4.1	3.6	3.4
Volvo Penta	6.5	15.5	15.5	13.3	7.0	12.9	12.8
Industrial Operations	6.4	8.7	9.4	8.7	7.6	8.6	6.5
Volvo Group	6.9	9.1	9.7	9.1	8.0	8.9	7.0

QUARTERLY FIGURES

Share data	4/2016	1/2017	2/2017	3/2017	4/2017	Year 2017	Year 2016
Earnings per share, SEK ¹	2.37	2.33	2.91	2.69	2.40	10.33	6.47
Earnings per share, SEK ¹ , 12 months rolling	6.47	6.95	8.89	10.30	10.33	-	-
Diluted earnings per share, SEK	2.37	2.33	2.91	2.69	2.39	10.32	6.47
Number of outstanding shares in millions	2,031	2,032	2,032	2,032	2,032	2,032	2,031
Average number of shares before dilution in millions	2,031	2,032	2,032	2,032	2,032	2,032	2,031
Average number of shares after dilution in millions	2,033	2,033	2,033	2,033	2,033	2,033	2,033
Number of own shares in millions	97	97	97	97	97	97	97
Average number of own shares in millions	97	97	97	97	97	97	97

¹ 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 POLICIES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting policies adopted and definitions are consistent with those described in the Volvo Group Annual Report 2016 (available at www.volvogroup.com). There are no new accounting policies applicable from 2017 that significantly affects the Volvo Group.

New accounting policies for 2018

As from January 1, 2018 Volvo Group applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. These standards are applied retrospectively but with the difference in relation to presenting comparative financial information for 2017.

Opening balance 2017

For IFRS 15, the opening balance for 2017 is adjusted in accordance with the new standard and the transition effect is recognized as a decrease in equity with SEK 712 M. The reported financial information for 2017 is restated accordingly for comparison purposes and will be presented in detail in the Annual Report for 2017. For IFRS 9, the opening balance for 2017 has not been affected.

IFRS 9 Financial instruments

IFRS 9 is divided in three parts: Classification and Measurement, Impairment and Hedge Accounting, and replaces IAS 39 Financial Instruments: Recognition and Measurement. The impact of the new standard is related to the new expected credit loss model measured at an amount equal to lifetime expected credit losses by using the simplified approach. Compared with the former applied incurred loss model, the new requirements imply an earlier recognition of credit losses. The effect of the new model is an increased loss allowance of SEK 500 M mainly reducing customer-financing receivables within Financial Services with a corresponding decrease in equity amounting to SEK 371 M (net of tax) as of January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction contracts, IAS 18 Revenue and the related interpretations IFRIC 13, 15, 18 and SIC-31. IFRS 15 represents a new framework for recognizing revenue from contracts with customers and with additional disclosure requirements. The major impact of implementation of IFRS 15 is related to sales transactions of vehicles with residual value commitments, e.g. buybacks and tradebacks, and the assessment if control has been transferred from Volvo Group to the customer. The criteria of transferring control are based on if the customer has a significant economic incentive to exercise the residual value commitment or not. If the customer is considered to have a significant economic incentive to exercise the residual value commitment to return the vehicle, revenue are recognized over the residual value commitment period as an operating lease transaction in accordance with IAS 17. If the customer is not considered to have a significant economic incentive to exercise the residual value commitment to return the vehicle, the revenue is recognized in accordance with the right of return model. The effect of the two new models is a later recognition of revenue with an increase of assets with SEK 6 516 M mainly related to assets under operating lease and right of return asset and an increase of liabilities with SEK 7 725 M mainly related to deferred leasing income and residual value liabilities as of December 31, 2017. The corresponding effect is a net decrease in equity with SEK 712 M (net of tax) and a decrease of Income for the period for 2017 with SEK 497 M, whereof SEK 650 M affecting Operating income for 2017. A summary of the effects of implementing IFRS 9 and IFRS 15 is presented in the table below.

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.

Implementation of IFRS 15 and IFRS 9

Effect on the opening balance as of January 1, 2017 SEK M	Previously reported Jan 1, 2017	Restatement IFRS 15 ¹	After restatement Jan 1, 2017
Total assets	398,916	6,086	405,002
Total equity	97,764	-712	97,052
Total liabilities	301,152	6,798	307,950
Total equity and liabilities	398,916	6,086	405,002

¹ IFRS 15: The restatement of the opening balance has affected the equity as of January 1, 2017 with SEK 712 M, resulting in a new opening balance as of January 1, 2017.

Effect on the opening balance as of January 1, 2018 SEK M	Previously reported Dec 31, 2017	Restatement IFRS 15 ²	After restatement Dec 31, 2017	Restatement IFRS 9 ³	After restatement Jan 1, 2018
Total assets	412,494	6,516	419,010	-371	418,639
Equity	87,728	-712	87,016	-371	86,645
Income for the period 2017	21,283	-497	20,786	-	20,786
Total equity	109,011	-1,209	107,802	-371	107,431
Total liabilities	303,483	7,725	311,208	-	311,208
Total equity and liabilities	412,494	6,516	419,010	-371	418,639

² IFRS 15: The Income statement for 2017 has been restated with a negative impact on Income for the period for 2017 after tax with SEK 497 M. The Operating income for the same period has a negative impact with SEK 650 M.

³ IFRS 9: The restatement of the opening balance has affected the equity as of January 1, 2018, with SEK 371 M and no effect on Operating income for 2017.

Effect on net financial position as of January 1, 2018 SEK bn	Previously reported Dec 31, 2017	Restatement IFRS 9 ⁴	After restatement Jan 1, 2018
Net financial position incl. post-employment benefits	7.3	-0.4	6.9

⁴ IFRS 9: The Volvo Groups Net financial assets has decreased by SEK 0,4 bn as an affect of the decrease in customer-financing receivables as of January 1, 2018.

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 Group works continuously to identify, measure and manage risk, and in some cases Volvo Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo Group'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 106-111 in the Volvo Group Annual Report 2016 (available at www.volvogroup.com).

Risk updates for the reporting 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 Group 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 Group's risk exposure. Total contingent liabilities as of December 31, 2017, amounted to SEK 15.2 billion, a decrease of SEK 0.9 billion compared to December 31, 2016. The decrease is mainly related to expired bid and performance guarantees. The gross exposure of SEK 15.2 billion is partly reduced by counter guarantees and collaterals. The contingent liabilities reported for credit guarantees for construction equipment in China relate primarily to the period prior to 2016 and are on the same level compared to December 31, 2016. However, including both contingent liabilities and on-balance sheet exposure, the exposure is still material.

Following the adoption of the European Commission's settlement decision, the Volvo Group has received and will be dealing with numerous 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. The other legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual Report 2016 are progressing but no material changes have occurred in these matters in the fourth quarter of 2017.

NOTE 3 | ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments

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

Assets and liabilities held for sale

At the end of fourth quarter assets amounting to SEK 51 M (377) are classified as held for sale. Assets and liabilities held

for sale has decreased in the fourth quarter mainly due to the reclassification of the Volvo Group Governmental Sales business area 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 classification of Volvo Group financial instruments, as described in Volvo Group Annual Report 2016 Note 30 (available at 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 and currency derivatives. Derivatives with positive fair values amounted to SEK 4.6 billion and derivatives with negative fair values

amounted to SEK 0.7 billion as of December 31, 2017. 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 127.2 billion in reported carrying value with a fair value of SEK 129.8 billion. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 0.5 billion.

Currency effect on operating income Industrial operations	Compared to fourth quarter 2016			Compared to third quarter 2017		
	Fourth quarter	Fourth quarter	Change	Fourth quarter	Third quarter	Change
	2017	2016		2017	2017	
SEK M						
Net flow in foreign currency			-529			190
Realized and unrealized gains and losses on hedging contracts	-8	17	-26	-8	-2	-6
Unrealized gains and losses on receivables and liabilities in foreign currency	-105	-58	-47	-105	234	-340
Translation effect on operating income in foreign subsidiaries			-177			41
Total currency effect on operating income Industrial operations			-778			-114

Applicable currency rates	Quarterly exchange rates		Close rates	
	Fourth quarter	Fourth quarter	Dec 31	Dec 31
	2017	2016	2017	2016
BRL	2.56	2.74	2.49	2.80
CNY	1.26	1.32	1.26	1.31
EUR	9.79	9.77	9.85	9.58
GBP	11.04	11.24	11.10	11.18
USD	8.32	9.04	8.23	9.10
JPY	0.0737	0.0829	0.0731	0.0778

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 316 M (349) and purchases from associated companies amounted to SEK 25 M (500) during the fourth quarter of 2017. As of December 31, 2017, receivables from associated companies amounted to SEK 369 M (352) and liabilities to associated companies to SEK 93 M (438).

Sales to joint ventures amounted to SEK 605 M (456) and purchases from joint ventures amounted to SEK 219 M (175) during the fourth quarter of 2017. As of December 31, 2017, receivables from joint ventures amounted to SEK 419 M (182) and liabilities to joint ventures to SEK 63 M (169).

NOTE 6 | EXPLANATION TO ADJUSTED OPERATING INCOME

Adjusted operating income						Year	Year
SEK M	4/2016	1/2017	2/2017	3/2017	4/2017	2017	2016
Trucks	4,754	4,910	5,417	4,261	5,796	20,383	17,472
Construction Equipment	494	1,617	2,460	2,024	1,816	7,917	2,246
Buses	266	101	320	218	288	928	870
Volvo Penta	156	419	479	353	187	1,439	1,269
Group Functions & Other	-577	-547	-641	-393	-1,353	-2,934	-2,823
Eliminations	0	-1	-17	9	11	2	-28
Industrial Operations	5,093	6,499	8,019	6,472	6,746	27,735	19,008
Financial Services	567	531	521	553	588	2,192	2,086
Volvo Group	5,660	7,029	8,540	7,024	7,334	29,928	21,094

Adjustments						Year	Year
SEK M	4/2016	1/2017	2/2017	3/2017	4/2017	2017	2016

Adjustment items (segment)

Capital gain from sale of external IT-operation (Group functions & other)	-	-	-	-	-	-	885
Provision for EU investigation (Trucks)	-	-	-	-	-	-	-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
Capital gain on sale of shares in Deutz AG (Group functions & Other)	-	-	-	400	-	400	-

Total adjustments

Trucks	71	-	-	-	-	-	-2,453
Construction Equipment	-	-	-	-	-	-	-
Buses	41	-	-	-	-	-	41
Volvo Penta	-	-	-	-	-	-	-
Group Functions & Other	1,258	-	-	400	-	400	2,143
Industrial Operations	1,371	-	-	400	-	400	-269
Financial Services	-	-	-	-	-	-	-
Volvo Group	1,371	-	-	400	-	400	-269

Operating income						Year	Year
SEK M	4/2016	1/2017	2/2017	3/2017	4/2017	2017	2016
Trucks	4,825	4,910	5,417	4,261	5,796	20,383	15,020
Construction Equipment	494	1,617	2,460	2,024	1,816	7,917	2,246
Buses	308	101	320	218	288	928	911
Volvo Penta	156	419	479	353	187	1,439	1,269
Group Functions & Other	681	-547	-641	7	-1,353	-2,534	-679
Eliminations	0	-1	-17	9	11	2	-28
Industrial Operations	6,464	6,499	8,019	6,871	6,746	28,135	18,740
Financial Services	567	531	521	553	588	2,192	2,086
Volvo Group	7,031	7,029	8,540	7,424	7,334	30,327	20,826

PARENT COMPANY

Income from investments in Group companies for the fourth quarter includes dividends amounting to SEK 6,005 M (31). Write-down of shareholdings is done by SEK 142 M (367) and reversal of previous write-downs by SEK 2,203 M (50).

Allocations include Group contributions, net, of SEK 17,923 M, (13,763) and allocation to tax reserve of SEK 3,500 M (2,500).

Income from investments in joint ventures and associated companies includes write-down of participations of SEK 5 M, (44).

Financial net debt amounted to SEK 33,413 M (38,890) at the end of the fourth quarter.

Income Statement				
SEK M	Fourth quarter		Year	
	2017	2016	2017	2016
Net sales¹	171	217	491	625
Cost of sales ¹	-171	-217	-491	-625
Gross income	0	0	0	0
Operating expenses ¹	-628	-335	-1,730	-1,445
Income from investments in Group companies	7,875	-141	8,936	774
Income from investments in joint ventures and associated companies	-5	-44	585	27
Income from other investments	-1	-1	-1	18
Operating income (loss)	7,241	-521	7,790	-626
Interest income and expenses	-185	-206	-788	-902
Other financial income and expenses	0	15	-10	26
Income after financial items	7,056	-712	6,992	-1,502
Allocations	14,425	11,265	14,425	11,265
Income taxes	-2,955	-2,184	-2,416	-1,636
Income for the period	18,526	8,369	19,001	8,127

¹ Of net sales in the fourth quarter, SEK 157M (187) pertained to Group companies, while purchases from Group companies amounted to SEK 214 M (166).

Other comprehensive income				
Income for the period	18,526	8,369	19,001	8,127
Other comprehensive income, net of income taxes	-	-	-	-
Total comprehensive income for the period	18,526	8,369	19,001	8,127

Balance Sheet		
SEK M	Dec 31 2017	Dec 31 2016
Assets		
Non-current assets		
Tangible assets	8	11
Financial assets		
Shares and participations in Group companies	69,244	60,816
Receivables from Group companies	19	48
Investments in joint ventures and associated companies	8,895	10,353
Other shares and participations	7	7
Deferred tax assets	195	168
Total non-current assets	78,368	71,403
Current assets		
Current receivables from Group companies	25,826	23,332
Tax assets	23	2
Other current receivables	96	235
Total current assets	25,945	23,569
Total assets	104,313	94,972
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	45,643	33,207
Untaxed reserves	6,001	2,502
Provisions	103	118
Non-current liabilities ¹	13,981	13,978
Current liabilities ²	28,694	35,276
Total shareholders' equity and liabilities	104,313	94,972

¹ Of which SEK 13,973 M (13,973) pertains to Group companies.

² Of which SEK 27,459 M (34,504) 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 2017 that are expected to have a substantial effect on the Volvo Group.

Proposed ordinary dividend of SEK 4.25 per share

For the full year 2017, the Board proposes a dividend of SEK 4.25 per share, compared to SEK 3.25 per share the preceding year.

Gothenburg, January 31, 2018
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	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	35,606	28,779	24	115,863	101,837	14
Heavy- and medium-duty	30,249	24,873	22	97,430	85,336	14
Light-duty	5,357	3,906	37	18,433	16,501	12
North America	18,543	10,098	84	51,693	33,221	56
South America	4,644	2,326	100	15,504	9,293	67
Asia	7,627	9,111	-16	35,144	31,864	10
Africa and Oceania	3,177	3,636	-13	14,235	12,683	12
Total trucks	69,597	53,950	29	232,439	188,898	23
Heavy-duty (>16 tons)	60,217	46,358	30	198,135	157,118	26
Medium-duty (7-16 tons)	3,924	3,623	8	15,379	14,421	7
Light-duty (<7 tons)	5,456	3,969	37	18,925	17,359	9
Total trucks	69,597	53,950	29	232,439	188,898	23

Net order intake of trucks by brand

Volvo						
Europe	20,577	17,431	18	64,528	58,119	11
North America	11,272	5,873	92	28,045	18,345	53
South America	4,345	1,975	120	14,168	8,275	71
Asia	3,167	3,942	-20	16,200	12,880	26
Africa and Oceania	1,249	1,768	-29	6,245	5,460	14
Total Volvo	40,610	30,989	31	129,186	103,079	25
Heavy-duty (>16 tons)	39,656	30,090	32	125,151	99,699	26
Medium-duty (7-16 tons)	954	899	6	4,035	3,380	19
Total Volvo	40,610	30,989	31	129,186	103,079	25

UD						
North America	19	1	1,800	53	68	-22
South America	21	-	-	201	97	107
Asia	3,930	4,624	-15	17,109	17,476	-2
Africa and Oceania	1,016	735	38	3,835	3,185	20
Total UD	4,986	5,360	-7	21,198	20,826	2
Heavy-duty (>16 tons)	3,770	4,119	-8	15,887	14,361	11
Medium-duty (7-16 tons)	1,178	1,196	-2	5,093	5,839	-13
Light-duty (<7 tons)	38	45	-16	218	626	-65
Total UD	4,986	5,360	-7	21,198	20,826	2

Renault Trucks						
Europe	15,029	11,348	32	51,335	43,718	17
Heavy- and medium-duty	9,672	7,442	30	32,902	27,217	21
Light-duty	5,357	3,906	37	18,433	16,501	12
North America	187	18	939	576	199	189
South America	10	67	-85	146	83	76
Asia	530	545	-3	1,825	1,508	21
Africa and Oceania	675	727	-7	2,851	3,001	-5
Total Renault Trucks	16,431	12,705	29	56,733	48,509	17
Heavy-duty (>16 tons)	9,221	7,253	27	31,775	26,574	20
Medium-duty (7-16 tons)	1,792	1,528	17	6,251	5,202	20
Light-duty (<7 tons)	5,418	3,924	38	18,707	16,733	12
Total Renault Trucks	16,431	12,705	29	56,733	48,509	17

Mack						
North America	7,065	4,206	68	23,019	14,609	58
South America	268	284	-6	989	838	18
Asia	-	-	-	10	-	-
Africa and Oceania	237	406	-42	1,304	1,037	26
Total Mack	7,570	4,896	55	25,322	16,484	54
Heavy-duty (>16 tons)	7,570	4,896	55	25,322	16,484	54
Total Mack	7,570	4,896	55	25,322	16,484	54

DELIVERIES

Deliveries of trucks	Fourth quarter		Change %	Year		Change %
	2017	2016		2017	2016	
Number of trucks						
Europe	31,843	27,748	15	105,432	97,909	8
Heavy- and medium-duty	27,135	23,751	14	89,748	82,095	9
Light-duty	4,708	3,997	18	15,684	15,814	-1
North America	10,409	8,105	28	37,941	39,193	-3
South America	3,446	2,590	33	11,073	9,442	17
Asia	10,845	8,762	24	35,476	31,502	13
Africa and Oceania	3,271	3,284	0	12,480	12,378	1
Total trucks	59,814	50,489	18	202,402	190,424	6
Heavy-duty (>16 tons)	51,242	42,223	21	171,963	158,025	9
Medium-duty (7-16 tons)	3,709	4,131	-10	14,331	15,691	-9
Light-duty (<7 tons)	4,863	4,135	18	16,108	16,708	-4
Total trucks	59,814	50,489	18	202,402	190,424	6

Deliveries of trucks by brand

Volvo

Europe	18,394	16,146	14	60,388	55,013	10
North America	5,746	4,458	29	19,971	21,686	-8
South America	3,092	2,328	33	9,944	8,476	17
Asia	5,623	3,813	47	16,756	12,728	32
Africa and Oceania	1,438	1,189	21	5,186	4,954	5
Total Volvo	34,293	27,934	23	112,245	102,857	9
Heavy-duty (>16 tons)	33,209	26,934	23	108,576	99,414	9
Medium-duty (7-16 tons)	1,084	1,000	8	3,669	3,443	7
Total Volvo	34,293	27,934	23	112,245	102,857	9

UD

North America	14	14	0	34	142	-76
South America	79	-	-	134	244	-45
Asia	4,693	4,528	4	16,859	17,091	-1
Africa and Oceania	866	703	23	3,556	3,261	9
Total UD	5,652	5,245	8	20,583	20,738	-1
Heavy-duty (>16 tons)	4,504	3,745	20	15,416	13,789	12
Medium-duty (7-16 tons)	1,093	1,411	-23	4,963	6,291	-21
Light-duty (<7 tons)	55	89	-38	204	658	-69
Total UD	5,652	5,245	8	20,583	20,738	-1

Renault Trucks

Europe	13,449	11,602	16	45,044	42,896	5
Heavy- and medium-duty	8,741	7,605	15	29,360	27,082	8
Light-duty	4,708	3,997	18	15,684	15,814	-1
North America	77	82	-6	187	198	-6
South America	52	5	940	208	16	1,200
Asia	519	421	23	1,850	1,681	10
Africa and Oceania	660	1,081	-39	2,641	3,192	-17
Total Renault Trucks	14,757	13,191	12	49,930	47,983	4
Heavy-duty (>16 tons)	8,417	7,425	13	28,327	25,976	9
Medium-duty (7-16 tons)	1,532	1,720	-11	5,699	5,957	-4
Light-duty (<7 tons)	4,808	4,046	19	15,904	16,050	-1
Total Renault Trucks	14,757	13,191	12	49,930	47,983	4

Mack

North America	4,572	3,551	29	17,749	17,167	3
South America	223	257	-13	787	706	11
Asia	10	-	-	11	2	450
Africa and Oceania	307	311	-1	1,097	971	13
Total Mack	5,112	4,119	24	19,644	18,846	4
Heavy-duty (>16 tons)	5,112	4,119	24	19,644	18,846	4
Total Mack	5,112	4,119	24	19,644	18,846	4

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 January 31, 2018.

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

Annual and Sustainability Report 2017	March 13, 2018
Annual General Meeting 2018	April 5, 2018
Report on the first quarter 2018	April 24, 2018
Report on the second quarter 2018	July 19, 2018
Report on the third quarter 2018	October 19, 2018

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