

**VOLVO TREASURY
GROUP**

INTERIM REPORT

January - June 2016

INTERIM REPORT JANUARY 1 – JUNE 30 2016

Volvo Treasury AB (publ) is a wholly owned subsidiary of AB Volvo (publ) Göteborg (556012-5790). The Company is the Parent Company of Volvo Treasury Asia Ltd, which in turn is the Parent Company of Volvo Treasury Australia Pty Ltd (“Volvo Treasury Group”).

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

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

CONSOLIDATED INCOME STATEMENT

	First six months 2016	First six months 2015	Full year 2015
Interest income	1,509.1	1,961.5	3,692.5
Interest expense	(1,103.4)	(1,486.7)	(2,503.2)
Financial instrument valued at fair value recognized in income statement	<u>471.6</u>	<u>(420.8)</u>	<u>(48.0)</u>
Net interest income	877.3	54.0	1,141.3
Net result of other financial transactions	<u>224.8</u>	<u>(175.2)</u>	<u>(272.7)</u>
Gross income	1,102.1	(121.2)	868.6
Administrative expenses	(83.6)	(87.2)	(189.8)
Other operating income and expenses	<u>33.0</u>	<u>(13.6)</u>	<u>113.0</u>
Operating income	1,051.5	(222.0)	791.8
Allocations	-	-	<u>(627.3)</u>
Income before tax	1,051.5	(222.0)	164.5
Estimated tax	<u>(233.5)</u>	<u>45.4</u>	<u>(30.8)</u>
Net income	818.0	(176.6)	133.7
Other comprehensive income			
<i>Items that will not be reclassified to income statement:</i>			
Remeasurement of defined-benefit pensions	-	-	<u>12.9</u>
<i>Items that may be reclassified subsequently to income statement</i>			
Exchange-rate differences on translation of foreign operations	<u>39.7</u>	<u>19.9</u>	<u>(3.2)</u>
Total comprehensive income for the period	857.7	(156.7)	143.4
Total net income attributable to Parent Company shareholders	818.0	(176.6)	133.7
Total comprehensive income attributable to Parent Company shareholders	857.7	156.7	143.4

CONSOLIDATED BALANCE SHEET

	June 30, 2016	June 30, 2015	Dec 31, 2015
Assets			
Intangible assets	5.0	7.8	6.4
Tangible assets	0.5	0.5	0.5
Financial assets	58,327.5	54,752.0	57,182.9
Current receivables	115,504.7	107,715.6	110,698.9
Marketable securities	6,107.2	5,761.8	3,163.8
Cash and cash equivalents	<u>3,517.1</u>	<u>4,918.4</u>	<u>7,965.6</u>
Total assets	183,462.0	173,156.1	179,018.1
Shareholders' equity and liabilities			
Shareholders' equity	16,816.2	15,658.4	15,958.5
Provisions	25.9	41.2	25.1
Non-current liabilities	59,115.4	68,059.5	59,882.1
Current liabilities	<u>107,504.5</u>	<u>89,397.0</u>	<u>103,152.4</u>
Total shareholders' equity and liabilities	183,462.0	173,156.1	179,018.1

CHANGE IN SHAREHOLDERS' EQUITY

Group	First six months 2016	First six months 2015	Full year 2015
Total equity at end of previous period	15,958.5	15,815.1	15,815.1
Net income for the period	818.0	(176.6)	133.7
<i>Other comprehensive income</i>			
Translation differences	<u>39.7</u>	<u>19.9</u>	<u>(3.2)</u>
Remeasurement of defined-benefit pensions	=	=	<u>12.9</u>
<i>Total comprehensive income for the period</i>	857.7	(156.7)	143.4
Total equity at end of period	16,816.2	15,658.4	15,958.5

PARENT COMPANY INCOME STATEMENT

	First six months 2016	First six months 2015	Full year 2015
Interest income	1,460.6	1,908.8	3,586.3
Interest expense	(1,094.9)	(1,477.6)	(2,485.6)
Financial instruments valued at fair value recognized in income statement	<u>476.3</u>	<u>(422.0)</u>	<u>(51.2)</u>
Net interest income	842.0	9.2	1,049.5
Net result of other financial transactions	<u>220.2</u>	<u>(155.1)</u>	<u>(267.1)</u>
Gross income	1,062.2	(145.9)	782.4
Administrative expenses	(74.7)	(76.0)	(165.5)
Other operating income and expenses	<u>34.3</u>	<u>(12.0)</u>	<u>114.8</u>
Operating income	1,021.8	(234.8)	731.7
Allocations	-	-	<u>(627.3)</u>
Income before tax	1,021.8	(234.8)	104.4
Estimated tax	<u>(224.8)</u>	<u>51.6</u>	<u>(20.5)</u>
Net income	797.0	(183.2)	83.9
Other comprehensive income	-	-	-
Total comprehensive income for the period	797.0	(183.2)	83.9

PARENT COMPANY BALANCE SHEET

	June 30, 2016	June 30, 2015	Dec 31, 2015
Assets			
Intangible assets	5.0	7.8	6.4
Tangible assets	0.4	0.4	0.4
Financial assets	58,059.0	54,705.9	57,040.5
Current receivables	111,553.7	104,661.2	107,420.8
Marketable securities	6,107.2	5,761.8	3,163.8
Cash and cash equivalents	<u>3,462.9</u>	<u>4,894.8</u>	<u>7,927.4</u>
Total assets	179,188.2	170,031.9	175,559.3
Shareholders' equity and liabilities			
Shareholders' equity	16,356.4	15,292.3	15,559.5
Provisions	2.2	4.1	1.4
Non-current liabilities	57,059.7	65,372.5	57,227.7
Current liabilities	<u>105,769.9</u>	<u>89,363.0</u>	<u>102,770.7</u>
Total shareholders' equity and liabilities	179,188.2	170,031.9	175,559.3

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, *Interim Financial Reporting* and the Swedish Annual Accounts Act. The accounting principles applied are described in the Volvo Treasury Group Annual Report 2015 note 1.

There are no new accounting policies applicable from 2016 that significantly affected the Volvo Treasury Group. From 1 January 2013 the Volvo Treasury Group adopted amendment to *IFRS 7 Financial instruments: Disclosures* and amendments to *IAS 19 Employee Benefits*.

RISKS AND UNCERTAINTIES

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favourable profitability. Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. The Volvo Treasury Group works continuously to identify, measure and manage risk, and in some cases the Volvo Treasury Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Volvo Treasury Group's control, the aim is to minimize the consequences. The risks to which the Volvo Treasury Group is exposed are mainly the category Financial risks – such as currency risk, interest risk, credit risk and liquidity risk. For a more elaborated account for these risks and the management of these, please refer to *note 22 – Financial risks and instruments* on pages 31-38 in the Volvo Treasury Group Annual Report 2015 and *note 4 – Goals and policies in financial risk management* on pages 116-121 in the Volvo Group Annual Report 2015.

COMMENTS CONSOLIDATED ACCOUNTS

Income before taxes for the first six months of 2016 amounted to SEK 1,051.5 M (-222.0). The market valuation of derivatives in accordance with IAS39 has affected income with SEK 463.2 M (-431.9).

During the first six months of 2016 and the same period last year there were no investments in intangible and tangible assets.

Cash and cash equivalents amounted to SEK 3,517.1 M, a decrease since year-end of SEK 4,448.5 M.

The average number of employees for the first six months was 37 (39).

Financial instruments reported at fair value through profit and loss consist of marketable securities as well as interest- and currency derivatives. Derivatives with positive fair values amounted to SEK 3,035.8 M and derivatives with negative fair values amounted to SEK 2,173.5 M. The derivatives are accounted for on gross-basis.

Financial liabilities valued at amortized cost, reported as current and non-current liabilities, amounted to SEK 58,712.3 M and SEK 40,577.5 M with a fair value of SEK 61,937.4 M and SEK 41,082.3 M. On the balance sheet, current and non-current liabilities included derivative contracts valued at fair value and financial liabilities valued at amortized cost. Further details regarding accounting principles or fair value and carrying amounts are presented in the Volvo Treasury Group Annual report 2015.

COMMENTS PARENT COMPANY

Interest income for the period amounted to SEK 1,460.6 M (1,908.8).

Income before taxes for the first six months of 2016 amounted to SEK 1,021.8 M (-234.8). The market valuation of derivatives in accordance with IAS39 has affected income with SEK 468.0 M (-433.1).

During the first six months of 2016 and the same period last year there were no investments in intangible and tangible assets.

Cash and cash equivalents amounted to SEK 3,462.9 M, a decrease since year-end of SEK 4,464.5 M.

The total holding of marketable securities at the end of June amounted to SEK 6,107.2 M, compared with SEK 3,163.8 M at year-end, an increase of SEK 2,943.4 M.

Financing is obtained both through loans to external and internal counterparties. The main part of the internal borrowing is obtained via cash pools. The total lending has increased with SEK 2,241.3 M since year-end.

The average number of employees for the first six months was 28 (30).

Financial instruments reported at fair value through profit and loss consist of marketable securities as well as interest- and currency derivatives. Derivatives with positive fair values amounted to SEK 2,995.9 M and derivatives with negative fair values amounted to SEK 2,137.0 M. The derivatives are accounted for on gross-basis.

Financial liabilities valued at amortized cost, reported as current and non-current liabilities, amounted to SEK 56,666.4 M and SEK 37,638.0 M with a fair value of SEK 59,879.0 M and SEK 38,132.2 M. On the balance sheet, current and non-current liabilities included derivative contracts valued at fair value and financial liabilities valued at amortized cost. Further details regarding accounting principles or fair value and carrying amounts are presented in the Volvo Treasury Group Annual report 2015.

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

Gothenburg, August 25, 2016

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Chairman of the board

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