

VOLVO TREASURY GROUP

INTERIM REPORT

January-June 2017

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

INTERIM REPORT JANUARY 1 – JUNE 30 2017

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.

Consolidated income statements

	First six months 2017	First six months 2016	Full Year 2016
Interest income	1,416.7	1,509.1	2,871.8
Interest expense	(1,079.5)	(1,103.4)	(2,101.0)
Financial instruments measured at FVTPL	(211.7)	471.6	285.1
Net interest income	125.5	877.3	1,055.9
Net result of other financial transactions	201.9	224.8	130.0
Gross income	327.4	1,102.1	1,185.9
Administrative expenses	(96.1)	(93.6)	(199.0)
Other operating income and expenses	47.7	43.0	94.2
Operating income	279.0	1,051.5	1,081.1
Allocations	-	-	(950.0)
Income before tax	279.0	1,051.5	131.1
Tax on income for the year	(65.3)	(233.5)	(25.1)
Net income	213.7	818.0	106.0
Other comprehensive income			
Net income	213.7	818.0	106.0
<i>Items that will not be reclassified to profit and loss:</i>			
Remasurement of defined-benefit pensions	-	-	(3.6)
<i>Items that may be subsequently reclassified to profit and loss:</i>			
Exchange differences on translation of foreign operations	(17.0)	39.7	41.8
Comprehensive income for the year	196.7	857.7	144.2
Total net income attributable to Parent Company shareholders	213.7	818.0	106.0
Total comprehensive income attributable to Parent Company shareholders	196.7	857.7	144.2

Consolidated balance sheet

	June 30, 2017	June 30, 2016	Dec. 31, 2016
ASSETS			
Intangible assets	2.3	5.0	3.7
Tangible assets	0.5	0.5	0.5
Financial assets	59,006.2	58,317.2	62,662.4
Deferred Taxes	13.0	10.2	11.7
Current receivables	108,630.7	115,504.7	105,429.1
Marketable securities	-	6,107.2	1,021.4
Cash and cash equivalents	14,364.9	3,517.2	10,670.4
TOTAL ASSETS	182,017.6	183,462.0	179,799.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16,299.4	16,816.2	16,102.7
Non-current provisions	32.7	25.9	36.4
Non-current liabilities	66,176.6	59,115.4	69,425.4
Current liabilities	99,508.9	107,504.5	94,234.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	182,017.6	183,462.0	179,799.2

Changes in shareholders' equity, Group

	First six months 2017	First six months 2016	Full Year 2016
Total equity at end of previous period	16,102.7	15,958.5	15,958.5
Net income for the period	213.7	818.0	106.0
<i>Other comprehensive income</i>			
Translation differences on foreign operations	(17.0)	39.7	41.8
Remasurement of defined-benefit pensions	-	-	(3.6)
<i>Total comprehensive income for the year</i>	196.7	857.7	144.2
Total equity at end of period	16,299.4	16,816.2	16,102.7

Parent Company income statements

	First six months 2017	First six months 2016	Full Year 2016
Interest income	1,354.5	1,460.6	2,766.5
Interest expense	(1,044.3)	(1,094.9)	(2,069.3)
Financial instruments at FVTPL	(207.7)	476.3	281.9
Net interest income	102.5	842.0	979.1
Net result of other financial transactions	195.2	220.2	117.0
Gross income	297.7	1,062.2	1,096.1
Administrative expenses	(84.5)	(84.3)	(175.0)
Other operating income and expenses	48.5	43.9	95.9
Operating income	261.7	1,021.8	1,017.0
Allocations	-	-	(950.0)
Income before tax	261.7	1,021.8	67.0
Tax on income for the year	(57.3)	(224.8)	(15.0)
Net income	204.4	797.0	52.0
Other comprehensive income	-	-	-
Total comprehensive income for the year	204.4	797.0	52.0

Parent Company balance sheet

	June 30, 2017	June 30, 2016	Dec. 31, 2016
ASSETS			
Intangible assets	2.3	5.0	3.7
Tangible assets	0.4	0.4	0.4
Financial assets	58,495.0	58,054.7	62,256.2
Deferred tax	4.7	4.3	4.7
Current receivables	103,873.3	111,553.7	100,504.5
Marketable securities	-	6,107.2	1,021.4
Cash and cash equivalents	14,352.5	3,462.9	10,654.0
TOTAL ASSETS	176,728.2	179,188.2	174,444.9
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	15,815.9	16,356.5	15,611.5
Non-current provisions	1.2	2.2	5.5
Non-current liabilities	62,473.1	57,059.7	66,880.8
Current liabilities	98,438.0	105,769.8	91,947.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	176,728.2	179,188.2	174,444.9

Changes in shareholders' equity, Parent Company

	First six months 2017	First six months 2016	Full Year 2016
Total equity at end of previous period	15,611.5	15,559.5	15,559.5
Net income for the period	204.4	797.0	52.0
<i>Other comprehensive income</i>	-	-	-
<i>Total comprehensive income for the year</i>	204.4	797.0	52.0
Total equity at end of period	15,815.9	16,356.5	15,611.5

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, *Interim Financial Reporting* and the Swedish Annual Accounts Act (1995:1554). The accounting principles applied are described in the Volvo Treasury Group Annual Report 2016 note 1.

When preparing the consolidated financial statements at June 30, 2017, no new accounting standards and interpretations published that were considered to potentially have a material impact on Volvo Treasury's financial statements.

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 Volvo Treasury Group's control, the aim is to minimize the consequences. The risks to which the Volvo Treasury Group is exposed mainly under the Financial risks category – 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 3 – Financial risks* on pages 21-25 in the Volvo Treasury Group Annual Report 2016 and *note 4 – Goals and policies in financial risk management* on pages 118-123 in the Volvo Group Annual Report 2016.

COMMENTS CONSOLIDATED ACCOUNTS

Income before taxes for the first six months of 2017 amounted to SEK 279 M (1,051.5).

The market valuation of derivatives has affected income with SEK 211.4 M (463.2).

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

Cash and cash equivalents amounted to SEK 14,364.9 M, an increase since year-end of SEK 3,694.5 M.

The average number of employees for the first six months was 41 (37).

Financial instruments reported at fair value through profit and loss consist of interest- and currency derivatives. Derivatives with positive fair values amounted to SEK 3,307.8 M and derivatives with negative fair values amounted to SEK 318.3 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 66,015.9 M respectively SEK 29,170.1 M with a fair value of SEK 68,894.7 M respectively SEK 29,222.5 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 2016.

COMMENTS PARENT COMPANY

Interest income for the period amounted to SEK 1,354.5 M (1,460.6).

Income before taxes for the first six months of 2017 amounted to SEK 261.7 M (1,021.8). The market valuation of derivatives in accordance with IAS39 has affected income with SEK -207.7 M (468.0).

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

At the end of the first six months there were no marketable securities; compared with the year end of 2016 the assets amounted to SEK 1,021.4 M.

Cash and cash equivalents amounted to SEK 14,352.5 M, a decrease since year-end of SEK 3,698.5 M.

The average number of employees for the first six months was 31 (28).

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 2,935.6 M since year-end.

Financial instruments reported at fair value through profit and loss consist of interest- and currency derivatives. Derivatives with positive fair values amounted to SEK 3,291.5 M and derivatives with negative fair values amounted to SEK 316.7 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 62,314.8 M respectively SEK 28,105.0 M with a fair value of SEK 65,184.3 M respectively SEK 28,155.5 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 2016.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the end of the second quarter 2017 that are expected to have a substantial effect on the Volvo Treasury Group.

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 28, 2017

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President

Chairman of the board

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