

VOLVO TREASURY GROUP

# INTERIM REPORT

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January-June 2019

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 2019

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<br>months<br>2019 | First six<br>months<br>2017 | Full Year<br>2018 |
|--|-----------------------------|-----------------------------|-------------------|
| Interest income  | 1.937,2                     | 1.406,5                     | 2.999,0           |
| Interest expense   | (1.556,9)                   | (1.162,3)                   | (2.512,1)         |
| Financial instruments measured at FVTPL                                | 54,5                        | (39,0)                      | (121,9)           |
| <b>Net interest income</b>   | <b>434,8</b>                | <b>125,5</b>                | <b>365,0</b>      |
| Net result of other financial transactions                             | (286,8)                     | (350,6)                     | (256,5)           |
| <b>Gross income</b>  | <b>148,1</b>                | <b>(145,4)</b>              | <b>108,4</b>      |
| Other operating income   | 60,5                        | 64,3                        | 130,9             |
| Administrative expenses  | (96,8)                      | (90,9)                      | (165,0)           |
| Other operating expenses   | (13,6)                      | (17,0)                      | (33,4)            |
| <b>Operating income</b>  | <b>98,1</b>                 | <b>(189,0)</b>              | <b>40,9</b>       |
| Tax on income for the year   | (25,2)                      | 37,5                        | (16,9)            |
| <b>Net income</b>  | <b>72,9</b>                 | <b>(151,5)</b>              | <b>24,0</b>       |
| <b>Other comprehensive income</b>                                      |                             |                             |                   |
| <b>Net income</b>  | <b>72,9</b>                 | <b>(151,5)</b>              | <b>24,0</b>       |
| <i>Items that will not be reclassified to profit and loss:</i>         |                             |                             |                   |
| Remeasurement of defined-benefit pensions                              | 0,5                         | (0,4)                       | (7,3)             |
| <i>Items that may be subsequently reclassified to profit and loss:</i> |                             |                             |                   |
| Exchange differences on translation of foreign operations              | 35,8                        | 48,4                        | 47,8              |
| <b>Comprehensive income for the year</b>                               | <b>109,2</b>                | <b>(103,5)</b>              | <b>64,5</b>       |
| Total net income attributable to Parent Company shareholders           | 72,9                        | (151,5)                     | 24,0              |
| Total comprehensive income attributable to Parent Company shareholders | 109,2                       | (103,5)                     | 64,5              |

## Consolidated balance sheet

|   | June 30, 2019    | June 30, 2018    | Dec. 31, 2018    |
|---|------------------|------------------|------------------|
| <b>ASSETS</b>                                     |                  |                  |                  |
| Intangible assets                                 | 0,0              | -                | 0,0              |
| Tangible assets                                   | 1,8              | 0,5              | 0,5              |
| Financial assets                                  | 64.794,2         | 66.527,5         | 71.641,8         |
| Tax assets  | 16,2             | 58,1             | 16,1             |
| Current receivables                               | 132.629,9        | 107.243,2        | 92.126,9         |
| Cash and cash equivalents                         | 25.977,1         | 22.328,1         | 32.800,3         |
| <b>TOTAL ASSETS</b>                               | <b>223.419,2</b> | <b>196.157,4</b> | <b>196.585,6</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |                  |                  |                  |
| Shareholders' equity                              | 16.407,9         | 16.060,2         | 16.299,1         |
| Non-current provisions                            | 47,1             | 42,9             | 0,0              |
| Non-current liabilities                           | 75.218,5         | 67.622,5         | 67.480,9         |
| Current liabilities                               | 131.745,7        | 112.431,8        | 112.805,6        |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> | <b>223.419,2</b> | <b>196.157,4</b> | <b>196.585,6</b> |

## Changes in shareholders' equity, Group

|  | First six months<br>2019 | First six months<br>2018 | Full Year<br>2018  |
|--|--------------------------|--------------------------|--------------------|
| <b>Total equity at end of previous period</b>                      | <b>16.299,1</b>          | <b>16.162,9</b>          | <b>16.162,9</b>    |
| Net income for the period  | 72,9                     | (151,5)                  | 24,0               |
| <b><i>Other comprehensive income</i></b>                           |                          |                          |                    |
| Translation differences on foreign operations                      | 35,8                     | 48,4                     | 47,8               |
| Remeasurement of defined-benefit pensions                          | 0,5                      | (0,4)                    | (7,3)              |
| <b><i>Total comprehensive income for the year</i></b>              | <b><i>109,2</i></b>      | <b><i>(103,5)</i></b>    | <b><i>64,5</i></b> |
| <b><i>Transactions with shareholders/related parties</i></b>       |                          |                          |                    |
| Group contributions granted and received                           | -                        | -                        | 92,0               |
| Tax effect of Group contributions granted and received             | -                        | -                        | (20,2)             |
| <b><i>Total transactions with shareholders/related parties</i></b> | <b><i>-</i></b>          | <b><i>-</i></b>          | <b><i>71,8</i></b> |
| <b>Total equity at end of the period</b>                           | <b>16.408,3</b>          | <b>16.059,4</b>          | <b>16.299,1</b>    |

**Parent Company income statements**

|  | <b>First six<br/>months<br/>2019</b> | <b>First six<br/>months<br/>2018</b> | <b>Full Year<br/>2018</b> |
|--|--------------------------------------|--------------------------------------|---------------------------|
| Interest income                            | 1.857,4                              | 1.355,3                              | 2.872,7                   |
| Interest expense                           | (1.505,5)                            | (1.131,6)                            | (2.432,4)                 |
| Financial instruments at FVTPL             | 65,7                                 | (35,5)                               | (115,2)                   |
| <b>Net interest income</b>                 | <b>417,6</b>                         | <b>188,2</b>                         | <b>325,1</b>              |
| Net result of other financial transactions | (287,3)                              | (359,3)                              | (266,1)                   |
| <b>Gross income</b>                        | <b>130,3</b>                         | <b>(171,1)</b>                       | <b>59,0</b>               |
| Other operating income                     | 61,5                                 | 64,3                                 | 130,8                     |
| Administrative expenses                    | (86,7)                               | (80,0)                               | (144,5)                   |
| Other operating expenses                   | (12,5)                               | (14,6)                               | (28,6)                    |
| <b>Operating income</b>                    | <b>92,6</b>                          | <b>(201,4)</b>                       | <b>16,7</b>               |
| Allocations                                | -                                    | -                                    | 92,0                      |
| <b>Earnings before taxes</b>               | <b>92,6</b>                          | <b>-201,4</b>                        | <b>108,7</b>              |
| Tax on income for the year                 | (19,8)                               | 43,9                                 | (24,6)                    |
| <b>Net income</b>                          | <b>72,8</b>                          | <b>(157,5)</b>                       | <b>84,2</b>               |
| <b>Other comprehensive income</b>          |                                      |                                      |                           |
| Total comprehensive income for the year    | 72,8                                 | (157,5)                              | 84,2                      |

## Parent Company balance sheet

|   | June 30, 2019    | June 30, 2018    | Dec. 31, 2018    |
|---|------------------|------------------|------------------|
| <b>ASSETS</b>                                     |                  |                  |                  |
| Intangible assets                                 | -                | 0,0              | 0,0              |
| Tangible assets                                   | 0,8              | 0,4              | 0,4              |
| Financial assets                                  | 64.327,9         | 65.999,7         | 71.155,8         |
| Tax assets  | 9,6              | 49,5             | 5,1              |
| Current receivables                               | 130.950,4        | 104.846,6        | 89.547,9         |
| Cash and cash equivalents                         | 25.962,2         | 22.320,7         | 32.781,5         |
| <b>TOTAL ASSETS</b>                               | <b>221.250,9</b> | <b>193.216,9</b> | <b>193.490,8</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |                  |                  |                  |
| Shareholders' equity                              | 15.820,2         | 15.505,8         | 15.747,5         |
| Provisions  | 1,2              | 1,5              | 0,0              |
| Non-current liabilities                           | 74.556,7         | 66.949,9         | 66.777,2         |
| Current liabilities                               | 130.872,8        | 110.759,7        | 110.966,1        |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> | <b>221.250,9</b> | <b>193.216,9</b> | <b>193.490,8</b> |

## Changes in shareholders' equity, Parent Company

|  | First six months<br>2019 | First six months<br>2018 | Full Year<br>2018 |
|--|--------------------------|--------------------------|-------------------|
| <b>Total equity at end of previous period</b>  | <b>15.747,5</b>          | <b>15.663,3</b>          | <b>15.663,3</b>   |
| Net income for the period                      | 72,8                     | (157,5)                  | 84,2              |
| <i>Other comprehensive income</i>              | -                        | -                        | -                 |
| <i>Total comprehensive income for the year</i> | <i>72,8</i>              | <i>(157,5)</i>           | <i>84,2</i>       |
| <b>Total equity at end of period</b>           | <b>15.820,2</b>          | <b>15.505,8</b>          | <b>15.747,5</b>   |

## 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 2017 note 1.

When preparing the consolidated financial statements at June 30, 2019 Volvo Treasury Group applies the following new accounting standard: IFRS9 Financial instruments. A description of the new accounting policies are presented in the Volvo Treasury Group Annual Report 2018.

## 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 20-25 in the Volvo Treasury Group Annual Report 2018 and *note 4 – Goals and policies in financial risk management* on pages 126-131 in the Volvo Group Annual Report 2017.

## COMMENTS CONSOLIDATED ACCOUNTS

The operating income for the first six months of 2019 amounted to SEK 98.1M (-189.0).

The market valuation of derivatives has affected income with SEK 54.5 M (-39.0).

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 25,977.1 M, a decrease since year-end of SEK 6,823.2 M.

The average number of employees for the first six months was 43 (41).

Financial instruments reported at fair value through profit and loss consist of interest- and currency derivatives. Derivatives with positive fair values amounted to SEK 3,218.0 M and derivatives with negative fair values amounted to SEK 965.0 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 73,542.8 M respectively SEK 34,308.5 M with a fair value of SEK 75,576.6 M respectively SEK 34,417.9 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 2018.

## **COMMENTS PARENT COMPANY**

Interest income for the period amounted to SEK 1,857.4 M (1,353.3).

Earning before tax for the first six months of 2019 amounted to SEK 92.6 M (-201.4).

The market valuation of derivatives in accordance with IAS39 has affected income with SEK -65.7 M (-35.5).

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 25,962.2 M, a decrease since year-end of SEK 6,819.3 M.

The average number of employees for the first six months was 32 (32).

Financing is obtained both through loans to external and internal counterparties. The main part of the internal borrowing is obtained through cash pools.

Financial instruments reported at fair value through profit and loss consist of interest- and currency derivatives. Derivatives with positive fair values amounted to SEK 3,070.6 M and derivatives with negative fair values amounted to SEK 2,144.0 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 72,897.2M respectively SEK 32,941.7 M with a fair value of SEK 74.928,7 M respectively SEK 33,045.5 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 2018.

**EVENTS AFTER THE BALANCE SHEET DATE**

No significant events have occurred after the end of the second quarter 2019 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 27, 2019

VOLVO TREASURY AB (publ)

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Thomas Lestin  
*President*

Frederik Ljungdahl  
*Chairman of the board*

[Ulf Rapp]

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Sune Martinsson