Annual Report and Consolidated Financial Statements for the 2015 fiscal year

The Board of Directors and the President of Volvo Treasury AB (publ), (556135-4449) hereby submit the following Annual Report and consolidated financial statements.

Content

This is a true and accurate translation of the original document
(Certified): James Dowling
James Dowling
Authorized Translator

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NR 850

Amounts are shown in millions of Swedish kronor (SEK M) unless otherwise stated. The amounts within parentheses refer to the preceding year.

Board of Directors' Report

Volvo Treasury AB (publ) is a wholly owned subsidiary of AB Volvo (publ) Gothenburg (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").

The Volvo Treasury Group is a unit within the Volvo Group that provides the Volvo Group with services related to treasury and cash management. All financial transactions with companies within the Volvo Group are carried out on market terms. Most of the financial transactions of the Volvo Group are conducted through the Volvo Treasury Group or one of the Volvo Group's other Treasury units in North America or Asia, which, jointly with the Volvo Treasury Group comprise the "Volvo Treasury Unit." The Volvo Treasury Unit is responsible for all interest-bearing assets and liabilities, foreign exchange, as well as funding operations within the Volvo Group. Consolidated financial management offers better potential to utilize the Volvo Group's financial assets and cash flow and professionally manage risks related to financial management.

The Volvo Treasury Group operations are carried out according to centrally determined risk mandates and limits designed to reduce the currency, interest-rate, credit and liquidity risks to which the Volvo Group is exposed. Risks are followed up, monitored and recognized regularly, usually on a daily basis. Mandates and limits are set by Volvo AB's Board of Directors, CFO or, in certain cases, by the CEO of Volvo Treasury AB. These risks and the manner in which they are managed are presented in more detail in Note 22 Financial risks and instruments.

Further description of financial risks and how the Volvo Group and the Volvo Treasury Unit manage them are presented in the Annual Report for the Volvo Group. See also the Annual Report for the Volvo Group regarding employee policies in the Volvo Group.

Corporate Governance Report

Volvo Treasury AB has prepared a Corporate Governance Report that is separate from the Report presented in the Annual Report, which can be found after the Annual Report in this document on pages 43-45.

Operations during 2015

Volvo Treasury Group – Summary

The Group's operating income by company is presented in the table below.

SEK M	2015	2014	2013	2012	2011
Volvo Treasury AB	731.7	1,863.3	855.9	1,122.6	1,618.0
Volvo Treasury Asia Ltd	60.1	40.1	61.7	59.1	32.0
Group total	**791.8**	**1,903.4**	**917.6**	**1,181.7**	**1,650.0**

During the year, net lending to Group companies within the Volvo Group decreased by approximately 5.5 billion. During the preceding year, net lending increased by approximately 9 billion.

Net interest income for the year amounted to SEK 1,141.3 M, compared with income of SEK 1,376.1 M for the preceding year. The Volvo Group reported a strong cash flow in 2015, which resulted in a decrease in the Volvo Treasury Group's financing activities to Group companies. However, the share of long-term borrowing increased, resulting in higher total interest income. The hybrid bond issued in December 2014 resulted in higher interest expenses, which were offset by a lower loan volume and lower market interest rates. Overall, this resulted in a reduction in interest expenses compared with the preceding year. For the Volvo Treasury Group, changes in market exchange rates resulted in a negative effect on the market values of financial derivatives, with an earnings impact of negative SEK 48.8 M compared with positive SEK 437.8 M in the preceding year. The earnings impact is included under Financial instruments measured at fair value through profit and loss (FVTPL).

The Volvo Group's hedging of commercial cash flows is managed by and recognized in Volvo Treasury AB and amounted to a negative impact of SEK 300 M (pos: 648), of which a positive SEK 119 M (1,078) was attributable to the hedging of the Volvo Group's acquisition of Dongfeng Commercial Vehicles, which was completed at the beginning of 2015. The effect of the hedge is included under Profit/loss from other financial transactions.

Income related to the issue of credit facilities to Volvo Financial Services amounted to SEK 125 M and is included under Other operating income and expenses.

Events after the close of the fiscal year

No events occurred after the close of the fiscal year that significantly affected the earnings or position of the Group or the Parent Company.

Proposed disposition of unappropriated earnings

The following earnings are at the disposal of the Annual General Meeting:

Retained earnings		14,875,546,108
Net income		83,940,051
	SEK	**14,959,486,159**

The Board of Directors and the President propose that the profit above be appropriated as follows:

To be carried forward	SEK	**14,959,486,159**

The prepared Annual Report states that a Group contribution totaling SEK 1,400.0 M was paid to AB Volvo, while a Group contribution totaling SEK 772.7 M was received from Sotrof AB.

Consolidated statement of comprehensive income

	Note	2015	2014
Interest income	3	3,692.5	3,580.5
Interest expense	4	(2,503.2)	(2,648.9)
Financial instruments measured at FVTPL	2, 22	(48.0)	444.5
Net interest income		**1,141.3**	**1,376.1**
Net result of other financial transactions	22	(272.7)	770.2
Gross income		**868.6**	**2,146.3**
Administrative expenses	5, 24	(189.8)	(227.7)
Other operating income and expenses		113.0	(15.2)
Operating income		**791.8**	**1,903.4**
Allocations	15	(627.3)	(1,638.0)
Income before tax		**164.5**	**265.4**
Tax on income for the year	6, 7	(30.8)	(55.8)
Net income		**133.7**	**209.6**

Other comprehensive income

		2015	2014
Net income		**133.7**	**209.6**
Items that will not be reclassified to profit and loss:			
Remasurement of defined-benefit pensions		12.9	(14.6)
Items that may be subsequently reclassified to profit and loss:			
Exchange-rate differences on translation of foreign operations		(3.2)	66.2
Comprehensive income for the year		**143.4**	**261.2**
Total net income attributable to Parent Company shareholders		133.7	209.6
Total comprehensive income attributable to Parent Company shareholders		143.4	261.2

Consolidated balance sheet

	Note	Dec. 31, 2015	Dec. 31, 2014
ASSETS			
Non-current assets			
Intangible assets			
Software development	8	6.4	9.2
Tangible assets			
Equipment	9	0.5	0.5
Financial assets			
Receivables from Group companies (within the Volvo Group)		56,171.4	42,437.0
Other long term receivables	11	1,011.5	1,520.0
Total financial assets		**57,182.9**	**43,957.0**
Total non-current assets		**57,189.8**	**43,966.7**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)		108,185.7	111,210.0
Other current receivables	12	2,513.2	2,521.4
Total current receivables		**110,698.9**	**113,731.4**
Marketable securities	13	**3,163.8**	**6,772.5**
Cash and cash equivalents	14	**7,965.6**	**14,434.6**
Total current assets		**121,828.3**	**134,938.5**
TOTAL ASSETS		**179,018.1**	**178,905.2**

	Note	Dec. 31, 2015	Dec. 31, 2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		500.0	500.0
Reserves		104.2	107.4
Retained earnings		15,220.6	14,998.1
Net income		133.7	209.6
Total shareholders' equity		**15,958.5**	**15,815.1**
Non-current provisions			
Provision for post-employment benefits	16	25.1	39.7
Other provisions		-	1.7
Total non-current provisions		**25.1**	**41.4**
Non-current liabilities	17, 21, 22		
Bond loans		47,775.7	68,877.3
Other liabilities to credit institutions		11,844.6	20,010.9
Other non-current liabilities		155.3	238.2
Liabilities to Group companies (within the Volvo Group)		106.5	1,221.4
Total non-current liabilities		**59,882.1**	**90,347.8**
Current liabilities			
Liabilities to credit institutions	18	34,859.6	21,697.9
Accounts payable – trade		3.4	4.0
Liabilities to Group companies (within the Volvo Group)		67,226.5	49,927.2
Other current liabilities	19	1,062.9	1,071.8
Total current liabilities		**103,152.4**	**72,700.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**179,018.1**	**178,905.2**

Changes in shareholders' equity, Group

	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
Balance at December 31, 2013	**500.0**	**41.2**	**15,012.7**	**15,553.9**
Net income for the year	-	-	209.6	209.6
Other comprehensive income				
Translation differences	-	66.2	-	66.2
Remasurement of defined-benefit pensions	-	-	(14.6)	(14.6)
Total comprehensive income for the year	-	***66.2***	***195.0***	***261.2***
Balance at December 31, 2014	**500.0**	**107.4**	**15,207.7**	**15,815.1**
Net income for the year	-	-	133.7	133.7
Other comprehensive income				
Translation differences	-	(3.2)	-	(3.2)
Remasurement of defined-benefit pensions	-	-	12.9	12.9
Total comprehensive income for the year	-	***(3.2)***	***146.6***	***143.4***
Balance at December 31, 2015	**500.0**	**104.2**	**15,354.3**	**15,958.5**

Consolidated cash-flow statement

ACTIVITIES DURING THE YEAR	**2015**	**2014**
Interest received	3,743.7	3,994.8
Interest paid	(2,336.6)	(3,313.3)
Income taxes paid	(41.5)	(52.1)
Payments to suppliers and employees	(74.7)	(236.3)
	1,290.9	**393.1**
Increase (-)/decrease (+) in short-term marketable securities	3,606.0	(4,341.3)
Increase (-)/decrease (+) in current receivables	(352.1)	137.8
Increase (+)/decrease (-) in current liabilities	(2.0)	0.8
Increase (-)/decrease (+) in lending to Group companies	(10,470.8)	(22,956.6)
Increase (+)/decrease (-) in borrowing from Group companies	17,400.6	8,161.0
Increase (-)/decrease (+) in long-term receivables	3.4	(5.0)
Cash-flow from operating activities	**11,476.0**	**(18,610.2)**
Capitalized development costs	-	-
Cash-flow from investing activities	**-**	**-**
Group contributions received	862.0	522.0
Group contributions granted	(2,500.0)	(1,100.0)
Issue of interest-bearing securities	21,196.0	56,839.3
Repayment of interest-bearing securities	(35,336.2)	(37,824.9)
Increase in other borrowing	11,686.0	17,567.0
Decrease in other borrowing	(13,850.9)	(16,782.2)
Cash-flow from financing activities	**(17,943.1)**	**19,221.2**
Cash-flow during the year	(6,467.1)	611.0
Cash and cash equivalents, January 1	14,434.6	13,821.4
Exchange-rate differences in cash and cash equivalents	(1.9)	2.2
Cash and cash equivalents, December 31	**7,965.6**	**14,434.6**

Total comprehensive income, Parent company

	Note	2015	2014
Interest income	3	3,586.3	3,524.8
Interest expense	4	(2,485.6)	(2,647.8)
Financial instruments valued at fair value recognized in income statement	2, 22	(51.2)	451.6
Net interest income		**1,049.5**	**1,328.6**
Net result of other financial transactions	22	(267.1)	758.4
Gross income		**782.4**	**2,087.0**
Administrative expenses	5, 24	(165.5)	(207.5)
Other operating income and expenses		114.8	(13.6)
Operating income		**731.7**	**1,865.9**
Allocations	15	-627.3	-1,638.0
Income before tax		**104.4**	**227.9**
Tax on income for the year	6, 7	(20.5)	(49.9)
Net income		**83.9**	**178.0**

Other comprehensive income

Total comprehensive income for the year		**83.9**	**178.0**

Balance sheet, Parent company

	Note	Dec. 31, 2015	Dec. 31, 2014
ASSETS			
Non-current assets			
Intangible assets			
Software development	8	6.4	9.2
Tangible assets			
Equipment	9	0.4	0.4
Financial assets			
Participations in subsidiaries	10	224.6	224.6
Receivables from Group companies (within the Volvo Group)		55,811.6	42,081.9
Other long term receivables	11	1,004.3	1,503.2
Total financial assets		**57,040.5**	**43,809.7**
Total non-current assets		**57,047.3**	**43,819.3**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)		104,930.4	109,051.9
Other current receivables	12	2,490.4	2,488.0
Total current receivables		**107,420.8**	**111,539.9**
Marketable securities	13	**3,163.8**	**6,772.5**
Cash and cash equivalents	14	**7,927.4**	**14,423.8**
Total current assets		**118,512.0**	**132,736.2**
TOTAL ASSETS		**175,559.3**	**176,555.5**

	Note	Dec. 31, 2015	Dec. 31, 2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital (5,000,000 Series A shares, per value SEK 100)		500.0	500.0
Legal reserves		100.0	100.0
Total restricted equity		**600.0**	**600.0**
Unrestricted equity			
Retained earnings brought forward		14,875.6	14,697.6
Net income		83.9	178.0
Total unrestricted equity		**14,959.5**	**14,875.6**
Total shareholders' equity		**15,559.5**	**15,475.6**
Non-current provisions			
Provision for post-employment benefits	16	1.4	2.8
Other provisions		-	1.7
Total non-current provisions		**1.4**	**4.5**
Non-current liabilities	17, 21, 22		
Bond loans		47,775.7	68,877.3
Other liabilities to credit institutions		9,195.1	16,747.8
Other non-current liabilities		150.4	229.6
Liabilities to Group companies (within the Volvo Group)		106.5	2,857.1
Total non-current liabilities		**57,227.7**	**88,711.8**
Current liabilities			
Liabilities to credit institutions	18	32,740.1	20,392.6
Accounts payable – trade		3.3	3.8
Liabilities to Group companies (within the Volvo Group)		68,980.6	50,914.1
Other current liabilities	19	1,046.7	1,053.1
Total current liabilities		**102,770.7**	**72,363.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**175,559.3**	**176,555.5**

Changes in shareholders' equity, Parent company

	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
Balance at December 31, 2013	**500.0**	**100.0**	**14,697.6**	**15,297.6**
Net income for the year	-	-	178.0	178.0
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	*178.0*	*178.0*
Balance at December 31, 2014	**500.0**	**100.0**	**14,875.6**	**15,475.6**
Net income for the year	-	-	83.9	83.9
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	*83.9*	*83.9*
Balance at December 31, 2015	**500.0**	**100.0**	**14,959.5**	**15,559.5**

Cash-flow statement, Parent company

ACTIVITIES DURING THE YEAR	2015	2014
Interest received	3,637.4	3,939.6
Interest paid	(2,316.5)	(3,314.2)
Income taxes paid	(25.5)	(42.3)
Payments to suppliers and employees	(52.3)	(217.4)
	1,243.1	**365.7**
Increase (-)/decrease (+) in short-term marketable securities	3,606.0	(4,341.3)
Increase (-)/decrease (+) in current receivables	(350.8)	103.3
Increase (+)/decrease (-) in current liabilities	(1.3)	2.4
Increase (-)/decrease (+) in lending to Group companies	(9,514.0)	(21,959.4)
Increase (+)/decrease (-) in borrowing from Group companies	16,422.6	5,555.8
Increase (-)/decrease (+) in long-term receivables	2.5	(5.0)
Cash-flow from operating activities	**11,408.1**	**(20,278.5)**
Capitalized development costs	-	0.0
Cash-flow from investing activities	**-**	**0.0**
Group contributions received	862.0	522.0
Group contributions granted	(2,500.0)	(1,100.0)
Issue of interest-bearing securities	21,196.0	56,839.3
Repayment of interest-bearing securities	(35,085.1)	(38,290.6)
Increase in other borrowing	10,294.9	16,731.1
Decrease in other borrowing	(12,672.3)	(13,767.2)
Cash-flow from financing activities	**(17,904.5)**	**20,934.6**
Cash-flow during the year	(6,496.4)	656.0
Cash and cash equivalents, January 1	14,423.8	13,767.8
Cash and cash equivalents, December 31	**7,927.4**	**14,423.8**

Notes – Group and Parent Company

Note 1 Accounting and valuation policies

The consolidated financial statements for Volvo Treasury AB and its subsidiary (Volvo Treasury) have been prepared in accordance with IFRS, International Financial Reporting Standards, issued by IASB, the International Accounting Standards Board, as adopted by the EU. The elements of IFRS that have not been adopted by the EU have no material impact on the annual report. This annual report is prepared in accordance with IAS 1 *Presentation of Financial Statements*, and in accordance with the Swedish Annual Accounts Act. The income statement has been adapted to provide a relevant presentation of the results of the operations. In addition, RFR 1 *Supplementary Rules for Groups* has been applied, issued by the Swedish Financial Reporting Board.

In the preparation of these financial statements, the company management has made certain estimates and assumptions that affect the carrying amounts of assets and liabilities, as well as contingent liabilities at the balance-sheet date and recognized income and expenses. The actual future outcome of certain transactions may differ from the estimated outcome when these financial statements were prepared. Any such differences will affect the financial statements for future accounting periods. See Note 2 for key sources of estimation uncertainty.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company and subsidiaries in which Volvo Treasury AB has a controlling influence. The consolidated financial statements have been prepared in accordance with the policies set forth in IFRS 10 *Consolidated Financial Statements*. Intra-Group transactions are eliminated.

Translation to Swedish kronor when consolidating companies using foreign currencies
Volvo Treasury AB's functional currency is Swedish kronor (SEK). The functional currency of each Group company is determined based on the primary economic environment in which it operates. The primary economic environment is normally the one in which the company primarily generates and expends cash and cash equivalents. In most cases, the functional currency is the currency of the country where the company is located. In preparing the consolidated financial statements, all items in the income statements of foreign subsidiaries are translated to Swedish kronor at average exchange rates. All assets and liabilities items in the balance sheet are translated at exchange rates at the respective year-ends (closing-day rate). The differences in consolidated shareholders' equity arising as a result of variations between closing-day exchange rates are recognized directly in shareholders' equity in the "provisions" category.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are measured at closing-day rates, in the individual Group companies and in the consolidated accounts. Translation differences arising in financial assets and liabilities are recognized in Profit/loss from other financial transactions.

Financial instruments used for hedging of exchange and interest risks are measured at fair value. Exchange-rate gains are recognized as receivables and exchange-rate losses are recognized as liabilities. Depending on the lifetime of the financial instrument, it is

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recognized as current or non-current in the balance sheet. The earnings effect from revaluation is recognized in Net result of other financial transactions.
The exchange rates used in the consolidated financial statements are as follows:

Country	Currency	Average rate 2015	Average rate 2014	As per Dec. 31 2015	As per Dec. 31 2014
Singapore	1 SGD	6.13388	5.41210	5.90800	5.90660

Interest income and interest expenses
Interest income pertains to accrued and realized interest on interest-bearing assets and investments. Interest expenses pertain to accrued and realized interest on interest-bearing liabilities and derivatives held to hedge loan receivables and financial liabilities.

Recognition of financial assets and liabilities
Financial assets that are managed within the framework of IAS 39 are classified as one of the following:

- Financial assets measured at FVTPL
- Financial assets held to maturity
- Loans and accounts receivable
- Available-for-sale financial assets

At present, Volvo Treasury has no financial assets classified in the following categories:

- Financial assets held to maturity
- Available-for sale financial assets

The buying and selling of financial assets and liabilities are recognized on the settlement date, and subsequent re-valuation between the contract date and the settlement date is recognized through profit and loss. A financial asset is derecognized from the balance sheet when all significant risks and benefits linked to the asset have been transferred to an external party. Financial liabilities are derecognized from the balance sheet when the obligation has been met, annulled or has ceased to exist.

Financial assets and liabilities measured at FVTPL
All of the Volvo Treasury's financial instruments that are measured at FVTPL are classified as held for trading. They comprise realized and unrealized interest gains and losses on current investments and derivative contracts held to hedge interest-bearing assets and investments, and unrealized interest gains and losses attributable to derivative contracts held to hedge loan receivables and financial liabilities. Financial instruments used to hedge currency risk in contracted commercial cash flows are also recognized under this category, as well as derivative instruments to hedge currency risk in the Volvo Group's financial assets and liabilities. Volvo Treasury has decided not to apply hedge accounting of these financial instruments and gains and losses on these are recognized through profit and loss. Current investments primarily comprise interest-bearing securities and are recognized in Note 13.

The fair value of assets and liabilities is determined based on applicable market prices when they exist. If market prices are unavailable, fair value is determined using various measurement techniques.

Financial instruments are classified based on the extent to which market data has been used in the calculation of fair value. All of Volvo Treasury's financial instruments that are measured at FVTPL are classified in accordance with level 2. The valuation of level 2 instruments is based on market conditions using observable market data existing at each balance-sheet date. Volvo Treasury has, in the first instance, used official rates or prices quoted in the capital markets. The starting point for the interest rate is the zero coupon curve for each currency, from which a present value computation is made of anticipated future cash flows. For foreign exchange contracts, the starting point is the forward surcharge based on the applicable spot rate for each currency and the future timing of the balance-sheet date. Based on the applicable forward rates, a present value computation is then made on the balance-sheet date. Transaction expenses are included in the assets' fair value, except in the cases in which value changes are recognized through profit and loss.

Loan receivables and accounts receivable
Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payment plans that are not traded in an active market. After initial recognition, loan receivables and accounts receivable are measured at amortized cost according to the effective interest method. Gains and losses are recognized through profit and loss when the loans or receivables are divested or impaired, as well as in pace with the accrued interested being recognized.

Financial liabilities measured at amortized cost
Financial liabilities other than derivatives are measured at amortized cost. Transaction costs in connection with raising financial liabilities are amortized over the loan's duration as a financial expense using the effective interest method.

Hedge accounting
Financial instruments used to hedge risks in financial assets and liabilities have, in accordance with IAS 39, been recognized at market value in the balance sheet. Under the complex rules in IAS 39, Volvo Treasury has chosen only to apply hedge accounting for financial instruments used to hedge interest and currency risks on loans for cases when it, after an individual assessment, is considered adequate from a risk perspective and when hedge accounting requirements are fulfilled. For 2015, hedge accounting (fair-value hedge) has only been applied for a loan of approximately EUR 1 billion raised in 2007. The changes in the fair value of the outstanding hedge instruments that are formally identified as fair-value hedges, together with any changes in the fair value attributable to the hedged risk on the hedged loan, are thus recognized through profit and loss.

Volvo Treasury regularly tests the effectiveness of hedging instruments. Hedging is considered to be effective when the nominal amount, term, dates for interest payments and payments of nominal amounts, and the basis for measuring interest rates are the same for the hedging instrument and the hedged item. If the hedging does not fulfill the criteria for hedge accounting, the adjustment of the carrying amount of the hedged item will be recognized through profit and loss over the remaining term.

Fluctuations in the market value of financial instruments entered into to manage risks in financial assets and liabilities for which hedge accounting is not applied, are charged against unrealized gains and losses in the income statement. For further information, see Note 22 Financial risks and instruments.

Valuation, depreciation, amortization and impairments of intangible and tangible fixed assets

Volvo Treasury recognizes intangible and tangible fixed assets at cost less depreciation. Depreciation is based on the historical cost of the assets, adjusted in appropriate cases by impairments, and estimated useful lives.

Depreciation periods

Capitalized development costs	5 years
Equipment	5 years

Pensions and similar commitments

Volvo Treasury applies IAS 19, *Employee Benefits*, for pensions and similar commitments. In accordance with IAS 19, actuarial calculations must be made for all defined-benefit plans in order to determine the present value of the Volvo Treasury Group's commitments pertaining to unvested benefits for current and former employees. The actuarial calculations are prepared annually and are based on actuarial assumptions that are determined close to the balance-sheet date. Changes in the present value of commitments due to revised actuarial assumptions and experience-based assumptions comprise remeasurements.

Provisions for pension benefits and similar commitments in Volvo Treasury Group's balance sheet correspond to the present value of the commitments at the balance-sheet date, less the fair value of plan assets. According to the revised IAS 19, the discount rate of interest is applied in calculating the net interest income/expense on the net pension liability (the asset). All changes in the net pension liability (the asset) are recognized as they occur, service costs and net interest expenses (revenue) are recognized in profit and loss, while remeasurements, such as actuarial gains and losses are recognized in other comprehensive income. The special employers' contribution is included in the pension liability. The special employers' contribution pertains to the Swedish plan.

For defined-contribution plans, premiums are expensed as incurred.

Income taxes

Tax on income for the year comprises current and deferred tax. Taxes are recognized through profit and loss, except when the tax relates to items recognized in other comprehensive income or directly in shareholders' equity. In such cases, the tax is also recognized in other comprehensive income and shareholders' equity.

Tax legislation in Sweden and other countries sometimes contains rules other than those identified in generally accepted accounting policies, with respect to the timing of taxation and measurement of certain commercial transactions. Deferred taxes are recognized for the differences that arise between the taxable value and carrying amount of assets and liabilities, so-called temporary differences, as well as on tax loss carryforwards. However, with regard to the measuring of deferred tax assets, that is, the value of future tax reductions, these items are recognized provided that it is probable that the amounts can be utilized against future taxable surplus.

Group contributions

Under certain circumstances, profits may be transferred in the form of Group contributions between companies within the same group. Contributions paid are normally a tax-deductible cost for the giver and taxable income for the receiver. Recognition of Group contributions is in accordance with the alternative rule in RFR2. Group contributions are recognized among Appropriations.

Cash-flow statement

The cash-flow statement is prepared in accordance with IAS 7 *Cash-flow statement*, applying the indirect method showing recognized changes in operating receivables and liabilities during the period. The cash-flow statements of foreign Group companies are translated at the average exchange rate.

Cash and cash equivalents include cash, bank balances, as well as current investments, with a maturity date within three months of the acquisition date. Other current investments comprise interest-bearing securities, with terms exceeding three months. However, these securities have high liquidity and can easily be converted to cash.

Segment reporting

Volvo Treasury's operations are conducted within a single line of business and consequently do not give rise to segment reporting. Geographically, the operations are conducted primarily in two countries – Sweden and Singapore. Since the operations in Singapore are limited in scope, segment reporting as per IFRS 8 *Operating Segments* is not applied. The Parent Company represents the Swedish operations. The difference between the Group and the Parent Company is mainly the Singaporean operations.

Share-related payments

Volvo Treasury applies IFRS 2 *Share-based Payments for share-based incentive programs*. IFRS 2 distinguishes between "cash-settled" and "equity-settled," in Volvo Treasury's case, shares in AB Volvo. Volvo Treasury AB's President and two senior executives of the Volvo Treasury Group are included in the Volvo Group's incentive program. The Volvo Group's program includes both cash and equity remuneration. The details of the program are presented in Note 27 of the Volvo Group's Annual Report. In addition to the cost of the program, the cost of social security contributions is also charged to the company.

New accounting policies in 2015

No new accounting policies applicable from 2015 had any material impact on the Volvo Treasury Group.

New accounting policies 2016 and later

When preparing the consolidated financial statements as of December 31, 2015, a number of standards and interpretations had been published, but have not yet come into effect. The following is a description of the effect of the future policy amendments that may have a significant impact on Volvo Treasury's financial statements.

IFRS 9 Financial instruments

IFRS 9 has been published in three parts: Classification and Measurement, Impairment and Hedge accounting, which will replace the current IAS 39. The Volvo Group is currently estimating the effects of IFRS 9. This review includes Volvo Treasury Group. The timing of compulsory application of IFRS 9 is January 1, 2018 and early adoption is permitted.

Parent Company
Volvo Treasury has adopted IAS 19 *Employee Benefits* in its financial reporting for the Group.

Note 2 Key sources of estimation uncertainty

Volvo Treasury's most important accounting policies are set out in Note 1, Accounting Policies and conform to IFRS as adopted by the EU. The preparation of Volvo Treasury's consolidated financial statements requires the use of a number of estimates and assumptions that may affect the recognized amounts of assets, liabilities and provisions at the date of the financial statements. In preparing these financial statements, Volvo Treasury had to make its best possible assessments of certain amounts included in the financial statements, giving due consideration to relevance and significance. The application of the accounting policies mentioned in Note 1 involves making a number of estimates and assumptions, but since future results are currently uncertain, these assessments may result in a difference between the actual outcome and these estimates. In accordance with IAS 1, the company must provide specific information about the accounting policies that may have a significant impact on the estimates and assumptions made and which, if actual results are different, may have a material impact on the financial statements. The accounting policies applied by Volvo Treasury that are deemed to meet these criteria are presented below.

Valuation of financial instruments

As presented in Note 1, Volvo Treasury applies IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 13, *Fair value measurement*. In accordance with IAS 39, all derivatives shall be recognized at fair value in the balance sheet and the method is also clarified in IFRS 13. In establishing the fair values of financial instruments, Volvo Treasury has primarily used official rates or prices quoted on the capital markets. In their absence, the measurement was made by discounting future cash flows at the market interest rate for each maturity. The starting point for the interest rate is the zero coupon curve for each currency, from which a present value computation is made of anticipated future cash flows. For foreign exchange contracts, the starting point is the forward surcharge based on the applicable spot rate for each currency and the future timing of balance-sheet date. Based on the applicable forward rates, a present value computation is then made on the balance-sheet date. All recognized fair values represent values that may not necessarily be realized. Note 22 describes the policy for matching assets and liabilities and how derivatives are used, and the sensitivity analyses for changes in the interest rates on the Company's cash and cash equivalents and liabilities for the Volvo Group's industrial segment.

Pensions and other similar commitments

Provisions and costs for post-employment benefits, mainly pensions and health-care benefits, are dependent on assumptions made in calculating the amounts. The appropriate assumptions and actuarial calculations are made separately for each country in which AB Volvo has operations. The assumptions include discount rates, health-care cost trends, inflation, salary growth, retirement rates, mortality rates and other factors. The actuarial assumptions are reviewed by the Volvo Group on an annual basis and modifications are made to them when deemed appropriate. The Volvo Treasury Group is included in this annual review. See Note 16 for applied assumptions in actuarial calculations.

Note 3 Interest income

	Group		Parent Company	
	2015	**2014**	**2015**	**2014**
Interest	3,692.5	3,580.5	3,586.3	3,524.8
Total	**3,692.5**	**3,580.5**	**3,586.3**	**3,524.8**

Of the above stated amount, SEK 3,666.1 M (3,493.2) pertains to interest received for the Group from other companies within the Volvo Group. The corresponding amounts for the Parent Company are SEK 3,560.1 M (3,437.8).

Note 4 Interest expense

	Group		Parent Company	
	2015	**2014**	**2015**	**2014**
Interest	2,503.2	2,648.9	2,485.6	2,647.8
Total	**2,503.2**	**2,648.9**	**2,485.6**	**2,647.8**

Of the above stated amount, SEK 217.0 M (488.4) pertains to interest expense for the Group from other companies within the Volvo Group. The corresponding amounts for the Parent Company are SEK 259.9 M (579.7).

Note 5 Administrative expenses

Salaries, other remuneration and social security expenses

	2015			2014		
	Salaries and remuneration	**Social security costs**	**of which pension costs**	**Salaries and remuneration**	**Social security costs**	**of which pension costs**
Parent Company	30.9	9.8	10.2	33.6	10.6	12.7
Subsidiaries	10.8	-	0.5	7.9	-	0.5
Group	**41.7**	**9.8**	**10.7**	**41.5**	**10.6**	**13.2**

Of the Parent Company's pension costs, SEK 0.9 M (0.8) pertains to the Board and President, outstanding pension commitments to these individuals amount to SEK 0.5 M (-). The corresponding amounts for the Group amounted to SEK 0.9 M (0.9) and SEK 0.5 M (-), respectively.

The cost of non-monetary benefits in the Group amounted to SEK 4.2 M (3.9), of which SEK 0.3 M (0.2) to the Board of Directors and the President. The cost of non-monetary benefits in the Parent Company amounted to SEK 0.6 M (0.9), of which SEK 0.1 M (0.1) to the Board of Directors and the President.

The 2011 Annual General Meeting for the Volvo Group resolved on a new long-term share-based incentive program for senior executives in the Volvo Group for the years 2011-2013. In 2015, some of the shares allocated in the 2011 and 2012 programs were issued to the participants. The cost for this program in 2015 amounted to SEK 0.5 M (0.6) for the Parent Company and SEK 0.7 M (0.7) for the Group. The 2014 Annual General Meeting resolved on a long-term share-based incentive program for the years 2014-2016. Further information about the incentive program is available in the Volvo Group's Annual Report under Note 27.

Salaries and other remuneration by country and among Board members, etc., and other employees

	2015			2014		
	Directors and President	of which bonuses, etc.	Other employees	Directors and President	of which bonuses, etc.	Other employees
Parent Company						
Sweden	3.5	1.2	27.5	3.1	0.9	30.6
Total in Parent Company	**3.5**	**1.2**	**27.5**	**3.1**	**0.9**	**30.6**
Subsidiaries, outside Sweden	2.8	1.0	8.0	2.1	0.6	5.8
Total subsidiaries	**2.8**	**1.0**	**8.0**	**2.1**	**0.6**	**5.8**
Group total	**6.3**	**2.2**	**35.5**	**5.2**	**1.5**	**36.4**

The Company's President has a notice of termination of six months on his own accord and a 12-month notice of termination from Volvo Treasury AB.

Depreciation/amortization

Depreciation/amortization of tangible and intangible fixed assets amounted to SEK 2.8 M (3.3) in the Group and to SEK 2.8 M (3.3) in the Parent Company.

Fees and other remuneration to auditors

The audit involves examination of the Annual Report and financial accounting and the administration by the Board of Directors and the President. Audit-related assignments mean other quality assurance services required by enactment, the Articles of Association, regulations or agreement. The amount includes fees for interim reviews. Tax services include both tax consultancy and tax compliance services. All other services are defined as other assignments.

PricewaterhouseCoopers	Group		Parent Company	
	2015	2014	2015	2014
Audit assignment	1.3	1.3	0.7	0.7
Audit related services	0.1	0.5	0.1	0.5
Tax services	0.1	0.5	-	-
Total	**1.5**	**2.3**	**0.8**	**1.2**

Note 6 Income tax

	Group		Parent Company	
	2015	2014	2015	2014
Current tax for the period	(33.6)	(58.1)	(23.1)	(50.4)
Adjustment of current tax for prior periods	2.3	(0.1)	2.3	(0.1)
Deferred tax arising or reversed during the period	0.5	2.3	0.3	0.6
Total	**(30.8)**	**(55.8)**	**(20.5)**	**(49.9)**

The main reasons for differences between tax according to current tax rate 22% (22%) and recognized income tax for the period are stated in the table below.

	Group		Parent Company	
	2015	2014	2015	2014
Income before taxes	**164.5**	**265.4**	**104.4**	**227.9**
Tax according to current tax rate	(36.2)	(58.4)	(23.0)	(50.1)
Difference due to different countries' tax rates	3.0	1.8	-	-
Other non-deductible expenses/income	0.7	1.9	0.1	0.4
Taxes related to prior year	2.2	(0.1)	2.2	(0.1)
Other, net	(0.5)	(1.0)	0.2	(0.1)
Total	**(30.8)**	**(55.8)**	**(20.5)**	**(49.9)**

Note 7 Deferred tax

During the year, the reversal (reversal) of deferred tax in the Group has reduced (reduced) the income tax in the consolidated income statement for the year by SEK 0.5 M (2.1). The corresponding change in deferred tax which was recognized in other comprehensive income was reversed (expensed) in the amount of a negative SEK 3.6 M (pos. 4.2).

Non-current receivables included deferred tax of SEK 10.2 M (13.3), of which temporary differences on provisions for pensions for the Group were the most significant and amounted to SEK 9.6 M (12.1).

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Note 8 Intangible assets

	Group		Parent Company	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Capitalized development costs				
Opening cost	20.5	20.5	20.5	20.5
Closing amortized cost	**20.5**	**20.5**	**20.5**	**20.5**
Opening accumulated amortization	(11.3)	(8.1)	(11.3)	(8.1)
Amortization for the year	(2.8)	(3.2)	(2.8)	(3.2)
Closing accumulated amortization according to plan	**(14.1)**	**(11.3)**	**(14.1)**	**(11.3)**
Closing residual value according to plan	**6.4**	**9.2**	**6.4**	**9.2**

Note 9 Tangible assets

	Group		Parent Company	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Equipment				
Opening cost	2.3	3.5	1.0	2.4
Sales and scrapping	-	(1.4)	-	(1.4)
Translation difference	(0.2)	0.2	-	-
Closing amortized cost	**2.1**	**2.3**	**1.0**	**1.0**
Opening accumulated depreciation	(1.8)	(2.9)	(0.6)	(1.9)
Sales and scrapping	-	1.4	-	1.4
Depreciation for the year	-	(0.1)	-	(0.1)
Translation difference	0.2	(0.2)	-	-
Closing accumulated depreciation according to plan	**(1.6)**	**(1.8)**	**(0.6)**	**(0.6)**
Closing residual value according to plan	**0.5**	**0.5**	**0.4**	**0.4**

Note 10 Financial assets

Participations in subsidiaries	Parent Company	
	Dec. 31, 2015	Dec. 31, 2014
Opening cost	224.6	224.6
Closing residual value according to plan	**224.6**	**224.6**

	Registered office in	Percentage holding	Voting share	No, of rights participations / shares	Carrying amount kSEK	Shareholder's equity kSEK
Volvo Treasury Asia Ltd	Singapore	100%	100%	20,025,000	224,608	368,100
Total					**224,608**	**368,100**

Note 11 Other non-current receivables

Other non-current receivables in the Group and Parent Company pertain, in all material respects, to unrealized results from derivatives entered into to hedge receivables and liabilities in foreign currencies.

Note 12 Other current receivables

	Group		Parent Company	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Tax assets	1.2	-	-	-
Accrued interest income and prepaid interest expenses	510.5	568.4	511.0	565.4
Other accrued income and prepaid expenses	88.8	116.4	88.6	115.4
Unrealized gains on derivative contracts	1,237.9	1,539.6	1,216.1	1,510.3
Other current receivables	674.8	297.1	674.7	296.8
Total	**2,513.2**	**2,521.4**	**2,490.4**	**2,488.0**

Note 13 Current investments

Current investments consist of interest-bearing securities, distributed as follows:

	Group		Parent Company	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Government securities	1,405.7	249.9	1,405.7	249.9
Banks and financial institutions	1,090.1	5,037.3	1,090.1	5,037.3
Real estate financial institutions	668.0	1,485.4	668.0	1,485.4
Total	**3,163.8**	**6,772.5**	**3,163.8**	**6,772.5**

Note 14 Cash and cash equivalents

	Group		Parent Company	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Cash in banks	6,777.0	14,434.6	6,738.6	14,423.8
Time deposits in banks	1,188.6	-	1,188.8	-
Total	**7,965.6**	**14,434.6**	**7,927.4**	**14,423.8**

Cash and cash equivalents in the Group and Parent Company at December 31, 2015, included SEK 0.3 M (0.3) that was not available for use.

Note 15 Group contributions

Group contributions of SEK 1,400.0 M (2,500.0) were paid to AB Volvo and SEK 772.7 M (862.0) was received from Sotrof AB.

Note 16 Provisions for pensions and similar commitments

Post-employment benefits, such as pensions and other remuneration are mainly settled by means of regular payments to independent authorities or bodies that assume pension commitments for employees through defined-contribution plans. The remaining portion is fulfilled through defined-benefit plans (applies only in Sweden), where the commitments remain within the Volvo Group or, in some cases, are transferred to pension trusts.

In the tables on the following page, disclosures are provided regarding the defined-benefit pension plan. Volvo recognizes the difference between outstanding commitments and the value of the managed assets in the balance sheet. The disclosures pertain to the assumptions applied in the actuarial calculations, recognized costs during the reporting period and the value of commitments and managed assets at the end of the period. In addition, changes in the value of commitments and managed assets during the period are specified. More information about the defined-benefit pension plan can be found in the 2015 Volvo Group Annual Report, Note 20, where information regarding investment strategy and risk management is presented.

Applicable assumptions for actuarial calculations (Sweden)	Dec. 31, 2015	Dec. 31, 2014
Discount rate	3.5	2.8
Expected salary increase	2.9	3.0
Inflation	1.5	1.5

Pension costs during the year	Dec. 31, 2015	Dec. 31, 2014
Current service costs	(2.8)	(1.5)
Interest costs	(2.1)	(2.0)
Interest income	1.0	1.3
Total pension costs for defined-benefit plans	**(3.9)**	**(2.2)**
Pension costs for defined-contribution plans	(6.3)	(10.4)
Total pension costs	**(10.2)**	**(12.6)**

The discount rate was determined based on mortgage bond interest rates.

Obligations in defined-benefit plans	**2015**	**2014**
Obligations at January 1	75.9	51.5
Defined-benefits earned during the year	2.8	1.5
Interest costs	2.1	2.0
Remeasurements		
-Effect of change in demographic assumptions	*(1.1)*	-
-Effect of changes in financial assumptions	*(13.2)*	*20.7*
-Effect of experience adjustments	*(1.2)*	*1.3*
Benefits paid	(0.4)	(0.5)
Obligations at December 31	**64.9**	**76.5**
Of which, funded defined-benefit plans	64.9	76.5

Fair value of plan assets in funded plans	**2015**	**2014**
Plan assets at January 1	36.2	31.0
Interest income	1.0	1.3
Remeasurements	1.1	2.4
Employer contribution	1.5	1.5
Plan assets at December 31	**39.8**	**36.2**

Net provisions for post-employment benefits

	Group	
	Dec. 31, 2015	**Dec. 31, 2014**
Funded status at December 31	25.1	39.7
Net provisions for post-employment benefits at December 31	**25.1**	**39.7**

	Parent company	
	Dec. 31, 2015	**Dec. 31, 2014**
Net present value of pension obligations	41.2	39.0
secured through		
The company's share of the net assets of the pension funds	39.8	36.2
Provisions for pensions	1.4	2.8
Pension obligations guaranteed by PRI	41.2	39.0

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Pension costs in the company during the year amounted SEK 7.2 M (10.1), of which the main portion comprised regular payments to independent bodies that administer pension plans.

The Volvo Group has a Group-wide pension foundation, Volvo Pension Foundation, to secure pension obligations under the ITP plan. During the year, the company made a payment of SEK 1.5 M (1.5) to the pension foundation. The assets accruing to the company in the pension foundation valued at market value were lower than the corresponding obligations in an amount of SEK 1.4 M (2.8). For this reason, a provision was recognized to cover the deficit.

Note 17 Non-current liabilities

Group Due date	Bond loans Dec. 31, 2015	Other liabilities to credit institutions Dec. 31, 2015	*Of which, derivative contracts* *Dec. 31, 2015*	Liabilities to companies in the Volvo Group Dec. 31, 2015
2017	21,596.0	6,054.0	*227.2*	0.8
2018	1,594.9	2,908.3	*61.4*	105.7
2019	7,749.9	2,836.8	*189.4*	-
2020	911.9	45.9	*45.9*	-
2021	-	-	-	-
2022-*	15,923.0	-0.4	*-0.4*	-
Total	**47,775.7**	**11,844.6**	***523.5***	**106.5**

Parent Company Due date	Bond loans Dec. 31, 2015	Other liabilities to credit institutions Dec. 31, 2015	*Of which, derivative contracts* *Dec. 31, 2015*	Liabilities to companies in the Volvo Group Dec. 31, 2015
2017	21,596.0	4,248.8	*227.2*	0.8
2018	1,594.9	2,838.3	*61.4*	105.7
2019	7,749.9	2,062.5	*189.4*	-
2020	911.9	45.9	*45.9*	-
2021	-	-	-	-
2022-*	15,923.0	-0.4	*-0.4*	-
Total	**47,775.7**	**9,195.1**	***523.5***	**106.5**

* The due date of the hybrid bond is 2075 and 2078.

Unrealized exchange-rate losses and market-value adjustment pertaining to derivative contracts with remaining maturities of more than one year are also recognized under non-current liabilities.

In 2014, AB Volvo issued a EUR 1.5 billion hybrid bond through Volvo Treasury AB with the aim of strengthening the Volvo Group's balance sheet and extending the maturity profile of the debt portfolio. The hybrid bond is recognized as a loan and is subordinated to other existing financial liabilities.

Granted but unutilized non-current credit facilities that may be utilized unconditionally amounted to SEK 39.7 billion at year-end. These facilities consisted of stand-by facilities for loans with varying maturities between 2016 and 2020. A fee is normally charged for the credit facilities that were granted, and is recognized through profit and loss under other financial income and expenses.

The following list shows the Group's and Parent Company's non-current liabilities in which the largest loans are distributed by currency and their carrying amounts. Information on loan terms pertains to the Group as of December 31, 2015. The loan terms for the Parent Company are contained in the ranges stated below.

Bond loans	Actual interest rate	Effective interest rate	Group		Parent company	
	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2015
EUR 2007-2014/2017-2078	0,33-5,04	0,33-5,04	34,524.9	44,061.8	34,524.9	44,061.8
SEK 2007-2015/2017-2019	0,26-3,39	0,26-3,39	12,557.4	23,562.3	12,557.4	23,562.3
USD 2013/2016	-	-	-	468.8	-	468.8
JPY 2014/2017	0.60	0.60	693.4	784.4	693.4	784.4
Total			**47,775.7**	**68,877.3**	**47,775.7**	**68,877.3**

Other liabilities to credit institution	Actual interest rate	Effective interest rate	Group		Parent company	
	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
JPY 2012-2015/2017-2019	0,44-0,99	0,44-0,99	9,087.1	10,669.6	6,657.8	7,725.3
USD 2008/2018	0.54	0.54	932.8	5,545.8	932.8	5,545.8
SEK 2007/2017	-	-	166.7	2,013.4	166.7	2,013.4
EUR 2012/2019	1.29	1.29	914.4	952.5	914.4	952.5
AUD 2015/2019	3.08	3.12	220.2	318.7	-	-
Derivatives			523.4	510.9	523.4	510.8
Total			**11,844.6**	**20,010.9**	**9,195.1**	**16,747.8**

The list below shows the currency distribution of the Group's and the Parent Company's long-term borrowing as at December 31, 2015, with consideration taken to currency derivatives (nominal amounts) linked to the non-current liabilities.

	Group				Parent Company		
	Loan	Derivative	Total		Loan	Derivative	Total
EUR	35,439.3	(22,373.7)	13,065.6	EUR	35,439.3	(22,589.5)	12,849.8
JPY	9,780.5	105.2	9,885.7	JPY	7,351.1	105.2	7,456.3
SEK	12,724.1	9,818.1	22,542.2	SEK	12,724.1	9,818.1	22,542.2
USD	932.9	6,801.7	7,734.6	USD	932.9	6,801.7	7,734.6
Others currencies	220.1	5,775.9	5,996.0	Others currencies	-	5,991.9	5,991.9
	59,096.9	**127.2**	**59,224.1**		**56,447.4**	**127.4**	**56,574.8**

Other non-current liabilities are recognized in the balance sheet under non-current liabilities and amounted to SEK 155.3 M (238.2) for the Group and SEK 150.4 M (229.6) for the Parent Company and, essentially, pertain to unrealized results from derivatives entered into to hedge receivables and liabilities in foreign currencies. This includes the market value of EURO bond loans attributable to hedge accounting, which is recognized net against the fair value of financial derivatives that hedge the risk. The fair value of the hedged risk amounted to SEK 616 M (1,032). The carrying amount for the loan attributable to hedge accounting was a negative SEK 611 M (neg: 1,022).

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Note 18 Current liabilities to credit institutions

	Group		Parent Company	
	Dec. 31, 2015	**Dec. 31, 2014**	**Dec. 31, 2015**	**Dec. 31, 2014**
Other loans	34,057.3	21,263.7	31,947.8	19,963.5
Unrealized exchange loss on derivative contracts	802.3	434.2	792.3	429.1
Total	**34,859.6**	**21,697.9**	**32,740.1**	**20,392.6**

Granted overdraft facilities amount to SEK 2,791.58 M (1,030.7) in the Group and SEK 912.0 M (1,015.1) in the Parent Company.

Note 19 Other current liabilities

	Group		Parent Company	
	Dec. 31, 2015	**Dec. 31, 2014**	**Dec. 31, 2015**	**Dec. 31, 2014**
Tax liability	1.6	7.3	(1.1)	1.0
Wages, salaries and tax-at-source	18.6	19.8	18.5	19.7
Accrued interest expenses and prepaid interest income	967.6	795.5	959.8	787.9
Accrued expenses and deferred income	9.6	10.7	5.8	6.9
Unrealized loss on derivative contracts	65.3	238.2	63.5	237.5
Other current liabilities	0.2	0.2	0.2	0.2
Total	**1,062.9**	**1,071.7**	**1,046.7**	**1,053.1**

Note 20 Pledged assets

	Group		Parent Company	
	Dec. 31, 2015	**Dec. 31, 2014**	**Dec. 31, 2015**	**Dec. 31, 2014**
For own obligations				
Nasdaq OMX	40.0	40.0	40.0	40.0
Total pledged assets	**40.0**	**40.0**	**40.0**	**40.0**

Note 21 Contingent liabilities

	Group		Parent Company	
	Dec. 31, 2015	**Dec. 31, 2014**	**Dec. 31, 2015**	**Dec. 31, 2014**
Contingent liabilities on behalf of other Group companies	457.2	476.2	457.2	476.2
Other contingent liabilities	0.6	0.8	0.6	0.8
Total contingent liabilities	**457.8**	**477.0**	**457.8**	**477.0**
Contingent liabilities received from other Group companies, which reduce net obligations	(457.2)	(476.2)	(457.2)	(476.2)
Total contingent liabilities, net	**0.6**	**0.8**	**0.6**	**0.8**

Note 22 Financial risks and instruments

Volvo Treasury is exposed, through its operations, to various financial risks. Group-wide policies, which are updated and established annually, provide the foundation for the management of these risks. Volvo Treasury conducts its operations within established risk mandates and limits. The following section describes the implication of different financial risks and the goals and policies involved in managing these risks. For further information, see Note 4, *Goals and policies regarding financial risk*, in the Volvo Group Annual Report. Volvo Treasury's accounting policies pertaining to financial instruments and hedge accounting are described in Note 1.

Currency risk

Financial currency exposure

The contents in the recognized balance sheet may be impacted by fluctuations in various exchange rates. Currency risks in Volvo Treasury's operations are related to changes in the value of loans and investments (financial currency exposure) and changes in the value of assets and liabilities in foreign subsidiaries (currency exposure of shareholders' equity). Loans and investments occur in different currencies, partly on the capital markets and partly with companies in the Volvo Group. Investments and borrowing occur mainly in SEK, EUR, USD and JPY. Different types of derivatives are used to minimize financial currency exposure. Using derivative instruments such as currency swaps and currency forwards enables Volvo Treasury to meet the borrowing and lending requirements of Group companies in different currencies, without increasing the Group's own risk.

In accordance with the Volvo Group's currency risk policy, Volvo Treasury uses currency derivatives to minimize the risk of currency effects on the Volvo Group's consolidated income. For commercial currency exposure in the Volvo Group, Volvo Treasury has a mandate to enter currency derivatives with external counterparties on behalf of the Volvo Group without entering corresponding contracts with Group companies (within the Volvo Group).

The Volvo Group hedges only contracted flows, of which the largest portion is realized within six months. Hedged flows occur mainly in SEK against USD and SEK against GBP.

If the USD or GBP rose 10 percent against the SEK from the rate at December 31, 2015, the market value of USD futures would be negatively affected in an amount of SEK 405 M and GBP futures would be affected negatively in an amount of SEK 166 M.

Outstanding derivatives hedging commercial currency risks Dec 31, 2015

Due date	**AUD/SEK**	**GBP/SEK**	**USD/SEK**	**Market value**
2016	17	126	477	
2017	9	10		
Total local currency	**26**	**136**	**477**	
Average contract rate	5.84	12.21	8.48	
Market value of forward contracts outstanding	**-3.0**	**30.9**	**73.6**	**101.5**

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Currency exposure of shareholders' equity
The consolidated value of assets and liabilities in foreign subsidiaries is influenced by exchange rates in conjunction with translation into Swedish kronor. Net assets in foreign subsidiaries amounted to SEK 369.0 M at year-end 2015. Net assets in foreign subsidiaries were not hedged through loans in foreign currencies, in line with the policy established by AB Volvo's Board of Directors.

Interest-rate risk
Interest-rate risk refers to the risk that changes in interest rates will influence the consolidated earnings and cash flow (cash-flow risk) or the fair value of financial assets and liabilities (price risk). Lending to the Volvo Group's customer finance operations involves a range of maturities and interest-fixing terms. This lending is financed through short and long-term borrowing via the capital markets at floating and fixed interest rates. Within the framework of established limits, financing must match lending in terms of maturities. Interest-fixing terms between borrowing and lending are matched through the use of such derivative instruments as interest-rate swaps, currency interest-rate swaps, forward contracts and standardized interest-rate forward contracts. Financial assets and liabilities related to the Volvo Group's customer finance operations are matched so as to minimize the exposure to cash-flow risk and price risk. For practical and business reasons, Volvo Treasury AB has a mandate to a match rate of 80%. At the end of 2015, this match rate was 91% (110%). An assumption that the market interest rates for all currencies were to suddenly rise one percentage point from the interest level at December 31, 2015, would have a positive effect of SEK 68 M on the market value of the portfolio. In addition, the interest change would have no material effect on Volvo Treasury's profit after net financial items over time.

Borrowing and lending from and to the industrial operations of the Volvo Group primarily takes place through the Volvo Group's accounts in various currencies. Volvo Treasury administrates the Volvo Group accounts, which implies that surpluses and deficits with respect to external banks are offset through short-term currency transactions and that any excess liquidity is invested in short-term and long-term money and capital markets.

Financing for the Volvo Group's industrial operations involves a fixed as well as a floating interest rate. Short and long-term borrowing is carried out via the capital markets and through bilateral loans. The use of such derivative instruments as interest-rate swaps and currency interest swaps creates an interest-fixing term corresponding between one to three months. After taking derivative instruments into account, the average interest rate at year-end on financing outstanding for the Volvo Group's industrial operations was 3.53%. If the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2015, the market value of financing for the Volvo Group's industrial operations would be affected positively by SEK 124 M.

Surplus liquidity within the Volvo Group is managed by Volvo Treasury AB. This management involves investment in bank accounts and in interest-bearing securities on the money and capital markets. At the end of 2015, the Volvo Treasury Group's interest-bearing assets mainly comprised cash and cash equivalents invested in interest-bearing securities with short maturities. The objective for cash and cash equivalents invested in interest-bearing securities is to achieve a return corresponding to a three-month fixed-income instrument. Taking derivatives into account, the average interest rate on these cash and cash equivalents at December 31, 2015, was nonexistent, due to the low interest rate level in Sweden. If the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2015, the market value of investments in the money and capital markets would be changed negatively by SEK 23 M.

As described above, the interest-fixing term is reduced in all financial assets and liabilities related to the industrial operations of the Volvo Group to a floating interest rate. If the market interest rates for all currencies suddenly rose one percentage point from the interest level at December 31, 2015, this would have no significant impact on Volvo Treasury's profit after net financial items over time.

It should be noted that the above assessment of profit-sensitivity with regard to changes in market interest rates ignores possible effects of short-term earnings effects arising since all derivatives are marked to market in profit and loss. Volvo Treasury's accounting policies as regards derivatives are described in Note 1.

The carrying amounts in the balance sheet, fair values and other specifications pertaining to derivative instruments used in the management of currency and interest-rate risks related to financial assets and liabilities are shown in the following tables.

Credit risks
Credit risks are defined as the risk that Volvo Treasury does not receive payments for recognized loans (commercial credit risk), that Volvo Treasury's investments are unable to be realized (financial credit risk) and that potential profit is not realized due to the counterparty not fulfilling its part of the contract when using derivative instruments (financial counterparty risk).

Volvo Treasury has no financial assets that are due for payment or impaired at year-end.

Financial credit risk
The Volvo Group's surplus liquidity is managed by Volvo Treasury and invested in the money and capital markets. All investments must meet the requirements of low credit risk and high liquidity. In accordance with Volvo's credit policy, counterparties for both investments and derivative transactions must have achieved a rating of A or better from one of the well-established credit rating institutions.

Commercial credit risk
Lending to companies within the Volvo Group complies with the limits established for the particular counterparty. Lending to Group companies is not considered to have any credit risk and no assets are therefore pledged for the receivables.

Financial counterparty risk
The use of derivative instruments leads to a counterparty risk, meaning a risk that the counterparty will not fulfill its part of the contract, implying that a potential profit will not be paid. Master netting agreements are signed with the various counterparties whenever possible, to reduce the exposure. The counterparty risk exposure of forward contracts is limited through daily, weekly or monthly cash transfers corresponding to changes in the value of open contracts. The counterparty exposure for derivative instruments is also reduced by netting contracts and liquidity transfers, so-called CSA agreements. The Volvo Treasury Group's gross exposure of derivatives with positive values (outside the Volvo Group) amounts to SEK 3,186 M (3,868). It comprises SEK 2,570 M (2,836) in derivatives on the asset side and derivatives of SEK 616 M (1,032), for fair value hedging, which is recognized net amount

liabilities. Through netting agreements and liquidity transfers, gross exposure was reduced 55% (60%) to SEK 1,448 M (1,565). The Volvo Group works actively with limits per counterparty to reduce risk for high net amounts toward individual counterparties. For further information regarding gross exposure per type of derivative instrument, see the adjacent tables on pages 34-37.

Liquidity risks

Liquidity risk is defined as the risk that Volvo Treasury would be unable to finance or refinance its assets or fulfill its payment obligations.

The Volvo Group endeavors is to maintain good financial preparedness by constantly maintaining liquid assets and credit facilities to provide for the anticipated liquidity requirements for between 12 and 18 months ahead, in the event that the Volvo Group does not have access to external capital markets. Volvo Treasury has reduced liquidity risks by diversifying its financing to various borrowing sources, retaining a good balance between short- and long-term borrowing and by securing borrowing preparedness through credit facilities, see also Note 17.

Some of Volvo Treasury's long-term loan agreements contain clauses stipulating a right for the lender to request early repayment following a change of the control of the company. It has been deemed necessary in certain cases to accept these conditions to receive financing on acceptable terms.

In 2014, AB Volvo issued a EUR 1.5 billion hybrid bond through Volvo Treasury AB with the aim of strengthening the Volvo Group's balance sheet and extending the maturity profile of the debt portfolio. The hybrid bond is recognized as a loan and has an average maturity of 61.6 years, and is subordinated to other existing financial liabilities.

The list below shows expected future cash flows including derivatives related to financial liabilities based on expected future market interest rates on the balance-sheet date and the foreign exchange rates on the balance-sheet date. Expected capital flow refers to receipts and payments of loans and derivatives. Expected interest flow is based on future market interest rates and pertains to receipts and payments of interest on loans and derivatives. The interest flow is recognized in the cash flow from operating activities. Future cash flows in foreign currency are based on the respective exchange rates on the balance-sheet date.

	Group					
	Capital flow			Interest flow		
	Loans	Derivatives (liability)	Derivatives (asset)	Loans*	Derivatives (liability)	Derivatives (asset)
2016	-34,056	-802	946	-1,794	-261	621
2017	-27,423	-227	351	-1,495	-165	617
2018	-4,442	-62	18	-957	-124	172
2019	-10,398	-189	20	-901	-115	89
2020	-912	-46	3	-718	-2	50
2021	-	-	1	-334	-	-9
2022-	-15,923	-	4	-844	-	1

	Parent Company					
	Capital flow			Interest flow		
	Loans	Derivatives (liability)	Derivatives (asset)	Loans*	Derivatives (liability)	Derivatives (asset)
2016	-31,948	-776	941	-1,743	-258	620
2017	-25,618	-227	352	-1,477	-163	618
2018	-4,371	-62	18	-948	-124	172
2019	-9,623	-189	20	-894	-115	89
2020	-912	-46	3	-718	-2	50
2021	-	-	1	-334	-	-9
2022-	-15,923	-	2	-845	-	-1

*Interest payments on the hybrid bond are included in the amount of SEK 3,857 M, which relates to the period up to and including the date the interest is reset for the first time.

Current liabilities to Group companies (within the Volvo Group) pertain to borrowing through group accounts, which are not included in capital flow 2015 in the list above.

Forward exchange contracts and option contracts outstanding for hedging of commercial currency risks within the Volvo Group

	Group			
	Dec. 31, 2015		Dec. 31, 2014	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Foreign exchange forward contracts				
- receivable position	5,235.4	141.8	6,936.0	119.3
- payable position	1,492.2	(40.3)	3,563.6	(166.9)
Total		**101.5**		**(47.6)**

	Parent Company			
	Dec. 31, 2015		Dec. 31, 2014	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Foreign exchange forward contracts				
- receivable position	5,235.4	141.8	6,936.0	119.3
- payable position	1,492.2	(40.3)	3,563.6	(166.9)
Total		**101.5**		**(47.6)**

Derivative instruments outstanding for hedging of currency and interest-rate risks related to financial assets and liabilities

	Group			
	Dec. 31, 2015		Dec. 31, 2014	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest-rate swaps				
- receivable position	78,878.4	2,468.1	80,146.7	3,768.7
- payable position	59,048.4	(1,281.9)	60,943.4	(1,034.5)
Interest-rate forwards and futures				
- payable position	-	(0.2)	-	(0.1)
Foreign exchange forward contracts				
- receivable position	36,811.0	640.6	7,673.4	540.6
- payable position	13,296.5	(267.0)	16,247.9	(184.6)
Options purchased, caps and floors				
- receivable position	627.3	4.6	1,787.5	64.8
- payable position	83.5	-	36.4	-
Options written, caps and floors				
- payable position	755.3	(2.7)	2,636.4	(70.8)
Total		**1,561.5**		**3,084.0**

	Parent Company			
	Dec. 31, 2015		Dec. 31, 2014	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest-rate swaps				
- receivable position	77,678.2	2,466.2	79,586.9	3,751.8
- payable position	56,567.6	(1,276.4)	57,459.9	(1,026.2)
Interest-rate forwards and futures				
- payable position	-	(0.2)	-	(0.1)
Foreign exchange forward contracts				
- receivable position	36,134.8	607.9	7,048.4	517.8
- payable position	12,672.8	(239.2)	15,642.0	(178.4)
Options purchased, caps and floors				
- receivable position	627.3	4.6	1,787.5	64.8
- payable position	83.5	-	36.4	-
Options written, caps and floors				
- payable position	755.3	(2.7)	2,636.4	(70.8)
Total		**1,560.2**		**3,059.1**

The nominal amount represents the gross amount of the contract. The contracts outstanding have been recognized at market value. All stated market values represent the calculated values that will not necessarily be realized. Volvo Treasury applies hedge accounting in the form of a fair-value hedge for a loan of EUR 1 billion borrowed during the second quarter of 2007. The fair value of the hedge instrument included in this hedge relation is recognized in the interest-rate swap category in the above table and amounted to SEK 616 M (1,032). The carrying amount of the loan related to hedge accounting amounted to a negative SEK 611 M (neg. 1,022).

Carrying amounts and market values of financial instruments

The carrying amounts and fair values of all of the Volvo Treasury Group's financial instruments are compared in the following tables.

	Group			
	Dec. 31, 2015		Dec. 31, 2014	
	Carrying amount	Fair value*	Carrying amount	Fair value*
Non-current receivables and loans	1,011.5	1,011.5	1,520.0	1,520.0
- of which, derivative instruments for which the value is also shown in preceding table	*1,001.3*	*1,001.3*	*1,506.7*	*1,506.7*
Current receivables and loans incl. Cash and cash equivalents	10,478.8	10,478.8	16,956.0	16,956.0
- of which, derivative instruments for which the value is also shown in preceding table	*1,638.0*	*1,638.0*	*1,955.0*	*1,955.0*
Marketable securities	3,163.8	3,163.8	6,772.5	6,772.5
Non-current liabilities and loans	(59,775.6)	(63,176.9)	(89,126.4)	(92,927.1)
*- of which, derivative instruments for which the value is also shown in preceding table***	*(67.0)*	*(67.0)*	*272.9*	*272.9*
Current liabilities and loans	(35,925.9)	(35,628.1)	(22,773.6)	(23,835.6)
- of which, derivative instruments for which the value is also shown in preceding table	*(909.3)*	*(909.3)*	*(698.5)*	*(698.5)*
Receivables from Group companies	164,357.1	167,536.7	153,647.0	155,024.3
- of which, derivative instruments for which the value is also shown in preceding table	-	-	-	-
Liabilities to Group companies	(67,333.0)	(67,340.6)	(51,148.6)	(51,210.2)
- of which, derivative instruments for which the value is also shown in preceding table	-	-	-	-

	Parent Company			
	Dec. 31, 2015		Dec. 31, 2014	
	Carrying amount	Fair value*	Carrying amount	Fair value*
Non-current receivables and loans	1,004.3	1,004.3	1,503.2	1,503.2
- of which, derivative instruments for which the value is also shown in preceding table	*1,000.2*	*1,000.2*	*1,499.3*	*1,499.3*
Current receivables and loans incl. Cash and cash equivalents	10,417.8	10,417.8	16,911.8	16,911.8
- of which, derivative instruments for which the value is also shown in preceding table	*1,616.9*	*1,616.9*	*1,922.8*	*1,922.8*
Marketable securities	3,163.8	3,163.8	6,772.5	6,772.5
Non-current liabilities and loans	(57,121.2)	(60,193.9)	(85,854.7)	(89,893.1)
*- of which, derivative instruments for which the value is also shown in preceding table***	*(62.3)*	*(62.3)*	*281.5*	*281.5*
Current liabilities and loans	(33,790.1)	(33,777.0)	(21,449.5)	(21,813.1)
- of which, derivative instruments for which the value is also shown in preceding table	*(893.1)*	*(893.1)*	*(692.1)*	*(692.1)*
Receivables from Group companies	160,742.0	163,943.3	151,133.8	152,491.3
- of which, derivative instruments for which the value is also shown in preceding table	-	-	-	-
Liabilities to Group companies	(69,087.1)	(69,121.6)	(53,771.2)	(53,894.2)
- of which, derivative instruments for which the value is also shown in preceding table	-	-	-	-

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* The credit risk is included in the market values of liabilities and borrowings, whereas the market value of liabilities to Group companies is calculated without taking into consideration credit risk.
** The item "Non-current liabilities and loans" includes the market valuation of loans attributable to hedge accounting, which are recognized net against the fair value of derivatives that hedge the risk. The fair value of the hedged risk amounted to SEK 616 M (1,032).

All derivatives and current investment are measured at FVTPL and classified in accordance with Level 2. All derivative instruments are recognized in the balance sheet.

Income, expenses, gains and losses related to financial instruments

The impact of gains and losses, as well as interest income and interest expense, on the Volvo Treasury Group's gross earnings for the various categories of the financial instruments is shown in the table below.

	Group							
	2015				2014			
	Gains / Losses	Interest income	Interest expense	Total net	Gains / Losses	Interest income	Interest expense	Total net
Financial assets and liabilities at FVTPL*								
Marketable securities	0.8	18.0	-	**18.8**	6.7	45.9	-	**52.6**
Loans and derivatives for financial exposure	(48.8)	(5.3)	(56.9)	**(111.0)**	437.8	(0.1)	178.3	**616.0**
Loans originated by the company	-	3,666.1	(217.0)	**3,449.1**	-	3,493.2	(488.4)	**3,004.8**
Cash and cash equivalents	-	13.6	-	**13.6**	-	41.6	-	**41.6**
Finacial liabilities valued at amortized cost	-	-	(2,229.2)	**(2,229.2)**	-	-	(2,338.8)	**(2,338.8)**
Effect on income/Interest net	**(48.0)**	**3,692.4**	**(2,503.1)**	**1,141.3**	**444.5**	**3,580.5**	**(2,648.9)**	**1,376.1**

	Parent company							
	2015				2014			
	Gains / Losses	Interest income	Interest expense	Total net	Gains / Losses	Interest income	Interest expense	Total net
Financial assets and liabilities at FVTPL*								
Marketable securities	0.8	18.0	-	**18.8**	6.7	45.9	-	**52.6**
Loans and derivatives for financial exposure	(52.0)	(5.3)	(51.9)	**(109.2)**	444.9	(0.1)	179.0	**623.7**
Loans originated by the company	-	3,560.1	(259.9)	**3,300.2**	-	3,437.8	(579.7)	**2,858.1**
Cash and cash equivalents	-	13.4	-	**13.4**	-	41.2	-	**41.2**
Finacial liabilities valued at amortized cost	-	-	(2,173.7)	**(2,173.7)**	-	-	(2,247.0)	**(2,247.0)**
Effect on income/Interest net	**(51.2)**	**3,586.2**	**(2,485.5)**	**1,049.5**	**451.6**	**3,524.7**	**(2,647.7)**	**1,328.6**

* Accrued and realized interest is included in gains and losses related to financial assets and liabilities measured at FVTPL.

Recognized gains and losses from exchange-rate effects*

	Group		Parent company	
	2015	**2014**	**2015**	**2014**
Derivative instruments**	(345.2)	1,517.8	(302.9)	1,493.9
Loans originated by the company and financial liabilities valued at amortized cost	72.5	(747.6)	35.8	(735.5)
Net effect	**(272.7)**	**770.2**	**(267.1)**	**758.4**

* Gains and losses from exchange-rate effects are recognized on the line "Results from other financial transactions" in the statement of comprehensive income.
** The recognized loss is primarily attributable to derivatives that hedge commercial cash flows totaling negative SEK 300 M (pos: 648), of which SEK 119 M (1,078) was attributable to hedging of the Volvo Group's acquisition of Dongfeng Commercial Vehicles.

Note 23 Information about the Parent Company

The Parent Company of the Group of which Volvo Treasury AB is a subsidiary and for which the consolidated accounts are prepared is AB Volvo (publ) (556012-5790), with its registered office in Gothenburg, Sweden.

Note 24 Operational leasing

Future lease payments pertaining to non-cancelable leasing contracts at year-end amounted to SEK 2.5 M (2.3) for the Group and SEK 0.9 M (0.9) for the Parent Company. Leasing expenses for the year amounted to SEK 2.7 M (2.4) for the Group and SEK 0.9 M (0.7) for the Parent Company.

Future lease payments for operational leasing are distributed as follows:

	Group	**Parent Company**
2016	1.6	0.6
2017-2022	0.9	0.3
Total	**2.5**	**0.9**

Note 25 Average numbers of employees

	2015		**2014**	
	No. of employees	**of whom, men**	**No. of employees**	**of whom, men**
Parent Company				
Gothenburg	30	20	35	22
Total	**30**	**20**	**35**	**22**
Subsidiaries outside Sweden				
Singapore	9	4	8	4
Total	**9**	**4**	**8**	**4**
Group total	**39**	**24**	**43**	**26**

Note 26 Board members and other senior executives

	Dec. 31, 2015			
Parent Company	**No. of Board members***	**of whom, men**	**No. of senior executives***	**of whom, men**
Sweden	4	4	4	4
Total	**4**	**4**	**4**	**4**
Subsidiaries outside Sweden				
Singapore	3	3	3	1
Australia	4	4	1	1
Total	**7**	**7**	**4**	**2**
Group total	**11**	**11**	**8**	**6**

* The same persons are to a certain extent represented in the figures for the different companies. Excluding this aspect, the total number of Board members is eight (of whom eight are men) and the number of senior executives is seven (of whom five are men).

Note 27 Transactions with related parties

All financial transactions with companies within the Volvo Group are carried out on market terms.

Receivables and liabilities outstanding to companies within the Volvo Group are shown in the balance sheet. Revenues and expenses attributable to companies within the Volvo Group are shown in Notes 3 and 4. The Group's income statements and balance sheets will be presented to the Annual General Meeting for approval.

The Board of Directors and the President certify that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards, (IFRS), as adopted by the EU and present a true and fair view of the Group's position and earnings. The Annual Report was prepared in accordance with generally accepted accounting practice and presents a true and fair view of the Parent Company's financial position and earnings.

The Board of Directors' Report for the Group and Parent Company gives a fair review of the development of the business, position and earnings for the Group and Parent Company, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Gothenburg, April 26, 2016

Ulf Niklasson
President

Anders Osberg
Chairman

Rune Alsterholm

Ulf Rapp

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Our auditors' report was submitted on April 27, 2016
PricewaterhouseCoopers AB

Peter Clemedtsson
Authorized Public Accountant

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Auditors' report

To the annual general meeting of the shareholders of Volvo Treasury AB (publ), Corporate Registration Number 556135-4449

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Volvo Treasury AB for the year 2015.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts
The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material

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respects, the financial position of the group as of December 31, 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Volvo Treasury AB for the year 2015.

Responsibilities of the Board of Directors and the President
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Gothenburg, April 27, 2016
PricewaterhouseCoopers AB

Peter Clemedtsson
Authorized Public Accountant

AV KAMMARKOLLEGIET AUKTORISERAD REVISOR * NR 850 *

Corporate Governance Report

Volvo Treasury AB (publ) has issued debt securities which are listed and thereby it is required to prepare a corporate governance report in accordance with the Annual Accounts Act.

AB Volvo (publ) owns 100% of the shares of Volvo Treasury AB (publ) and therefore holds all the voting rights in the company.

Internal control over financial reporting
The Volvo Treasury Group's system for internal control and risk management in connection with the financial reporting is designed in accordance with the Volvo Group's policies and guidelines. The following text describes how the internal control is organized within the Volvo Group in general and within the Volvo Treasury Group specifically with regard to financial reporting.

Introduction
The Volvo Group primarily applies internal control principles introduced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Volvo Group has a specific function for internal control, which aims to provide support for management groups within the business areas and Group functions that will allow them to continuously provide good and improved internal controls relating to financial reporting. Work conducted through this function is based primarily on a methodology that aims to ensure compliance with directives and guidelines, and to create good prerequisites for specific control activities in key processes related to financial reporting. The Audit Committee is informed of the result of the work performed by the Internal Control function within the Volvo Group with regard to risks, control activities and monitoring the financial reporting.

The Volvo Group also has an Internal Audit function with the primary task of independently ensuring that companies in the Group comply with the principles and rules that are stated in the Group's directives, guidelines and instructions for financial reporting. The Head of the Internal Audit function reports directly to the CEO, the Group's General Counsel and to the Audit Committee of the Board of AB Volvo.

Control environment
Fundamental to the Volvo Group's control environment is the corporate culture that is established within the Group, in which managers and employees operate. The Volvo Group works actively on communication and training pertaining to the company's core values as described in The Volvo Way, an internal document concerning Volvo's corporate culture, and the Group's Code of Conduct, to ensure that good morals, ethics and integrity permeate the organization.

The foundation of the internal control process relating to the financial reporting is built up around the Group's directives, guidelines and instructions, as well as the responsibility and authority structure that have been adapted to the Group's organization to create and maintain a satisfactory control environment. The principles for Volvo's internal controls, as well as directives and guidelines for the financial reporting are contained in Volvo Financial Policies & Procedures (FPP), a publication that contains all the Group's important instructions, rules and principles.

Risk assessment

Risks relating to the financial reporting are evaluated and monitored by the Board of Directors through its Audit Committee, inter alia by identifying the types of risks that could typically be considered as material and where they would typically occur. The annual evaluation of internal control activities conducted by the Internal Control and Internal Audit functions, are based on a risk-based model. The evaluation of the risk that errors may appear in the financial reporting is based on a number of criteria. Complicated accounting policies could, for example, mean that the financial reporting risks being inaccurate for those items that are covered by such policies. Valuation of a particular asset or liability according to various evaluation criteria could also constitute a risk. The same applies for complicated and/or changed business circumstances.

Control activities

The Boards of Directors and Audit Committees for AB Volvo and Volvo Treasury AB constitute the overall supervisory body for the internal control. Several control activities are applied in the ongoing business processes to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected. Control activities range from review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting. Responsibility for control activities in the financial processes are appropriate and in accordance with the Group's guidelines and instructions are coordinated in the Group's financial reporting function. The Group's shared service center is also responsible for the application of the control activities which include the responsibility to design the authority structures in accordance with good internal control so that one person cannot perform an activity and then perform the control of the same activity. Control activities within IT security and maintenance are also a key part of Volvo Group's internal control over financial reporting.

Information and communication

Guidelines and instructions relating to the financial reporting are updated and communicated on a regular basis from the Volvo Group's management to all employees concerned. The Volvo Group accounting department holds a direct operative responsibility for ongoing financial accounting which is aimed at ensuring a uniform application of the Group's guidelines, policies and instructions for the financial reporting and at identifying and communicating shortcomings and areas of improvement in the processes for financial reporting.

Monitoring

Ongoing responsibility for following up the Volvo Treasury Group's internal control rests with the Volvo Treasury management group and controller functions in cooperation with the Volvo Group shared service function. In addition, the Internal Audit and the Internal Control functions of the Volvo Group conduct review and follow-up in accordance with what is described in the introduction of this report. More specifically, the Internal Control function runs and coordinates evaluation activities through the Volvo Group Internal Control Program, which aims to systematically evaluate the quality of the internal control over financial reporting on a yearly basis. An evaluation plan is established annually and presented to the Audit Committee. This evaluation program comprises three main areas:

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1. Group-wide controls
Self-assessment procedure carried out by management teams at business area/Group-function levels as well as company level. The areas evaluated are mainly compliance with the Group's financial directives and policies found in the FPP, as well as The Volvo Way and the Group's Code of Conduct.

2. Process controls at transaction levels
Processes related to the financial reporting are evaluated by testing of routines/controls based on a framework for internal control of financial reporting, VICS – Volvo Internal Control Standards. The framework focuses on the financial reporting areas deemed to have a relatively higher risk for potential errors due to complicated accounting policies and/or complicated/changed business operations, etc.

3. General IT controls
Processes for maintenance, development and authorization management pertaining to financial applications are evaluated by testing routines/controls.

The results of the evaluation activities are reported to the managements and Audit Committees of the Volvo Group and Volvo Treasury AB.

Gothenburg, April 26, 2016

Volvo Treasury AB (publ)

Board of Directors

Auditor's report on the Corporate Governance Report
To the annual meeting of the shareholders of Volvo Treasury AB (publ), Corporate Registration Number 556135-4449

Engagement and responsibility

We have audited the Corporate Governance Report for 2015 on pages 43-45. It is the Board of Directors who is responsible for the Corporate Governance Report and that it has been prepared in accordance with the Annual Accounts Act. Our responsibility is to express an opinion on the Corporate Governance Report based on our audit.

Focus and scope of the audit

We conducted our audit in accordance with FAR's auditing standard RevU 16 The Auditor's Examination of the Corporate Governance Report. That standard requires that we have planned and performed the audit to obtain reasonable assurance that the Corporate Governance Report is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the information included in the Corporate Governance Report. We believe that our audit procedures provide a reasonable basis for our opinion set out below.

Opinions
In our opinion, the Corporate Governance Report has been prepared and is consistent with the annual accounts and the consolidated accounts.

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 850 *

Gothenburg, April 27, 2016

PricewaterhouseCoopers AB

Peter Clemedtsson
Authorized Public Accountant