Annual Report and Consolidated Financial Statements for the 2017 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): ....
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

All 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").

Volvo Treasury AB is a unit within the Group function, Volvo Group Treasury. Volvo Group Treasury is responsible for the Volvo Group's borrowing and operational financial risk management, including external banking relations. Volvo Group Treasury is also responsible for ensuring and developing an efficient financial infrastructure for the Volvo Group's operations. Most of the Volvo Group's financial transactions are conducted through Volvo Treasury Group or one of the Volvo Group's other treasury entities in America or Asia. All financial transactions in Volvo Treasury Group, and between Volvo Treasury Group and other companies within the Volvo Group, are carried out on market terms.

Mandates and limits for Volvo Group Treasury's management, monitoring and reporting of operational financial risks are set by the Board and CFO of the Volvo Group or in certain cases by the Senior Vice President, Group Treasury & Corporate Finance. A more detailed description of these risks and the manner in which they are managed is presented in Note 3 Financial risks below, and in the Volvo Group's Annual Report. See also the Annual Report for the Volvo Group for information on employee policies.

Corporate Governance Report

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

Operations during 2017

Volvo Treasury Group — Summary

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

	2017	2016	2015	2014	2013
Volvo Treasury AB	472.1	1,010.3	728.3	1,863.3	855.9
Volvo Treasury Asia Ltd	42.5	70.8	63.5	40.1	61.7
Group total	**514.6**	**1,081.1**	**791.8**	**1,903.4**	**917.6**

During the year, net lending to companies within the Volvo Group decreased SEK 18.8 billion compared with the preceding year, when net lending increased SEK 7.9 billion. Volvo Treasury Group decreased borrowing in the external bond market by SEK 6.1 billion as a result of the Volvo Group's lower funding need.

Net interest income for the year amounted to SEK 330.0 M, compared with income of SEK 1,055.9 M for the preceding year. The SEK 725.9 M decrease was attributable to a decline of SEK 179.0 M in interest income from companies in the Volvo Group and a SEK 546.9 M decrease in the market value of financial derivatives which were negatively impacted by higher market interest rates, primarily for EUR. The earnings impact of the market valuation of financial derivatives is included under the item, Financial instruments measured at fair value through profit and loss.

The Volvo Group's hedging of commercial cash flows is managed by and reported in Volvo Treasury Group, and earnings amounted to SEK 217 M. The effect of the hedge is included under Other financial income and expenses.

Income derived from loan commitments issued to Volvo Financial Services totaled SEK 123 M and were included under the item Other operating income. Costs derived from issued loan commitments were included under the Administrative expenses item.

The prepared Annual Report states that a Group contribution totaling SEK 700.0 M was paid to AB Volvo, while a Group contribution totaling SEK 291.0 M was received from Sotrof AB.

Proposed disposition of unappropriated earnings

According to the balance sheet of Volvo Treasury AB's Parent Company, the Annual General Meeting has at its disposal the following earnings of SEK 15,063.2 M. The Board of Directors and the CEO propose that the above earnings of SEK 15,063.2 M be carried forward. Read more in Note 32, Proposed disposition of unappropriated earnings.

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

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Consolidated statement of comprehensive income

	Note	2017	2016 Recalculated*
Interest income	4	2,753.2	2,871.8
Interest expense	5	(2,161.4)	(2,101.0)
Financial instruments measured at FVTPL	3,26	(261.8)	285.1
Net interest income		**330.0**	**1,055.9**
Other financial income and expenses	6,26	291.8	130.0
Gross income		**621.8**	**1,185.9**
Other operating income		126.2	123.3
Administrative expenses	7,8,9	(201.6)	(199.0)
Other operating expenses		(31.8)	(29.1)
Operating income		**514.6**	**1,081.1**
Tax on income for the year	10	(113.3)	(234.1)
Net income		**401.3**	**847.0**

Other comprehensive income

	2017	2016 Recalculated*
Net income	**401.3**	**847.0**
Items that will not be reclassified to profit and loss:		
Remasurement of defined-benefit pensions	(6.5)	(3.6)
Items that may be subsequently reclassified to profit and loss:		
Exchange-rate differences on translation of foreign operations	(15.6)	41.8
Comprehensive income for the year	**379.2**	**885.2**
Total net income attributable to Parent Company shareholders	401.3	847.0
Total comprehensive income attributable to Parent Company shareholders	379.2	885.2

*See note 29 for details regarding recalculation

This is a true and accurate translation of the original document
(Certified): ....
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
* NR 862 *

Consolidated balance sheet

	Note	Dec. 31, 2017	Dec. 31, 2016 Recalculated*
ASSETS			
Non-current assets			
Intangible assets			
Software development	11	0.9	3.7
Tangible assets			
Equipment	12	0.5	0.5
Financial assets			
Receivables from Group companies (within the Volvo Group)	26,28	61,808.2	61,125.2
Other long term receivables	14	2,587.3	1,537.2
Total financial assets		**64,395.5**	**62,662.4**
Deferred Taxes	10	**14.7**	**11.7**
Total non-current assets		**64,411.6**	**62,678.3**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	26,28	97,198.0	103,569.9
Tax assets	10	1.2	0.7
Other current receivables	15	1,410.9	1,858.5
Total current receivables		**98,610.1**	**105,429.1**
Marketable securities	16	**-**	**1,021.4**
Cash and cash equivalents	17	**22,447.0**	**10,670.4**
Total current assets		**121,057.1**	**117,120.9**
TOTAL ASSETS		**185,468.7**	**179,799.2**

*See note 29 for details regarding recalculation

	Note	Dec. 31, 2017	Dec. 31, 2016 Recalculated*
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		500.0	500.0
Reserves		130.4	146.0
Retained earnings		15,131.2	14,609.7
Net income		401.3	847.0
Total shareholders' equity		**16,162.9**	**16,102.7**
Non- current liabilities			
Bond loans	20,26	48,962.3	60,653.5
Other liabilities to credit institutions	20,26	8,107.1	8,602.1
Other non-current liabilities	21	84.5	169.1
Liabilities to Group companies (within the Volvo Group)	26,28	0.8	0.7
Provisions for pensions and similar obligations	19	41.4	30.9
Total non-current liabilities		**57,196.1**	**69,456.3**
Current liabilities			
Liabilities to credit insitutions	22	38,574.8	33,107.7
Liabilities to Group companies (within the Volvo Group)	26,28	72,872.3	59,806.0
Account payable - trade	26	2.9	4.4
Current tax liabilities	10	1.3	3.2
Other current liabilities	23	658.4	1,313.4
Other provisions		-	5.5
Total current liabilities		**112,109.7**	**94,240.2**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**185,468.7**	**179,799.2**

*See note 29 for details regarding recalculation

This is a true and accurate translation of the original document
(Certified): ....
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
* NR 862 *

Changes in shareholders' equity, Group

	Note	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
Balance at December 31, 2015		**500.0**	**104.2**	**15,354.3**	**15,958.5**
Net income for the year		-	-	847.0	847.0
Other comprehensive income					
Translation differences		-	41.8	-	41.8
Remeasurement of defined-benefit pensions	19	-	-	(3.6)	(3.6)
Total comprehensive income for the year		-	***41.8***	***843.4***	***885.2***
Transactions with shareholders/related parties					
Group contributions granted and received	18	-	-	(950.0)	(950.0)
Tax effect of Group contributions granted and received	10	-	-	209.0	209.0
Total transactions with shareholders/related parties		-	-	***(741.0)***	***(741.0)***
Balance at December 31, 2016		**500.0**	**146.0**	**15,456.7**	**16,102.7**
Net income for the year		-	-	401.3	401.3
Other comprehensive income					
Translation differences		-	(15.6)	-	(15.6)
Remasurement of defined-benefit pensions	19	-	-	(6.5)	(6.5)
Total comprehensive income for the year		-	***(15.6)***	***394.8***	***379.2***
Transactions with shareholders/related parties					
Group contributions granted and received	18	-	-	(409.0)	(409.0)
Tax effect of Group contributions granted and received	10	-	-	90.0	90.0
Total transactions with shareholders/related parties		-	-	***(319.0)***	***(319.0)***
Balance at December 31, 2017		**500.0**	**130.4**	**15,532.5**	**16,162.9**

This is a true and accurate translation of the original document
(Certified)
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTO
NR 862

Consolidated cash-flow statement

ACTIVITIES DURING THE YEAR	Note	2017	2016
Interest received	4	3,289.8	2,732.5
Interest paid	5	(2,568.0)	(2,158.9)
Income tax paid	10	(26.0)	(21.6)
Payments to suppliers and employees		(99.8)	(90.5)
		596.0	**461.4**
Increase (-)/decrease (+) in marketable securities	16	1,021.1	2,144.1
Increase (-)/decrease (+) in current receivables	15	(8.7)	551.9
Increase (+)/decrease (-) in current liabilities	23	2.3	(4.2)
Increase (+)/decrease (-) in provisions		(5.5)	-
Increase (-)/decrease (+) in lending to Group companies		3,081.3	5,575.2
Increase (+)/decrease (-) in borrowing from Group companies	28	13,946.6	(7,777.9)
Increase (-)/decrease (+) in non-current receivables	28	(2.7)	(2.1)
Cash-flow from operating activities		**18,630.4**	**948.4**
Capitalized development costs		-	-
Cash-flow from investing activities		-	-
Group contributions received	18	550.0	772.7
Group contributions granted	18	(1,500.0)	(1,400.0)
Issue of interest-bearing securities	20, 22	22,343.1	52,951.3
Repayment of interest-bearing securities	20, 22	(27,204.4)	(43,448.6)
Increase in other borrowing	20, 22	28,795.8	18,976.1
Decrease in other borrowing	20, 22	(29,838.1)	(26,097.6)
Cash-flow from financing activities	30	**(6,853.5)**	**1,753.9**
Cash-flow during the year	17	11,776.9	2,702.3
Cash and cash equivalents, January 1	17	10,670.4	7,965.6
Exchange-rate differences in cash and cash equivalents		(0.3)	2.5
Cash and cash equivalents, December 31		**22,447.0**	**10,670.4**

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

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
* NR 862 *

Income Statement, Parent company

	Note	2017	2016 Recalculated*
Interest income	4	2,641.1	2,766.5
Interest expense	5	(2,099.4)	(2,069.3)
Financial instruments at FVTPL	3,26	(264.9)	281.9
Net interest income		**276.8**	**979.1**
Other financial income and expenses	6,26	278.3	117.0
Gross income		**555.1**	**1,096.1**
Other operating income		123.9	123.4
Administrative expenses	7,8,9	(176.9)	(175.0)
Other operating expenses		(28.0)	(27.5)
Operating income		**474.1**	**1,017.0**
Allocations	18	(409.0)	(950.0)
Income before tax		**65.1**	**67.0**
Tax on income for the year	10	(13.3)	(15.0)
Net income		**51.8**	**52.0**

Other comprehensive income

Total comprehensive income for the year		**51.8**	**52.0**

*See note 29 for details regarding recalculation

This is a true and accurate translation of the original document
(Certified): ....
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Balance sheet, Parent company

	Note	Dec. 31, 2017	Dec. 31, 2016
ASSETS			
Non-current assets			
Intangible assets			
Software development	11	0.9	3.7
Tangible assets			
Equipment	12	0.4	0.4
Financial assets			
Participations in subsidiaries	13	224.6	224.6
Receivables from Group companies (within the Volvo Group)	26,28	61,071.3	60,499.9
Other non-current receivables	14	2,582.9	1,531.7
Total financial assets		**63,878.8**	**62,256.2**
Deferred tax	10	**5.6**	**4.7**
Total non-current assets		**63,885.7**	**62,265.0**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	26,28	95,012.5	98,718.2
Tax assets	10	1.2	0.7
Other current receivables	15	1,399.1	1,785.6
Total current receivables		**96,412.8**	**100,504.5**
Marketable securities	16	**-**	**1,021.4**
Cash and cash equivalents	17	**22,436.7**	**10,654.0**
Total current assets		**118,849.5**	**112,179.9**
TOTAL ASSETS		**182,735.2**	**174,444.9**

This is a true and accurate translation of the original document
(Certified) ....
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
* NR 862 *

	Note	Dec. 31, 2017	Dec. 31, 2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital (5,000,000 Series A shares, quota 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		15,011.5	14,959.5
Net income		51.8	52.0
Total unrestricted equity		**15,063.3**	**15,011.5**
Total shareholders' equity		**15,663.3**	**15,611.5**
Non-current liabilities			
Bond loans	20,26	48,962.3	60,653.5
Other liabilities to credit institutions	20,26	5,578.3	6,060.7
Other non-current liabilities	21	82.3	165.9
Liabilities to Group companies (within the Volvo Group)	26,28	731.6	0.7
Total non-current liabilities		**55,354.5**	**66,880.8**
Current liabilities			
Liabilities to credit institutions	22	37,098.6	30,899.7
Liabilities to Group companies (within the Volvo Group)	26,28	73,971.3	59,805.0
Trade payables	26	2.7	4.1
Other current liabilities	23	644.8	1,238.3
Other provisions		-	5.5
Total current liabilities		**111,717.4**	**91,952.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**182,735.2**	**174,444.9**

This is a true and accurate translation of the original document

(Certified):

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Changes in shareholders' equity, Parent company

	Share capital	Reserves	Retained earnings	Total shareholders' equity
Balance at December 31, 2015	**500.0**	**100.0**	**14,959.5**	**15,559.5**
Net income for the year	-	-	52.0	52.0
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	***52.0***	***52.0***
Balance at December 31, 2016	**500.0**	**100.0**	**15,011.5**	**15,611.5**
Net income for the year	-	-	51.8	51.8
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	***51.8***	***51.8***
Balance at December 31, 2017	**500.0**	**100.0**	**15,063.3**	**15,663.3**

This is a true and accurate translation of the original document

(Certified):

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Cash-flow statement, Parent company

ACTIVITIES DURING THE YEAR		2017	2016
Interest received	4	3,169.0	2,627.5
Interest paid	5	(2,500.3)	(2,135.0)
Income tax paid	10	(12.3)	(12.1)
Payments to suppliers and employees		(77.6)	(72.0)
		578.8	**408.4**
Increase (-)/decrease (+) in marketable securities	16	1,021.1	2,144.1
Increase (-)/decrease (+) in current receivables	15	(4.6)	519.8
Increase (+)/decrease (-) in current liabilities	23	1.4	(0.7)
Increase (+)/decrease (-) in provisions		(5.5)	-
Increase (-)/decrease (+) in lending to Group companies	28	983.9	6,644.3
Increase (+)/decrease (-) in borrowing from Group companies	28	15,691.5	(9,346.1)
Increase (-)/decrease (+) in non-current receivables		(2.4)	(2.8)
Cash-flow from operating activities		**18,264.2**	**366.9**
Capitalized development costs		-	-
Cash-flow from investing activities		-	-
Group contributions received	18	550.0	772.7
Group contributions granted	18	(1,500.0)	(1,400.0)
Issue of interest-bearing securities	20, 22	22,343.1	52,951.3
Repayment of interest-bearing securities	20, 22	(27,456.9)	(43,208.2)
Increase in other borrowing	20, 22	27,577.7	17,597.8
Decrease in other borrowing	20, 22	(27,995.5)	(24,353.9)
Cash-flow from financing activities	30	**(6,481.5)**	**2,359.7**
Cash-flow during the year	17	11,782.7	2,726.6
Cash and cash equivalents, January 1	17	10,654.0	7,927.4
Cash and cash equivalents, December 31		**22,436.7**	**10,654.0**

This is a true and accurate translation of the original document

(Certified): John Lightowler Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Notes — Group and Parent Company

Note 1 Accounting and valuation policies

The consolidated financial statements for Volvo Treasury AB and its subsidiaries ("Volvo Treasury Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. This annual report is prepared in accordance with IAS 1, *Presentation of Financial Statements*, and in accordance with the Swedish Annual Accounts Act (1995:1554). 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*, issued by the Swedish Financial Reporting Board, has been applied.

As far as is possible, Volvo Treasury AB describes its accounting policies in Note 1. In some cases, the accounting policies are described in connection with certain notes to provide increased understanding of the respective accounting areas.

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

The functional currency of each Group company is determined based on the primary economic environment in which the company operates. The primary economic environment is normally the one in which the company primarily generates and expends cash and cash equivalents. Volvo Treasury's functional currency is Swedish kronor. 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 rates). The changes in consolidated shareholders' equity arising as a result of year-on-year variations between closing-day exchange rates are recognized in Other comprehensive income and cumulative differences in provisions under Shareholders' equity.

Receivables and liabilities in foreign currency

Receivables and liabilities in currencies other than the functional currency are translated to the functional currency at the closing-day exchange rates, both in the individual Group company and in the Group's financial statements. Translation differences pertaining to financial assets and liabilities are classified to profit/loss from other financial transactions.

Financial instruments used to hedge currency and interest-rate risk are marked to market. Foreign exchange gains are recognized as receivables and losses are recognized as liabilities. Depending on the maturity of the financial instrument, these items are recognized as current or non-current in the balance sheet. The impact on earnings on remeasurement is reported under the item Other financial income and expenses.

The exchange rates used in the consolidated financial statements are as follows:

		Average rate	Average rate	As per Dec. 31	As per Dec. 31
Country	**Currency**	**2017**	**2016**	**2017**	**2016**
Singapore	1 SGD	6.18072	6.20082	6.15610	6.28740
Australia	1 AUD	6.54341	6.37434	6.42350	6.56880

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

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

Depreciation periods

Software development	5 years
Equipment	5 years

Financial instruments

Volvo Treasury Group applies the accounting policies contained in IAS 39, *Financial instruments: Recognition and Measurement* as well as IFRS 13, *Fair value measurement*. Depending on the maturity of the financial instrument, these items are recognized as current or non-current in the balance sheet. Gains and losses on financial instruments are recognized in profit and loss.

Purchases and sales 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 in profit and loss. Transaction costs are included in the fair value of the assets except where the value changes are recognized in profit and loss. Transaction costs in connection with borrowing are amortized over the period of the loan as a financial expense using the effective-interest-rate method.

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 extinguished.

Fair values are established for assets based on quoted market prices where these are available. If market prices are not available, fair values are established for individual assets using different valuation 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 fair value through profit and loss (FVTPL) are classified as held for trading in accordance with level 2. The valuation of level 2 instruments is based on market conditions using quoted market data for similar instruments available in the active market at each balance-sheet date. Observable market prices are primarily derived from official capital market quoted rates or prices. The basis for the interest is the zero-coupon-curve in each currency, which calculates the present value of all the estimated future cash flows. Currency forwards use the forward rate for each currency's spot price and future date at the balance-sheet date. As per the balance-sheet date, a present-value calculation is carried out based on the applicable forward rates.

This is a true and accurate translation of the original document
(Certified):...
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
* NR 862 *

Financial instruments measured at fair value through profit and loss (FVTPL)

Financial assets and liabilities measured at FVTPL

All of Volvo Treasury Group's financial instruments that are measured at FVTPL are classified as held for trading. These comprise derivative instruments used to hedge interest rates and currencies.

Realized and unrealized interest gains/losses pertaining to derivatives used to hedge interest-bearing assets and investments, and unrealized interest gains/losses pertaining to derivatives held to hedge financial assets and liabilities are recognized in net interest income.

Financial instruments used to hedge currency risk in contracted commercial cash flows are recognized in Gross profit.

Volvo Treasury AB has decided not to apply hedge accounting for these financial instruments, and gains or losses on these are recognized in 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, these receivables are measured at amortized cost according to the effective-interest-rate method. Gains and losses are recognized in profit and loss when the loans or receivables are divested or impaired, as well as in pace with the recognition of accrued interest.

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-rate method. Issued hybrid bonds are categorized as liabilities in the accounts since they entail a contractual obligation to make interest payments to the holder. For more information, see Note 26, Financial instruments.

Pensions and similar commitments

Volvo Treasury Group, including the Parent Company, 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 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 at 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 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 expense (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 and pertains to the Swedish plan.

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

Under RFR 2, the provisions contained in IAS 19 that apply to defined-benefit pension plans do not need to be applied in legal entities (Parent Company). However, disclosures must be made regarding the relevant parts of IAS 19. RFR 2 refers to the provisions in the Swedish Pension Obligations Vesting Act regarding provisions to pensions and similar obligations, and to the recognition of plan assets in pension foundations.

Share-based payments

Volvo Treasury Group applies IFRS 2, *Share-based Payments for share-based incentive programs*. The principle distinguishes between "cash-settled" and "equity-settled" remuneration, in Volvo Treasury Group's case, shares in AB Volvo. Volvo Treasury AB's President and two senior executives of Volvo Treasury Group are included in the Volvo Group's incentive program, which comprises both cash and equity-settled remuneration.

Based on the fair value of the benefit at the allocation date, the cost of this program is recognized in accordance with IFRS 2 over the vesting period and is expensed in profit and loss. The market value of this compensation is determined by taking the share price at the allocation date of the right and reducing this with the present value of expected dividends for the period until the issuance of the shares. AB Volvo will invoice for the cost of the issued shares when the shares are issued.

The long-term incentive program covers senior executives and encompasses the years 2011–2013 and 2014–2016. The program comprises three annual programs where the measurement periods are the respective fiscal years. The program is conditional upon participants investing part of their salary in Volvo shares, keeping the shares and remaining as employees of the Volvo Group for at least three years after making the investment. The allocation of rights to shares is carried out in the respective calendar year. After the end of the three-year period, the main rule is that one matching share is issued for each share in the investment, and if the return on equity in the Volvo Group for the specific year amounts to between 10 and 25 percent, a number of performance shares are issued.

In 2016, the Volvo Group's Board decided to approve a new long-term incentive program encompassing 300 of the senior executives in the Volvo Group. This program will replace the previous long-term share-based incentive program and is reported in accordance with IAS 19, *Employee Benefits*. For further information regarding the Volvo Group's incentive programs, please refer to the Volvo Group's Annual Report, Note 27 Employees. The cost of the incentive programs is recognized in profit and loss as Administration costs. See also Note 7 Employees.

The company also pays a benefit to all employees, a jubilee awards plan, whereby employees are allocated a certain number of shares based on the employee's length of service: 25, 35 and 45 years. This plan is recognized in accordance with IFRS 2.

Group contributions

Under certain circumstances, profits may be transferred in the form of Group contributions between companies within the same group. Group contributions paid are normally a tax-deductible cost for the giver and taxable income for the receiver. Group contributions are recognized in the Group in shareholders' equity as a transaction with the owner in accordance with IAS 1, item 109. Group contributions are recognized in the Parent Company in profit and loss as an appropriation in accordance with the alternative rule in RFR 2.

This is a true and accurate translation of the original document

(Certified)

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Income taxes

Tax on income for the year comprises current and deferred tax. Taxes are recognized in 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 has 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 values and the carrying amounts of assets and liabilities, so-called temporary differences, as well as on tax loss carryforwards. 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 surpluses.

Cash-flow statement

The cash-flow statement is prepared in accordance with IAS 7, *Cash-flow statement*, applying the direct 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 rate. Cash and cash equivalents comprise cash and bank balances.

Segment reporting

Volvo Treasury Group comprises a number of organizational units, with all units reporting to and being coordinated by Volvo Group Treasury's head office, located at Volvo Treasury AB (publ) in Sweden. The company raises most of the Volvo Group's external financing for central financing purposes in the Group. Volvo Treasury Asia Ltd in Singapore is the financing source in the regional market and treasury function for the Group companies in Asia. The same applies to Volvo Treasury Australia Pty Ltd, which has as its principal business serving as a financing source and treasury for the Group companies in Australia. The subsidiaries' operations do not differ from those of Volvo Treasury AB and in this sense, they are an extension of the Parent Company in the regional markets. All Volvo Treasury activities in all units are controlled and coordinated by, and reported to and followed up by the head office at Volvo Treasury AB (publ) in Sweden, Which is why Volvo Treasury Group's operations are conducted in one segment and accordingly, no reporting is made by segment in accordance with IFRS 8 Operating segments.

Parent Company

The Parent Company applies the Swedish Annual Accounts Act (1995:1554) and RFR 2, *Accounting for legal entities*. This recommendation entails that as a rule legal entities whose securities are listed on an authorized marketplace should apply the IFRS/IASs that are applied in the consolidated financial statements. In certain cases, the regulations allow exceptions to be made from the IFRS/IAS regulations. For more information regarding any exceptions that have been applied, see also recognition of Group contributions under the heading Group contributions and recognition of pensions and similar commitments under the Pensions and similar commitments heading.

New accounting policies in 2017

When preparing the consolidated financial statements at December 31, 2017, no new standards or interpretations had been published that were considered to potentially have a material impact on Volvo Treasury's financial statements.

This is a true and accurate translation of the original document

(Certified): ....

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

New accounting policies 2018 and later

When preparing the consolidated financial statements at December 31, 2017, a number of standards and interpretations had been published. The following is a description of the future policy amendments that are considered to potentially have a material impact on Volvo Treasury Group's financial statements.

IFRS 9 Financial instruments

From January 1, 2018, Volvo Treasury Group applies IFRS 9 Financial Instruments. It comprises three parts: Classification and Measurement; Impairment; and Hedge accounting, which will replace the current IAS 39 Financial Instruments: Recognition and Measurement.

All financial instruments in Volvo Treasury Group are classified and measured at amortized cost, with the exception of derivatives, which are classified and measured at fair value through profit and loss. The classification of receivables for Group companies and other interest-bearing receivables has been changed from the category loan receivables and accounts receivable to the category financial receivables measured at amortized cost. The change has no impact on the value of the assets. In terms of financial assets and liabilities measured at fair value through profit and loss and financial liabilities measured at amortized cost, no change has taken place, not to classification or to measurement. Accordingly, the new classification and measurement rules will have a certain impact on Volvo Treasury Group's financial statements.

The new hedge accounting rules do not impact Volvo Treasury Group, since hedge accounting is not applied.

Changes on the introduction of IFRS 9 in comparison to IAS 39 pertain to impairment and introduction of the new model for estimating expected credit losses, compared with the previously applied losses incurred model, which entails earlier recognition of credit losses. Volvo Treasury Group also has internal loans to companies in the Volvo Group, for which there may be a need to make a provision for expected credit losses. No expected provision requirement for expected credit losses exists for these financial receivables, which is due to the credit risk being assessed as almost non-existent, since historically, no credit loss has ever been recorded for these receivables. This means that the new impairment rules will not have any impact on Volvo Treasury Group.

IFRS 16 Leasing

IFRS 16 Leasing was published in January 2016 and will replace the current IAS 17 Leasing and the related interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 does not imply any significant accounting changes for the lessor, but does entail accounting changes for the lessee. For Volvo Treasury Group, this means that the future leasing fees for rental premises and company cars will be recognized in the balance sheet. The balance sheet will recognize lessees' rights to use assets and their obligation to pay for these rights over a corresponding period. The right to use the asset and the obligation to pay will be recognized at the present value of future leasing fees.

By applying the new lease accounting for lessees, assets and interest-bearing liabilities in the balance sheet will increase and part of the leasing fees will be recognized as interest expenses instead of as administration costs. IFRS 16 has been adopted by the EU and enters force on January 1, 2019. The date of compulsory application of the standard is January 1, 2019.

No other new or amended accounting standards are expected to have a material impact on the financial statements of Volvo Treasury Group.

Note 2 Key sources of estimation uncertainty

See below for key sources of estimation uncertainty. In the preparation of these financial statements, the company management has made certain estimates and assumptions that affect the carrying amount 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.

The preparation of Volvo Treasury Group'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 AB 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 aforementioned accounting policies 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 separate information about which of the accounting policies that may be significantly impacted by the estimates and assumptions made and which, if actual results differ from estimates, may have a material impact on the financial statements. The accounting policies applied by Volvo Treasury Group that are deemed to meet these criteria are presented below.

Measurement of financial instruments

In establishing the fair values of financial instruments, Volvo Treasury Group 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 basis for the interest is the zero-coupon-curve for each currency, from which a present-value calculation is made of anticipated future cash flows. Currency forwards use the forward rate for each currency's spot price and future date at the balance-sheet date. Based on the applicable forward rates, a present-value calculation is then made on the balance-sheet date. All recognized fair values represent values that may not necessarily be realized. Note 26 describes the policy for matching assets and liabilities and how derivatives are used. Note 3 contains sensitivity analyses for changes in interest rates on the company's cash and cash equivalents and liabilities for the Volvo Group's industrial operations. Assets and liabilities held for the Volvo Group's customer finance operations are matched in accordance with the Volvo Group's policy.

Pensions and 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. Volvo Treasury Group is included in this annual review. See Note 19 for applied assumptions in actuarial calculations.

This is a true and accurate translation of the original document

(Certified): ....

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
* NR 862 *

Note 3 Financial risks

Volvo Treasury Group is included in the Group function, Volvo Group Treasury, which is responsible for the Volvo Group's borrowing and operational financial risk management, including external banking relations. Volvo Group Treasury is also responsible for ensuring and developing an efficient financial infrastructure for the Volvo Group's operations. Most of the Volvo Group's financial transactions are conducted through Volvo Treasury Group. These operations are carried out in order to reduce the currency, interest-rate, credit and liquidity risks to which the Volvo Group is exposed.

Volvo Treasury Group is exposed, through its operations, to various financial risks. The following section describes the implication of different financial risks and the goals and policies involved in managing these risks. For further information, see the Volvo Group's Annual Report, Note 4 *Goals and policies regarding financial risk.*

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 Group'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 derivatives such as currency swaps and currency forwards enables Volvo Treasury Group to meet the borrowing and lending requirements of Group companies in different currencies, without increasing the Group's own risk.

Commercial currency exposure

In accordance with the Volvo Group's Financial risk policy, Volvo Treasury uses currency derivatives to minimize the risk of currency effects on the Volvo Group's earnings. For commercial currency exposure in the Volvo Group, Volvo Treasury Group 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's consolidated transaction exposure in foreign currency is the value of the forecast future cash flows in foreign currency. Volvo Treasury Group only hedges that part of forecast future cash flows in foreign currency that with the greatest probability will be realized in so-called contracted flows, of which the largest portion within six months. The Volvo Treasury Group uses forward contracts and currency options to hedge contracted future cash flows in foreign currencies. The hedged portion of future contracted cash flows is contained within the framework of the Volvo Group's Financial risk policy for all periods. The table below shows the outstanding forward and option contracts for the hedging of currency risks.

This is a true and accurate translation of the original document
(Certified): ....
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

The table below shows the impact on Volvo Treasury Group's gross earnings if the Swedish krona strengthens by 10% compared with other currencies from the currency level at December 31, 2017.

Outstanding derivatives hedging commercial currency risks at December 31, 2017

Due date	AUD/SEK	GBP/SEK	USD/SEK	USD/KRW	USD/KRW	Market value
2018	(32.0)	21.0	86.0	204.0	197.0	
2019	-	-	-	-	-	
Total local currency	**(32.0)**	**21.0**	**86.0**	**204.0**	**197.0**	
Average contract rate	**71.6**	**1.1**	**10.9**	**1,096.7**	**8.2**	
Market value of forward contracts outstanding	**(3.8)**	**(19.2)**	**(18.4)**	**47.9**	**0.0**	**6.5**
The impact on gross income in SEK if currency strengthened by 10%*	**32.8**	**(19.4)**	**(93.4)**	**(173.2)**	**(161.3)**	

*Sensitivity analyses for currency risks are based on simplified assumptions. It is not unreasonable to assume that the SEK will appreciate by 10% in relation to other currencies. In reality, however, exchange rates do not normally change at the same date and in the same direction, and the real effect can deviate from the sensitivity analysis. The sensitivity analysis pertains to the change in the market value that is calculated based on the nominal value.

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 490 M at year-end 2017. Net assets in foreign subsidiaries were not hedged through loans in foreign currencies, in line with the policy established by the Volvo Group's Board of Directors.

Interest-rate risk

Interest-rate risk refers to the risk that changes in interest rates will influence the Volvo Group's 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.

Borrowing and lending from and to the industrial operations of the Volvo Group primarily take place through Group accounts in various currencies. Volvo Treasury Group administrates the Volvo Group accounts, which means 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 money 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 swaps and currency interest swaps creates an interest-fixing term corresponding to between one to three months. After taking derivatives into account, the average effective interest rate at year end on financing outstanding for the Volvo Group's industrial operations was 3.48%.

This is a true and accurate translation of the original document

(Certified):

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Surplus liquidity within the Volvo Group is managed by Volvo Treasury Group. This management mainly involves deposits in bank accounts.

The table below shows the impact on Volvo Treasury Group's net interest income should interest rates strengthen by one percentage point from the rates applying on December 31, 2017. The table also shows the market value of the various portfolios, and the portfolio's risk exposure.

Interest risk	**Market value**	**Impact on gross income if interest rates appreciates with 1%**
Industrial operations	(2,316.9)	76.2
Customer financing	885.6	27.7

*The sensitivity analysis includes all financial assets and liabilities, as well as derivatives, but not deposits and lending to/from Volvo companies via Group accounts.

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

The carrying amounts in the balance sheet, fair values and other specifications pertaining to derivatives used for managing currency and interest-rate risks related to financial assets and liabilities are shown in Note 26.

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 derivatives (financial counterparty risk).

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

Financial credit risk

The Volvo Group's surplus liquidity is largely managed by Volvo Treasury and held in bank accounts. All investments must meet the requirements of low credit risk and high liquidity.

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. The Volvo Treasury Group's receivables from Group companies on December 31, 2017 amounted to 159,006.2 (164,695.1).

Financial counterparty risk

The use of derivative instruments leads to a counterparty risk, meaning that a potential loss cannot be settled (in part or in full) against a potential gain if the counterparty does not fulfill its part of the contract. To minimize this exposure, Volvo Treasury Group enters into netting agreements (ISDA agreements) with all counterparties that could potentially be involved in derivative transactions. The netting agreements entail that receivables and liabilities can be offset against each other in certain situations, such as in the event of the counterparty's insolvency. These agreements are often accompanied by terms and conditions in the form of a credit support annex (CSA). CSAs establish the terms and conditions for when the parties are liable to execute cash transfers between each other to reduce exposure to open net positions. However, these netting agreements have no impact on Volvo Treasury Group's recognized earnings and balance sheet, since the derivative transactions are recognized in gross amounts. Volvo Treasury Group's gross exposure of derivatives with positive values (outside the Volvo Group) amounts to 3,701.7 (2,892.7). Through netting agreements and liquidity transfers, gross exposure was reduced 86% (67) to 533.3 (945.5). 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, see Note 26 Financial instruments.

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 to maintain good financial preparedness by constantly maintaining liquid assets and credit facilities to provide for anticipated liquidity requirements.

The net of cash and cash equivalents and investments on December 31, 2017 amounted to 22,447.0 (10,670.4). Read more about Volvo Treasury Group's cash and cash equivalents in Note 17. In addition, there were committed but unutilized credit facilities of SEK 45.4 billion. The following list shows expected future cash flows including derivatives related to financial liabilities based on the market's expected future interest rates and foreign exchange rates that applied on the balance-sheet date. Expected capital flows pertain to receipts and payments on loans and derivatives. Expected interest flows are based on future market interest rates and pertain to receipts and payments of interest on loans and derivatives. Interest flows are recognized in the cash flow from operating activities. Future cash flows in foreign currency are based on the respective exchange rates at the balance-sheet date. Current liabilities to Group companies (within the Volvo Group) pertain to borrowing through group accounts, which are not included in capital flows.

Most of the loan maturities in 2018 and 2019 are part of the normal business operations of the Volvo Treasury Group, in which the Volvo Group's customer finance has a shorter maturity structure than the Volvo Group's industrial operations. 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. Within the framework of established limits, financing must match lending in terms of maturities. For practical and business reasons, Volvo Treasury AB has a mandate to go down to a match rate of 80%. At the end of 2017, this match rate was 88.3% (91.6).

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 more on this in Note 20 Long-term liabilities.

Some of Volvo Treasury's long-term loan agreements contain clauses stipulating a right for the lender to request early repayment following a change in control of the borrower. 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 bond was issued in two components: EUR 0.9 billion with the first redemption occasion in 2020 and final maturity in 2075, and EUR 0.6 billion, with the first redemption occasion in 2023 and final maturity in 2078. 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.

Future cash flows including derivatives related to non-current and current financial liabilities

Group

Capital flow				Interest flow			
	Loans	**Derivatives (liability)**	**Derivatives (asset)**		**Loans***	**Derivatives (liability)**	**Derivatives (asset)**
2018	(111,141.1)	(306.8)	1,138.6	2018	(1,122.0)	(170.3)	(222.2)
2019	(30,357.9)	(16.3)	1,312.0	2019	(1,056.8)	(76.6)	(28.6)
2020	(5,888.6)	(39.8)	242.7	2020	(838.1)	(32.5)	62.2
2021	(611.6)	(35.5)	208.1	2021	(391.6)	(1.1)	19.8
2022	(2,954.9)	(12.6)	15.4	2022	(376.0)	(1.5)	15.4
2023	-	(0.7)	2.9	2023	(360.2)	(0.0)	42.8
2024-	(17,151.4)	(0.0)	2.2	2024-	(189.8)	0.0	45.1
Total	**(168,105.5)**	**(411.7)**	**2,921.9**	**Total**	**(4,334.5)**	**(282.0)**	**(65.5)**

Parent Company

Capital flow				Interest flow			
	Loans	**Derivatives (liability)**	**Derivatives (asset)**		**Loans***	**Derivatives (liability)**	**Derivatives (asset)**
2018	(110,771.4)	(299.3)	1,129.5	2018	(1,094.6)	(170.4)	(221.1)
2019	(28,878.2)	(16.2)	1,312.0	2019	(1,038.2)	(76.1)	(30.2)
2020	(5,646.8)	(39.9)	242.7	2020	(830.6)	(32.5)	60.0
2021	(535.1)	(35.5)	208.1	2021	(390.6)	(1.1)	19.4
2022	(2,954.9)	(12.7)	15.4	2022	(376.0)	(1.5)	15.4
2023	-	(0.7)	2.9	2023	(360.2)	(0.0)	42.8
2024-	(17,151.4)	(0.0)	2.2	2024-	(189.8)	0.0	45.1
Total	**(165,937.8)**	**(404.3)**	**2,912.8**	**Total**	**(4,280.0)**	**(281.6)**	**(68.6)**

* The interest payments on the hybrid bond are included in a total amount of 2,836.7 (3,399), which pertains to the period through the first redemption occasion, which is 2020, as well as 2023.

Note 4 Interest income

Interest income pertains to accrued and realized interest on interest-bearing assets and investments.

	Group		Parent Company	
	2017	**2016**	**2017**	**2016**
Interest	2,753.2	2,871.8	2,641.1	2,766.5
Total	**2,753.2**	**2,871.8**	**2,641.1**	**2,766.5**

Of the above stated amount, 2,736.1 (2,866.7) pertains to interest received for the Group from other companies within the Volvo Group. The corresponding amounts for the Parent Company are 2,624.1 (2,761.6).

This is a true and accurate translation of the original document

(Certified): ....

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Note 5 Interest expense

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

	Group		Parent Company	
	2017	2016	2017	2016
Interest	(2,161.4)	(2,101.0)	(2,099.4)	(2,069.3)
Total	**(2,161.4)**	**(2,101.0)**	**(2,099.4)**	**(2,069.3)**

Of the above stated amount, 161.7 (140.0) pertains to interest received for the Group from other companies within the Volvo Group. The corresponding amounts for the Parent Company are 169.3 (173.8).

Note 6 Other financial revenue and expenses

	Group		Parent company	
	2017	2016	2017	2016
Interest and currency rate risk derivatives	4,623.5	(1,275.2)	4,513.1	(1,263.0)
Cash and cash equivalents	(179.0)	(375.8)	(179.0)	(376.0)
Loans originated by the company and financial liabilities valued at amortized cost	(4,152.7)	1,781.0	(4,055.8)	1,756.0
Total	**291.8**	**130.0**	**278.3**	**117.0**

Note 7 Employees

Average number of employees

	2017		2016	
	No. of employees	of whom, men	No. of employees	of whom, men
Parent Company				
Gothenburg	32	19	31	18
Total	**32**	**19**	**31**	**18**
Subsidiaries outside Sweden				
Singapore	11	4	9	4
Total	**11**	**4**	**9**	**4**
Group total	**43**	**23**	**40**	**22**

This is a true and accurate translation of the original document

(Certified): ....

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Board members and senior executives

	2017			
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).

Salaries, remuneration, social security expenses and pension costs

	Parent company 2017	Subsidiary company 2017	Group 2017	Parent company 2016	Subsidiary company 2016	Group 2016
Wages, salaries and other remunerations to Board members and the Presi	(3.7)	(4.9)	(8.6)	(3.6)	(3.1)	(6.7)
(whereof bonus)	*(1.6)*	*(2.9)*	*(4.5)*	*(1.3)*	*(1.3)*	*(2.6)*
Wages and other remunerations to employees	(27.4)	(7.3)	(34.7)	(27.9)	(8.9)	(36.8)
(whereof Profit Shares)	*(0.4)*	-	*(0.4)*	*(0.1)*	*0.0*	*(0.1)*
Total	**(31.1)**	**(12.2)**	**(43.3)**	**(31.5)**	**(12.0)**	**(43.5)**
Social costs	(9.7)	-	(9.7)	(7.8)	-	(7.8)
Pensions costs	(9.1)	(1.2)	(10.3)	(9.2)	(0.6)	(9.8)
whereof pension costs to Board members and the President	*(0.8)*	*(0.5)*	*(1.3)*	*(1.1)*	*(0.1)*	*(1.2)*
The cost of non-monetary benefits to other employees	(0.7)	(3.5)	(4.2)	(0.2)	(3.5)	(3.7)
Remunerations to senior executives						
Wages, salaries and other remunerations to the President	(3.6)	(4.9)	(8.5)	(3.5)	(3.1)	(6.6)
whereof bonus	*(1.6)*	*(2.9)*	*(4.5)*	*(1.3)*	*(1.3)*	*(2.6)*
The Company's outstanding pension obligations to the President	(0.2)	(0.5)	(0.7)	(0.5)	(0.1)	(0.6)
Cost of non-monertary benefits to the President	(0.1)	(0.3)	(0.4)	(0.1)	(0.3)	(0.4)
Wages, salaries and other remunerations to Boards menbers	(0.1)	-	(0.1)	(0.1)	-	(0.1)

Total costs for salaries and remuneration include 0.3 (0.4) in respect of the company's participation in the Volvo Group's incentive programs. Shareholder rights outstanding that are conditional in accordance with the program amounted to 15,961 shares at the start of the year. During the year, no allocation was made and distribution of 2,730 shares was carried out. No shares were forfeited/expired during the year. No intra-Group transfers were made during the year. At year end, the number of shareholder rights outstanding amounted to 13,231. See also Share-related remuneration under Note 1 Accounting and valuation policies.

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.

This is a true and accurate translation of the original document
(Certified): ....
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
* NR 862 *

Note 8 Fees and other remuneration to auditors

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. Tax services include both tax consultancy and tax compliance services. All other services are defined as other assignments.

PricewaterhouseCoopers	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Audit assignment	1.2	1.2	0.7	0.7
Audit related services	0.2	0.2	0.2	0.2
Tax services	0.4	0.4	-	-
Total	**1.8**	**1.8**	**0.9**	**0.9**

Note 9 Operational leasing contracts

Future lease payments pertaining to non-cancelable leasing contracts at year end amounted to 7.1 (2.1) for the Group and 5.3 (0.6) for the Parent Company. Leasing expenses for the year amounted to 3.8 (2.7) for the Group and 2.3 (0.7) for the Parent Company.

	Group		Parent Company	
The company as a lessee	2017	2016	2017	2016
Future leasing contract (minimun lease payments), respect of non cancellable leasing contract, are distributeed as following:				
Payment due within one year	(3.3)	(1.7)	(2.2)	(0.5)
Payment due after one year and within five years	(3.8)	(0.4)	(3.1)	(0.1)
Total	**(7.1)**	**(2.1)**	**(5.3)**	**(0.6)**
Leasing expenses related to operating lease contracts during the year consist of the following:	**2017**	**2016**	**2017**	**2016**
Whereof				
Minimum lease payments expenses	(3.8)	(2.7)	(2.3)	(0.7)

Note 10 Income tax

Distribution of income tax	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Current tax for the period	(114.4)	(234.5)	(14.2)	(15.4)
Adjustment of current tax for prior periods	(0.0)	(0.0)	0.0	(0.0)
Deferred tax arising or reversed during the period	1.1	0.4	0.9	0.4
Total	**(113.3)**	**(234.1)**	**(13.3)**	**(15.0)**

Tax attributable to Group contributions has increased the Group's unrestricted reserves by 89.9 (209) and increased the Parent Company's equity with 89.9 (209).

This is a true and accurate translation of the original document

(Certified): ....

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

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

Specification of income tax	Group		Parent Company	
	2017	2016	2017	2016
Income before taxes	**514.6**	**1,081.1**	**65.1**	**67.0**
Tax according to current tax rate	(113.2)	(237.8)	(14.3)	(14.7)
Difference due to different countries' tax rates	1.4	3.3	-	-
Other non-deductible expenses/income	0.7	1.5	0.9	(0.2)
Taxes related to prior year	(0.0)	(0.0)	0.0	(0.0)
Recognition/derecognition of deferred tax	0.7	(1.5)	0.1	(0.0)
Other, net	(2.9)	0.4	0.0	(0.0)
Total	**(113.3)**	**(234.2)**	**(13.3)**	**(15.0)**

Deferred tax

Changes in deferred tax assets/liabilities, net*	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Opening balance	11.7	10.2	4.7	4.3
Deferred taxes recognised in the year´s income	1.2	0.5	0.9	0.4
Of which recognised in Other comprehensive income, Remeasurements of defined-benefit plans	1.8	1.0	-	-
Deferred tax assets/liabilities, net, as of December 31**	**14.7**	**11.7**	**5.6**	**4.7**

*The deferred tax assets and tax liabilities stated above are recognized in the Volvo Treasury Group's balance sheet, in part net after taking offsetting opportunities into account. Deferred tax assets and tax liabilities have been measured using the tax rates expected to apply during the period when the asset is realized or the liability is settled according to the tax rates and tax regulations that have been decided or adopted on the balance-sheet date.

**Of which, temporary differences pertaining to provisions for pensions in the Group were the most significant and amounted to 14.7 (11.5).

Note 11 Intangible assets

Capitalized development costs	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Opening acquisition cost	20.5	20.5	20.5	20.5
Closing amortized cost	**20.5**	**20.5**	**20.5**	**20.5**
Opening accumulated amortization	(16.8)	(14.1)	(16.8)	(14.1)
Amortization for the year	(2.8)	(2.7)	(2.8)	(2.7)
Closing accumulated amortization	**(19.6)**	**(16.8)**	**(19.6)**	**(16.8)**
Net value in balance	**0.9**	**3.7**	**0.9**	**3.7**

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

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
* NR 862 *

Note 12 Tangible assets

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Equipment				
Opening acquisition cost	2.2	2.1	1.0	1.0
Sales and scrapping	(0.5)	-	(0.5)	-
Translation difference	(0.0)	0.1	-	-
Closing amortized cost	**1.7**	**2.2**	**0.5**	**1.0**
Opening accumulated depreciation	(1.7)	(1.6)	(0.6)	(0.6)
Sales and scrapping	0.5	-	0.5	-
Depreciation for the year	(0.0)	(0.0)	-	-
Translation difference	0.0	(0.1)	-	-
Closing accumulated amortization	**(1.2)**	**(1.7)**	**(0.1)**	**(0.6)**
Net value in balance	**0.5**	**0.5**	**0.4**	**0.4**

Note 13 Financial assets

This is a true and accurate translation of the original document

(Certified):

John Lightowler
Authorized Translator

	Parent Company	
Participations in subsidiaries	Dec. 31, 2017	Dec. 31, 2016
Opening acquisition cost	224.6	224.6
Closing accumulated acquisition cost	**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	(448,043)
Total					**224,608**	**(448,043)**

Note 14 Other non-current receivables

AUKTORISERAD TRANSLATOR KAMMARKOLLEGIET NR 862

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Outstanding interest and currency risk derivatives	2,587.3	1,537.2	2,582.9	1,531.7
Total	**2,587.3**	**1,537.2**	**2,582.9**	**1,531.7**

Note 15 Other current receivables

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Outstanding interest and currency risk derivatives	1,114.4	954.1	1,102.9	886.0
Accrued interest income and prepaid interest expenses	79.2	496.7	79.2	492.3
Other interest bearing receivables	143.8	339.0	143.8	339.0
Accrued income and prepaid expenses	72.8	67.7	72.6	67.4
Other receivables	0.7	1.1	0.6	0.9
Total	**1,410.9**	**1,858.6**	**1,399.1**	**1,785.6**

Note 16 Marketable securities

Marketable securities consist of interest-bearing securities, distributed as follows:

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Banks and financial institutions	-	1,000.0	-	1,000.0
Real estate financial institutions	-	21.4	-	21.4
Total	**-**	**1,021.4**	**-**	**1,021.4**

Note 17 Cash and cash equivalents

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Cash in banks	15,549.6	10,670.4	15,539.2	10,654.0
Time deposits in banks	6,897.4	-	6,897.5	-
Total	**22,447.0**	**10,670.4**	**22,436.7**	**10,654.0**

Cash and cash equivalents in the Group and Parent Company at December 31, 2017, include SEK 0.3 M (0.4) that is not available for use.

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

Note 18 Group contributions

Group contributions of 700.0 (1,500.0) were paid (paid) to AB Volvo and 291.0 (550.0) were received (received) from Sotrof AB.

Note 19 Provisions for post-employment benefits

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 are transferred to pension trusts.

Defined-benefit plans are plans whereby the company's commitment is to pay predetermined amounts to the employee at or after retirement. These plans are secured through provisions in the balance sheet and through transfers of funds to pension foundations. A credit insurance has also been procured to cover the value of issued obligations. The main defined-benefit pension plan is the ITP2 plan, which is based on final salary. This plan is partly closed, which means that only new employees born before 1979 are able to choose the ITP2 solution. The proprietary ITP2 plan for the company is part-financed through the Volvo pension foundation. The pension liability is calculated annually on the balance-sheet date based on actuarial assumptions.

The Volvo Pension Foundation was formed in 1996 to secure pension obligations under the ITP plan. Since its formation, the company has provided plan capital in a net amount of SEK 25 M to the Foundation. The return on plan assets during 2017 was 7.15% (8.64).

Provisions for pension benefits and similar commitments in the company's balance sheet correspond to the present value of the commitments at the balance-sheet date, less the fair value of plan assets.

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

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 plan assets in the balance sheet. The disclosures pertain to the assumptions applied in the actuarial computations, recognized costs during the reporting period and the value of commitments and plan assets at the end of the period. In addition, changes in the value of commitments and plan assets during the period are specified.

Pension costs during the year	**Dec. 31, 2017**	**Dec. 31, 2016**
Current service costs	(2.0)	(2.3)
Interest costs	(2.2)	(2.2)
Interest income	1.3	1.4
Total pension costs for defined-benefit plans	**(2.9)**	**(3.1)**
Pension costs for defined-contribution plans	(6.2)	(6.1)
Total pension costs	**(9.1)**	**(9.2)**

Applicable assumptions for actuarial calculations (Sweden)	**Dec. 31, 2017**	**Dec. 31, 2016**
Discount rate	2.7	3.0
Expected salary increase	2.9	2.9
Inflation	1.8	1.5

Obligations in defined-benefit plans	**Dec. 31, 2017**	**Dec. 31, 2016**
Obligations at January 1	75.3	64.9
Defined-benefits earned during the year	2.0	2.3
Interest costs	2.2	2.2
Remeasurements		
-Effect of change in demographic assumptions	-	-
-Effect of changes in financial assumptions	10.3	8.7
-Effect of experience adjustments	(0.0)	(2.1)
Benefits paid	(0.7)	(0.6)
Obligations at December 31	**89.1**	**75.4**
Of which, funded defined-benefit plans	89.1	75.4

Fair value of plan assets in funded plans	**Dec. 31, 2017**	**Dec. 31, 2016**
Plan assets at January 1	44.5	39.8
Interest income	1.3	1.4
Remeasurements	1.9	1.9
Employer contribution	-	1.4
Plan assets at December 31	**47.7**	**44.5**

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

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Net provisions for post-employment benefits

Group	Dec. 31, 2017	Dec. 31, 2016
Funded status at December 31	41.4	30.9
Net provisions for post-employment benefits at December 31	**41.4**	**30.9**

Parent company	Dec. 31, 2017	Dec. 31, 2016
Provisions		
Net present value of pension obligations	46.0	43.4
secured through		
The company's share of the net assets of the pension funds	47.7	44.5
Provisions for pensions	-	-
Pension obligations guaranteed by PRI	46.0	43.4

The recognized pension costs in the Parent Company during the year amounted 7.1 (6.6), 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 no payment to the Foundation, last year 1.4 was paid to the Foundation.

The Volvo Group applies IAS 19 *Employee Benefits* in its financial reporting. This results in differences that can be material in the recognition of defined-benefit plans pertaining to pensions and when recognizing plan assets placed in the Volvo Pension Foundation.

Accounting policies for defined-benefit plans differ from IAS 19 primarily because:
– The calculation of the pension liability according to Swedish accounting policies does not take into account future pay increases.
– The discount interest rate for calculating the Swedish liability is determined by PRI Pensionsgaranti and the Swedish Financial Supervisory Authority.
– Changes in the discount interest rate, real return on plan assets and other actuarial assumptions are recognized directly in profit and loss and in the balance sheet.
– Deficits must either be recovered through payments to the plan or be recognized as a liability in the balance sheet.
– Surpluses cannot be recognized as an asset but can, in certain cases, be credited to the company to reduce pension costs.

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

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Note 20 Non-current liabilities

The following list shows the Volvo Treasury 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, 2017.

Bond loans	**Actual interest rate**	**Effective interest rate**	**Group**		**Parent company**	
	Dec. 31, 2017	**Dec. 31, 2017**	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**	**Dec. 31, 2017**
EUR 2012-2017/2019-2078*	0,00-4,86	0,00-4,86	36,896.1	48,215.2	36,896.1	48,215.2
SEK 2014-2017/2019-2020	0,02-2,71	0,02-2,71	12,066.2	12,438.3	12,066.2	12,438.3
Total			**48,962.3**	**60,653.5**	**48,962.3**	**60,653.5**

Other liabilities to credit institution	**Actual interest rate**	**Effective interest rate**	**Group**		**Parent company**	
	Dec. 31, 2017	**Dec. 31, 2017**	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**	**Dec. 31, 2016**
JPY 2014-2017/2019-2019	0,26-0,85	0,26-0,85	3,317.8	5,608.7	1,490.8	3,663.9
EUR 2012-2017/2019-2022	0,04-1,25	0,04-1,25	3,447.4	1,099.4	3,447.4	1,099.4
AUD 2015-2017/2019-2021	2,71-2,86	2,74-2,90	701.8	957.6	535.1	957.6
USD 2016-2016/2021-2021	2,07-2,07	2,08-2,08	535.1	596.6	-	-
Outstanding interest and currency risk derivatives			105.0	339.8	105.0	339.8
Total			**8,107.1**	**8,602.1**	**5,578.3**	**6,060.7**

*Includes EUR 1.5 billion for the hybrid bond. The bond was issued in two components: EUR 0.9 billion with the first redemption occasion in 2020 and final maturity in 2075, and EUR 0.6 billion, with the first redemption occasion in 2023 and final maturity in 2078.

The following list shows the Group's and the Parent Company's maturity structure for the non-current liability

Group				**Parent Compar**			
		Other liabilities to	***Of which, derivative***			**Other liabilities to**	***Of which, derivative***
	Bond loans	**credit**	***contracts***		**Bond loans**	**credit**	***contracts***
Due date	**Dec. 31, 2017**	**Dec. 31, 2017**	***Dec. 31, 2017***	**Due date**	**Dec. 31, 2017**	**Dec. 31, 2017**	***Dec. 31, 2017***
2019	26,164.1	4,210.0	*16.3*	2019	26,164.1	1,999.6	*16.3*
2020	5,646.8	281.7	*39.9*	2020	5,646.8	39.9	*39.9*
2021	-	647.2	*35.5*	2021	-	570.6	*35.5*
2022	-	2,967.5	*12.6*	2022	-	2,967.5	*12.6*
2023	-	0.7	*0.7*	2023	-	0.7	*0.7*
2024-	17,151.4	-	-	2024-	17,151.4	-	-
Total	**48,962.3**	**8,107.1**	***105.0***	**Total**	**48,962.3**	**5,578.3**	***105.0***

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

The list below shows the currency distribution of the Group's and the Parent Company's long-term borrowing as at December 31, 2017, with consideration taken to currency derivatives (nominal amounts) linked to the non-current liabilities.

	Group				**Parent Company**		
	Loan	**Derivative**	**Total**		**Loan**	**Derivative**	**Total**
AUD	701.8	158.9	860.7	AUD	-	158.9	159.0
EUR	40,343.5	(1,656.9)	38,686.6	EUR	40,343.5	(1,656.9)	38,686.6
JPY	3,317.8	20.4	3,338.2	JPY	1,490.8	20.4	1,511.2
SEK	12,066.2	(2,000.0)	10,066.2	SEK	12,066.2	(2,000.0)	10,066.2
USD	535.1	-	535.1	USD	535.1	-	535.1
Other currencies	-	3,582.6	3,582.6	Other currencies	-	3,582.6	3,582.6
Total	**56,964.4**	**105.0**	**57,069.4**	**Total**	**54,435.6**	**105.0**	**54,540.7**

Granted but unutilized non-current credit facilities that may be utilized unconditionally amounted to SEK 45.4 billion at year end. These facilities consisted of stand-by facilities for loans with varying maturities between 2019 and 2022. A fee is charged for granted credit facilities, which is recognized under Administration costs in the income statement and under Other current receivables in the balance sheet, see Note 15.

Note 21 Other non-current liabilities

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Outstanding interest and currency risk derivatives	83.5	168.6	82.0	165.6
Other non-current liabilities	1.0	0.5	0.3	0.3
Total	**84.5**	**169.1**	**82.3**	**165.9**

Note 22 Current liabilities to credit institutions

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Short term bank loans and other loans	38,268.0	32,395.0	36,799.3	30,210.5
Outstanding interest and currency risk derivatives	306.8	712.7	299.3	689.2
Total	**38,574.8**	**33,107.7**	**37,098.6**	**30,899.7**

Granted overdraft facilities amount to 3,046.6 (2,659.8) in the Group and 946.6 (931.2) in the Parent Company.

Note 23 Other current liabilities

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Accrued interest expenses and prepaid interest income	480.4	939.7	477.5	929.0
Outstanding interest and currency risk derivatives	144.4	344.8	140.6	285.9
Wages, salaries and tax-at-source	24.4	21.4	19.7	18.0
Accrued expenses and deferred income	8.8	7.2	6.8	5.2
Other current liabilities	0.4	0.3	0.2	0.2
Total	**658.4**	**1,313.4**	**644.8**	**1,238.3**

Note 24 Pledged assets

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
For own obligations				
Nasdaq OMX	-	20.0	-	20.0
Total pledged assets	**-**	**20.0**	**-**	**20.0**

This is a true and accurate translation of the original document

(Certified):

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Note 25 Contingent liabilities

	Group		Parent Company	
	Dec. 31, 2017	**Dec. 31, 2016**	**Dec. 31, 2017**	**Dec. 31, 2016**
Contingent liabilities on behalf of other Group companies	492.5	482.1	492.5	482.1
Pension guarantees	0.9	0.9	0.9	0.9
Total contingent liabilities	**493.4**	**483.0**	**493.4**	**483.0**
Contingent liabilities received from other Group companies, which reduce net obligations	(492.5)	(482.1)	(492.5)	(482.1)
Total contingent liabilities, net	**0.9**	**0.9**	**0.9**	**0.9**

Note 26 Financial instruments

Disclosures on carrying amounts and fair values

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

Carrying amounts and fair values of financial instruments

	Note	Group Dec. 31, 2017		Parent Company Dec. 31, 2017		Group Dec. 31, 2016		Parent Company Dec. 31, 2016	
		Carrying Value	Fair value	Carrying Value	Fair value	Carrying Value	Fair value	Carrying Value	Fair value
Assets									
Financial assets at fair value through the income statement									
Outstanding interest and currency risk derivatives **	14,15	3,701.7	3,701.7	3,685.8	3,685.8	2,892.7	2,892.7	2,814.6	2,814.6
Marketable securities	16	-	-	-	-	1,021.4	1,021.4	1,021.4	1,021.4
		3,701.7	**3,701.7**	**3,685.8**	**3,685.8**	**3,914.1**	**3,914.1**	**3,836.0**	**3,836.0**
Loans receivables and other receivables									
Accounts receivable		-	-	-	-	-	-	-	-
Receivables from Group Company	28	159,006.2	161,409.3	156,083.8	153,683.1	164,695.1	166,976.5	159,218.1	161,512.2
Other interest-bearing receivables	15	143.8	-	143.8	-	339.0	-	339.0	-
		159,150.0	**161,409.3**	**156,227.6**	**153,683.1**	**165,034.1**	**166,976.5**	**159,557.1**	**161,512.2**
Cash and cash equivalents		**22,447.0**	**22,447.0**	**22,436.7**	**22,436.7**	**10,670.4**	**10,670.4**	**10,654.0**	**10,654.0**
Liabilities									
Financial liabilities at fair value through the income statement									
Outstanding interest and currency risks derivatives	20,21, 22,23	639.7	639.7	626.9	626.9	1,451.0	1,451.0	1,358.3	1,358.3
Other current liabilities	23	-	-	-	-	194.0	194.0	194.0	194.0
		639.7	**639.7**	**626.9**	**626.9**	**1,645.0**	**1,645.0**	**1,552.3**	**1,552.3**
Financial liabilities valued at amortized cost ***									
Long term bond loans and other loans	20	56,964.4	59,777.5	54,435.6	57,236.0	68,915.8	71,840.8	66,374.4	69,485.3
Short term bank loans and other loans	22	38,268.0	38,334.7	36,799.3	36,861.2	32,395.0	32,808.8	30,210.5	30,424.7
Payable to Group Company	28	72,873.1	72,873.7	74,702.9	71,814.0	59,806.7	59,806.2	59,805.7	59,805.5
		168,105.5	**170,985.9**	**165,937.8**	**165,911.2**	**161,117.5**	**164,455.8**	**156,390.6**	**159,715.5**
Trade Payables		**2.9**	-	**2.7**	-	**4.4**	-	**4.1**	-

*The credit risk is included in the measurement of the fair value of liabilities and loans, as well as receivables and liabilities from/to Group companies, bond loans, bank loans and other loans to level 2.

**Gross exposure of derivatives with positive values has been reduced by 86% (67) through netting agreements and liquidity transfers to 533.3 (945.5).

***In the consolidated balance sheet, financial liabilities include loan-related derivative instruments of 41.8 (1,052.5).

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					
	Dec. 31, 2017			Dec. 31, 2016		
	Gains / Losses	Interest income	Interest expense	Gains / Losses	Interest income	Interest expense
Financial assets and liabilities at FVTPL*						
Marketable securities	(0.3)	0.0	-	2.3	(6.7)	-
Interest and currency rate risk derivatives**	4,362.0	0.2	(590.7)	(992.1)	(1.2)	(124.5)
Loans originated by the company	-	2,736.1	(161.7)	-	2,866.7	(140.1)
Cash and cash equivalents	(179.0)	16.9	-	(375.9)	13.0	-
Finacial liabilities valued at amortized cost	(4,152.7)	-	(1,409.0)	1,780.8	-	(1,836.4)
Effect on Gross income	**30.0**	**2,753.2**	**(2,161.4)**	**415.1**	**2,871.8**	**(2,101.0)**

	Parent company					
	Dec. 31, 2017			Dec. 31, 2016		
	Gains / Losses	Interest income	Interest expense	Gains / Losses	Interest income	Interest expense
Financial assets and liabilities at FVTPL*						
Marketable securities	(0.3)	0.0	-	2.3	(6.7)	-
Interest and currency rate risk derivatives**	4,248.4	0.2	(563.2)	(983.5)	(1.2)	(111.1)
Loans originated by the company	-	2,624.1	(169.3)	-	2,761.6	(173.8)
Cash and cash equivalents	(179.0)	16.8	-	(376.0)	12.8	-
Finacial liabilities valued at amortized cost	(4,055.7)	-	(1,366.9)	1,756.1	-	(1,784.4)
Effect on Gross income	**13.4**	**2,641.1**	**(2,099.4)**	**398.9**	**2,766.5**	**(2,069.3)**

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

** The recognized loss is primarily attributable to derivatives flows totaling 217.0 (65.0) that hedge commercial cash flows.

This is a true and accurate translation of the original document

(Certified)

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Below is an account of derivative instruments and options on financial and commercial assets and liabilities. The nominal amount represents the gross amount of the contract. The contracts outstanding have been recognized at market value. The stated market values represent the calculated values that will not necessarily be realized.

Outstanding derivative instruments hedging currency and interest-rate risk

	Group			
	Dec. 31, 2017		**Dec. 31, 2016**	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
- receivable position	99,736.5	3,246.2	72,860.8	2,341.9
- payable position	75,343.0	(230.9)	70,464.9	(1,105.7)
Interest-rate forwards and futures				
- receivable position	-	-	2,000.0	0.2
- payable position	-	-	-	-
Foreign exchange forward contracts				
- receivable position	31,656.9	448.5	22,659.9	530.6
- payable position	20,786.7	(407.7)	12,203.6	(329.4)
Options purchased, caps and floors				
- receivable position	1,380.7	7.0	1,517.7	20.0
- payable position	41.2	-	47.8	-
Options written, caps and floors				
- receivable position	-	-	47.9	0.0
- payable position	715.3	(1.1)	1,413.1	(15.9)
Total		**3,062.0**		**1,441.7**

	Parent Company			
	Dec. 31, 2017		**Dec. 31, 2016**	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
- receivable position	98,162.0	3,235.3	70,448.0	2,265.0
- payable position	72,563.4	(212.9)	68,723.8	(979.2)
Interest-rate forwards and futures				
- receivable position	-	-	2,000.0	0.2
- payable position	-	-	-	-
Foreign exchange forward contracts				
- receivable position	37,318.5	443.7	25,096.2	529.3
- payable position	20,518.8	(412.9)	14,101.4	(363.1)
Options purchased, caps and floors				
- receivable position	1,275.9	6.8	1,517.7	20.0
- payable position	41.2	-	47.8	-
Options written, caps and floors				
- receivable position	-	-	47.9	0.0
- payable position	715.3	(1.1)	1,413.1	(15.9)
Total		**3,058.9**		**1,456.3**

Note 27 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 registered office in Gothenburg, Sweden.

The Parent Company is not presenting a sustainability report in accordance with Chapter 7 Section 31 a. AB Volvo (publ) (556012-5790), with registered office in Gothenburg, Sweden, prepares a sustainability report for the Group that includes the company.

Note 28 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 4 and 5.
The Group's income statements and balance sheets will be presented to the Annual General Meeting for approval.

Note 29 Restatement of the income statement and balance sheet for 2016

The figures recognized for 2016 were restated in accordance with IAS 1, item 109, in which recognition of Group contributions is made in shareholders' equity as a transaction with the owner. The change means that profit for the year increased 741.0 from 106.0 to 847.0.

In addition, a change was also made on the line other operating income and expenses in the Group's and the Parent Company's income statements, since income and liabilities cannot be offset according to IAS 1, item 32. This change entails that the line other operating income and expenses has been added.

Consolidated statement of comprehensive income 2016

	Previously reported 2016	Recalculation	After recalculation 2016
Interest income	2,871.8	-	2,871.8
Interest expense	(2,101.0)	-	(2,101.0)
Financial instrument measured at FVTPL	285.1	-	285.1
Net interest income	**1,055.9**	-	**1,055.9**
Net result of other financial transactions	130.0	-	130.0
Gross income	**1,185.9**	-	**1,185.9**
Other operating income	-	123.3	123.3
Administrative expenses	(199.0)	-	(199.0)
Other operating expenses	-	(29.1)	(29.1)
Other operating income and expenses	94.2	(94.2)	-
Operating income	**1,081.1**	-	**1,081.1**
Allocations	(950.0)	950.0	-
Income before tax	**131.1**	**950.0**	**1,081.1**
Tax on income for the year	(25.1)	(209.0)	(234.1)
Net income	**106.0**	**741.0**	**847.0**

Consolidated balance sheet

	Previously reported 2016	Recalculation	After recalculation 2016
ASSETS			
Non-current assets			
Intangible assets	3.7	-	3.7
Tangible assets	0.5	-	0.5
Financial assets	62,662.4	-	62,662.4
Deferred tax	11.7	-	11.7
Total non-current assets	**62,678.3**	-	**62,678.3**
Current assets			
Current receivables	105,429.1	-	105,429.1
Marketable securities	1,021.4	-	1,021.4
Cash and cash equivalents	10,670.4	-	10,670.4
Total current assets	**117,120.9**	-	**117,120.9**
TOTAL ASSETS	**179,799.2**	-	**179,799.2**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	500.0	-	500.0
Reserves	146.0	-	146.0
Retained earnings	15,350.7	(741.0)	14,609.7
Net income	106.0	741.0	847.0
Total shareholders' equity	**16,102.7**	-	**16,102.7**
Non-current liabilities	69,456.3	-	69,456.3
Current liabilities	94,240.2	-	94,240.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**179,799.2**	-	**179,799.2**

This is a true and accurate translation of the original document
(Certified)
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Consolidated statement of comprehensive income 2016

	Previously reported 2016	Recalculation	After recalculation 2016
Interest income	2,766.5	-	2,766.5
Interest expense	(2,069.3)	-	(2,069.3)
Financial instrument measured at FVTPL	281.9	-	281.9
Net interest income	**979.1**		**979.1**
Net result of other financial transactions	117.0	-	117.0
Gross income	**1,096.1**		**1,096.1**
Other operating income	-	123.4	123.4
Administrative expenses	(175.0)	-	(175.0)
Other operating expenses	-	(27.5)	(27.5)
Other operating income and expenses	95.9	(95.9)	-
Operating income	**1,017.0**	-	**1,017.0**
Allocations	(950.0)	-	(950.0)
Income before tax	**67.0**	-	**67.0**
Tax on income for the year	(15.0)	-	(15.0)
Net income	**52.0**	-	**52.0**

Note 30 Cash-flow statement

Group

Cash-flow from financing activities	Note	2017-01-01	Cash flow	Non cash items Unrealized exchange rate effects	FV valuation	2017-12-31
Group contributions received		-	550.0	-	-	-
Group contributions granted		-	(1,500.0)	-	-	-
Bond loans	20	60,653.5	(11,691.2)	-	-	48,962.3
Other liabilities to credit institutions	20	8,602.1	(182.1)	(78.1)	(234.8)	8,107.1
Other non- current liabilities	21	169.1	(0.3)	0.6	(85.0)	84.5
Current liabilities to credit institutioi	22	33,107.7	5,970.1	95.3	(598.3)	38,574.8
			(6,853.5)			

*Group contributions received/granted are recognized under the item Receivable/liabilities with Group companies (in the Volvo Group) in the balance sheet and are moved from the items increase (-)/decrease (+) in lending to Group companies and increase (+)/decrease (-) in borrowing from Group companies to the items Group contributions received/granted in the cash-flow statement.

This is a true and accurate translation of the original document

(Certified):

John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Parent company

Cash-flow from financing activities	Note	2017-01-01	Cash flow	Non cash items Unrealized exchange rate effects	FV valuation	2017-12-31
Group contributions received		-	550.0	-	-	-
Group contributions granted		-	(1,500.0)	-	-	-
Bond loans	20	60,653.5	(11,691.2)	-	-	48,962.3
Other liabilities to credit institutions	20	6,060.7	(247.7)	-	(234.7)	5,578.3
Other non-current liabilitties	21	165.9	(0.3)	-	(83.3)	82.3
Liabilities to credit institutions	22	30,899.7	6,407.2	-	(208.3)	37,098.6
			(6,482.0)			

*Group contributions received/granted are recognized under the item Receivable/liabilities with Group companies (in the Volvo Group) in the balance sheet and are moved from the items increase (-)/decrease (+) in lending to Group companies and increase (+)/decrease (-) in borrowing from Group companies to the items Group contributions received/granted in the cash-flow statement.

Note 31 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.

Note 32 Proposed disposition of unappropriated earnings

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

Retained earnings		15,011,461,638
Net income		51,758,362
	SEK	**15,063,220,000**

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

To be carried forward	SEK	**15,063,220,000**

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 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.

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

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
NR 862

Gothenburg, March 12, 2018

Thomas Lestin CEO	Frederik Ljungdahl Chairman
Sune Martinsson	Ulf Rapp

Our Auditors' Report was submitted on March 12, 2018
PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant

This is a true and accurate translation of the original document
(Certified): ....
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Auditor's report

To the general meeting of the shareholders of Volvo Treasury Aktiebolag (publ), corporate identity number 556135-4449

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Volvo Treasury Aktiebolag for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 1-43 in this document.

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 parent company as of 31 December 2017 and its financial performance and cash flow 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 respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report regarding the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company and group audit committee in accordance with the Auditors Ordinance (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Our audit approach

Audit scope

Volvo Treasury is an internal bank within the AB Volvo Group, which implies that the transactions undertaken by Volvo Treasury are, primarily, comprised of loan financing and the hedging of economic risks to which the group is exposed. The audit is focused on examining both borrowed and lent out funds and derivative instruments applied in the hedging operations. The audit takes place through a combination of the evaluation of the control system and functions which the company has implemented on behalf of the operations and, of the testing of open positions and transactions against relevant documentation.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the Key audit matter*
Valuation of outstanding derivate transactions	
Volvo Treasury enters into derivate contracts with banks in order to hedge the risk of exchange rate changes and interest rate risks. These instruments are reported at market value in the balance sheet.	In our audit, we have obtained information regarding and have assessed the central valuation methods, obtained copies of governance documentation and copies of judgements applied by the company in the valuation of derivatives, and we have compared these with generally established valuation principles. We have studied the routines for the correct registration of transaction data and the correct input of market data as at book closing date, and have examined the automated valuation model in the company's treasury system. The automated valuation model has been tested in independent calculations of a selection of instruments. In addition, the general IT controls have been tested regarding the treasury system used for valuation calculations, with the aim of determining whether the system's data calculations are protected from any non-allowed measures, as well as to determine if they are executed consistently.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website:
http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf.
This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Volvo Treasury Aktiebolag (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Gothenburg 12 March 2018
PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant

Corporate Governance Report

Volvo Treasury AB (publ) has issued debt securities which are listed on a regulated market and the company is therefore 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 at the shareholder's general meetings.

Internal control over financial reporting

The Volvo Treasury Group's process 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 with regard to financial reporting.

Introduction

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. The principles for Volvo's internal controls, as well as directives and guidelines for the financial reporting are contained in the Volvo Group Management System, a Group-wide management system that includes the Group's instructions, rules and principles.

Risk assessment

Risks pertaining to financial reporting are evaluated and overseen by the Board of Directors through its Audit Committee, and by identifying significant risks and how they should be managed and counteracted. The evaluation of the degree of risk that is required for errors to appear in the financial reporting is based on a number of criteria, for example the complexity of the accounting policies, the valuation principles for assets and liabilities and complex or changed business circumstances. The identified risks, together with requisite mitigating control targets, are collected in a framework for internal control of financial reporting, Volvo Internal Control Standard (VICS).

This is a true and accurate translation of the original document
(Certified): ....
John Lightowler
Authorized Translator

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Control activities

The Volvo Group's Board of Directors and its Audit Committees as well as the Volvo Treasury Group's Board of Directors 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 by including control activities that match the control objectives defined in the VICS framework. Control activities range from a review of outcome results at management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for 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's accounting 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:

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 guidelines that are collected in policies found in the Financial Policies and Procedures, 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.

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 Volvo Group's Board of Directors and its Audit Committees as well as to the Volvo Treasury Group's Board of Directors.

Gothenburg, March 12, 2018

Volvo Treasury AB (publ)

KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

This is a true and accurate translation of the original document

(Certified): ....

John Lightowler
Authorized Translator

Board of Directors

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in Volvo Treasury Aktiebolag (publ), corporate identity number 556135-4449

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 48-50 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg 12 March 2018
PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant