THE VOLVO GROUP
ANNUAL AND SUSTAINABILITY REPORT

2015

The **Volvo Group's** *products and services contribute to much of what we all expect of a well-functioning society. Our trucks, buses, engines, construction equipment and financial services are involved in many of the functions that most of us rely on* **every day.**




VOLVO

Volvo Group

THE VOLVO GROUP
ANNUAL AND SUSTAINABILITY REPORT

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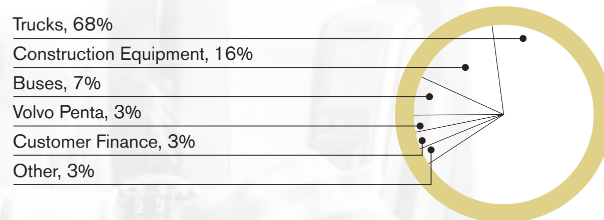
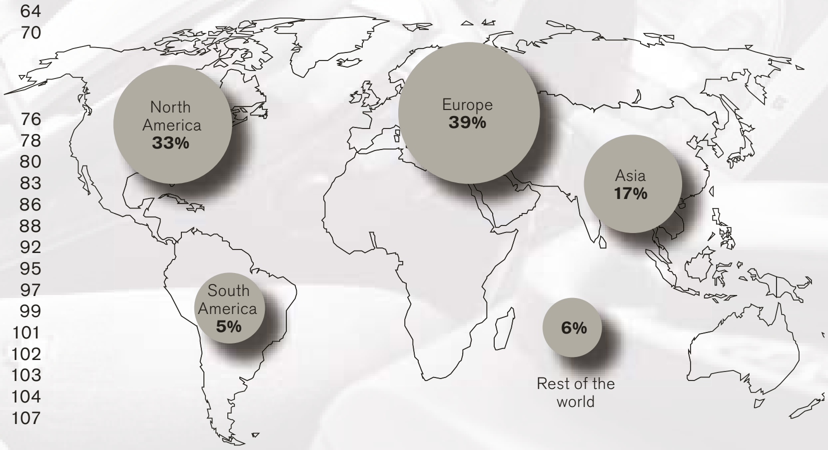
The Volvo Group's formal financial reports are presented on pages 76–167 and 189 in the printed version and have been audited by the company's auditors.

SHARE OF NET SALES BY BUSINESS AREA 2015

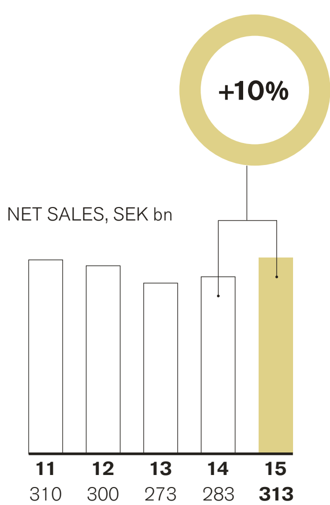


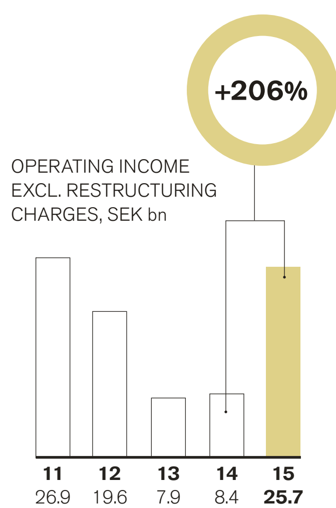
SHARE OF NET SALES BY MARKET 2015

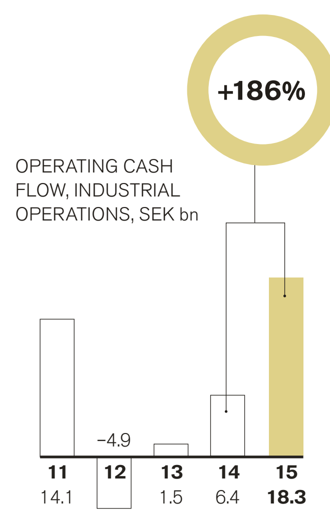


THE VOLVO GROUP IMPROVED ITS PROFITABILITY IN 2015

During 2015 the Volvo Group's volumes were on the same level as in 2014, but sales increased by 10% as an effect of changes in currency exchange rates and amounted to SEK 312.5 billion. Despite the unchanged volumes, profitability improved thanks to competitive product programs, cost-saving measures, favorable currencies and divestitures of shares in Eicher Motor Limited. For our truck business, sales and profitability increased in Europe and North America as an effect of good demand for new trucks as well as spare parts and services. However, this was partly offset by a less favorable development in South America. The construction equipment business faced tough market conditions in many markets, not least China, but gained market shares in its core segments and worked hard to adapt its costs to the lower volumes. Buses had a positive momentum in earnings and have an established position at the forefront of the electromobility. Volvo Penta had another strong year, with a renewed, expanded and innovative product portfolio. The customer financing operations developed well with a good profit and return on equity. The Volvo Group's operating income, excluding restructuring charges, improved to SEK 25.7 billion (8.4), which corresponds to an operating margin of 8.2% (3.0). Operating cash flow in the Industrial Operations was strong and increased to SEK 18.3 billion (6.4) contributing to a significant strengthening of the financial position.







KEY RATIOS	2015	2014
Net sales, SEK M	**312,515**	282,948
Operating income excl. restructuring charges, SEK M	**25,652**	8,393
Operating margin excl. restructuring charges, %	**8.2**	3.0
Restructuring charges, SEK M	**-2,333**	–2,569
Operating income, SEK M	**23,318**	5,824
Operating margin, %	**7.5**	2.1
Income after financial items, SEK M	**20,418**	5,089
Income for the period, SEK M	**15,099**	2,235
Diluted earnings per share, SEK	**7.41**	1.03
Dividend per share, SEK	**3.00**[1]	3.00

1 According to the Board's proposal.

KEY RATIOS	2015	2014
Operating cash flow, Industrial Operations, SEK bn	**18.3**	6.4
Return on shareholders' equity, %	**18.4**	2.8
Total number of employees	**99,501**	104,571
Share of women, %	**18**	18
Share of women, presidents and other senior executives, %	**21**	21
Employee Engagement Index, %	**71**	72
Energy consumption, MWh/SEK M	**6.9**	7.9
CO_2 emissions, tons/SEK M	**0.7**	0.8
Water consumption, m^3/SEK M	**16.2**	18.1
Share of direct material purchasing spend from suppliers having made a CSR self-assessment, %	**86**	80

Improved profitability and cash flow

> *"We are now gradually moving away from major restructuring programs to more continuous improvement work".*
> *Martin Lundstedt*

How would you summarize 2015 in terms of market development?
Jan Gurander (JG): If we start in North America, the market was incredibly strong and we have a very solid business. Around 90% of the Volvo trucks are now delivered with our own engines and for gearboxes that figure is 85%. Naturally, this development is very positive for our dealer network in terms of share of business with the customer during the entire life cycle. The North American market is slowing down, but in a controlled way, and we believe that 2016 will be a good year as well, albeit not as good as last year.

And what about Latin America?
JG: For Brazil, which is by far our biggest market in Latin America, it was a different story. Compared to the peak years, the drop in demand has been dramatic. We are keeping our market shares and have adjusted production and our organization to this much lower level – which we believe will be with us for the rest of 2016, at least.

Turning to Europe, it seems that we are seeing a positive trend when it comes to Renault Trucks?
JG: Yes, our new range is very well received by the customers and has also to some extent opened the door to new segments. Overall, demand in Europe has been gaining momentum, slowly but steadily. Some of the factors behind this development are low interest rates, low fuel prices and a need to invest in new trucks, as the fleet in Europe is rather old.

And if we look to the East?
JG: The market in Japan in 2015 was basically flat and rather undramatic. For the rest of Asia, the picture was rather mixed. India was the only emerging market where we had growth. As for China, the total market was down 25% in 2015. Our strategic partner Dongfeng Commercial Vehicles (DFCV) is making adjustments to manage this lower volume.

How is the cooperation between the Volvo Group and DFCV developing?
JG: Very well. In June we signed a license agreement granting DFCV the right to develop an 11-liter engine based on the Volvo Group engine currently used in the UD Trucks models Quester and KuTeng.

Speaking of China: how is Construction Equipment coping with the downturn?
JG: The market for construction equipment in China today is about one fourth of what it was when the market peaked. Last year we continued to adapt our organization to manage the lower volumes in China. A lot of work has also been put into managing credit risks linked to dealers and customers in China. On the global level we focused more on our bigger machines where the margins are better. We have done quite well in these segments and increased our market shares. Overall, a tremendous job done by Volvo Construction Equipment. In fact, all our Business Areas performed well in 2015. Volvo Financial Services had a record year, with a result breaking the SEK 2 billion ceiling, and Volvo Penta also had reason to celebrate since their result exceeded SEK 1 billion. It is really good to see that our colleagues at Volvo Penta continue to turn innovation into sales and profitability. One example is the new Forward Drive propulsion system that pulls the boat through the water rather than pushing it, which is great if you are into wakeboarding or wakesurfing.

And Volvo Buses?
JG: Buses are looking good. We are seeing a gradual improvement in profitability, as an effect of a large number of activities carried out over the years. In addition to the financial result, Volvo Buses also had a milestone year when Gothenburg's first route for electric buses was opened in June. The electric bus is now ready for serial production. It is quiet, does not have any exhaust emissions, and is about 80% more energy efficient than a conventional diesel bus.

Jan Gurander

Martin Lundstedt

Mr Lundstedt: What is your view on sustainability?
Martin Lundstedt (ML): The 55 electric bus route in Gothenburg is a great example of what can be achieved when we work together with other actors in society to develop transport solutions that are truly sustainable. There is no doubt in my mind that this is the way forward. To be competitive we must deliver sustainable transport solutions to our customers and act responsibly in our daily work. With our global spread and local presence, we have a unique position to lead the transition towards a more sustainable transport and infrastructure industry. We take the lead by integrating sustainability as a natural part of our product and business development, as we did in the ElectriCity project. But there is more to it, we create value in local communities by linking our societal engagement with our business objectives. As an example we conduct vocational training programs for service technicians in developing countries. This creates employment opportunities for young people while securing skills for our long-term business development.

How would you comment the financial result for 2015?
ML: In short, we increased our profitability and had a positive cash flow development. Our position today is to a large extent the result of the great product ranges we launched a few years ago and our different efficiency programs. We conducted these programs to reduce our structural costs, and we have. A lot of people have put in hard work to make this happen and it is very rewarding to see the results coming through. I would like to thank all emplyees for their efforts during 2015. We will always look for new ways to become a more efficient Group, but we are now gradually moving away from major restructuring programs to more continuous improvement work.

You took office in October 2015. What were your first impressions of the Group?
ML: Well, first of all my first impression of the Volvo Group was formed much earlier. Having worked at a competing company for many years I had a rather clear view of the company and I have been impressed in many cases. As an example I have seen Volvo Trucks' total solution approach being applied in emerging markets with not only perfectly adapted hardware but also on-site support. And if you go to Bangalore, India, you can either buy a bus ticket or a Volvo ticket. That says something about the strength of the brand position Volvo has built up in that market. I have listened to people in the US talk about the Mack brand and what it represents to them. So I guess that my first impression of the Group was that it was a great company with tremendous assets in terms of both its brands and its people. And after joining the Group I have found an organization with deep knowledge about our products and customers.

A lot of people who have met you since you joined the Group have commented that whatever you discuss, you always seem to talk about the customer. Would you agree?
ML: Absolutely. Customer focus is something that is very close to my own heart and something that I will reinforce and build on. That goes throughout the whole value chain. I am not only talking about the frontline, which is of course extremely important, but also through production, purchasing, research and development, financial services etc. so that we put together a complete package.

And looking ahead?
ML: In 2015 the foundation was laid. We now enter the next phase – when we organize the truck operations based on our brands. It will increase our focus on customers and contribute to driving our business with higher speed and improved efficiency. We will have a simpler organization in which decisions are made closer to the customer and a mindset to always look for new ways to improve. All of our business areas have potential for further improvement, which means that we have an exciting time ahead of us.

Martin Lundstedt
President and CEO

Jan Gurander
Deputy CEO and CFO,
Acting President and CEO April 22–October 21, 2015.

Our customers make societies function

The societies where many of us live function with the help of the type of products the Volvo Group provides. **Customers use our trucks, buses, construction equipment and engines** *in many of the important functions that people rely on every day.*

The majority of the Volvo Group's customers are companies within the transportation or infrastructure industries. The reliability and productivity of the products are important and in many cases crucial to our customers' success and profitability.

ON THE ROAD

With the help of our products, our customers ensure that there is food on the table, transport to the airport and newly constructed roads to drive on. Our estimates show that around 15% of all food in Europe is delivered by a truck from the Volvo Group. Our trucks also transport furniture, clothing, sanitary products, computers and other products most people need in their daily lives.

Our buses transport people quickly to work. One can take an intercity bus to visit relatives or go on holiday in one of our touring coaches. Our construction machinery is used in infrastructure expansion projects, for example for construction of roads, railways and bridges.

In order to ensure that the vehicles stay on the road and continue to operate safely, our dealer and service network helps our customers with excellent, quick service and first-class technical solutions.

IN THE CITY

The Volvo Group's products are part of many people's daily life. They take people to work, collect garbage and keep the lights on. The Volvo Group is developing tomorrow's public transport solutions so that it is possible to get to work or school quickly and safely.

Our construction equipment is used to build housing, industrial and sports facilities, and the Group's vehicles help keep public areas clean by transporting millions of tons of refuse from cities around the world every week. At hospitals the Group's industrial engines power reliable backup generator sets to ensure that the power is running.

We also contribute to our customers' profitability by offering assistance with financing, insurance as well as favorable service agreements.

OFF ROAD

The Volvo Group's products contribute to the extraction of some of the world's most important raw materials. Our vehicles and machines, which conform to the latest emissions standards, can be found at the bottom of mines and in the middle of forests. Our construction equipment and trucks are used daily to mine iron ore, clear forests, transport lumber or haul many tons of stone and rock.

The Group's industrial engines power vital irrigation installations at agricultural sites all over the world, so that farmers can grow their crops. We help our customers with financing and see to it that no machines remain at a standstill – no matter where in the world they operate.

AT SEA

The Volvo Group's products are present at sea, whether it is on a holiday in the leisure boat or urgent help from the sea rescue services.

Sea conditions may be the roughest imaginable when the coast guard or sea rescue services are out on duty. The sea can also be calm and pleasant when travelling on a ferry or fishing from the private leisure boat.

The Volvo Group has marine engines for all situations and for all types of customers. We provide servicing all over the world.

Strong positions thanks to…

competitive product programs, strong dealers and increasingly more complete offerings *including services such as financing, insurance, leasing, various service contracts, accessories and spare parts that support the core products, the Volvo Group has established leading positions on a global market.*

#2 in heavy-duty trucks

#4 in construction equipment

#2 in buses for target segments

#2 in heavy-duty diesel engines

#1 in marine diesel engines

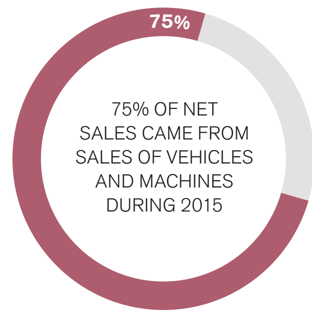
MARKET SHARES, HEAVY-DUTY TRUCKS, %

The Volvo Group has established positions with strong market shares in truck markets around the globe.

*Volvo Group holds 45.6% in VECV, which produces Eicher trucks, and 45% in DFCV, which produces Dongfeng trucks.

... competitive products ...

All of the Volvo Group's products have been developed to contribute to efficient transport and infrastructure solutions. Sales of new vehicles, machines and engines as well used vehicles and machines, trailers, superstructures and special vehicles accounted for 75% of the Group's net sales in 2015. Sales of vehicles and machines build a population of products that drives spare parts sales and service revenue.



STRONG BRANDS

The Volvo Group's brand portfolio consists of Volvo, Volvo Penta, UD, Terex Trucks, Renault Trucks, Prevost, Nova Bus and Mack. We partner in alliances and joint ventures with the Sunwin, SDLG, Eicher and Dongfeng brands. By offering products and services under different brands, the Group addresses many different customer and market segments in mature as well as growth markets.

TRUCKS

Brands in the Volvo Group's truck operations have a unique and distinct brand-specific character that attracts customers in their markets.

Trucks are sold and marketed under the brands Volvo, UD, Renault Trucks, Mack and Eicher, which all offer customers a broad range of products and services for efficient and economic transports.

In January 2015, Dongfeng was added to the truck line up, through the acquisition of 45% of the Chinese truck manufacturer Dongfeng Commercial Vehicles.

*Volvo Group holds 45.6% in VECV, which produces Eicher trucks, and 45% in DFCV, which produces Dongfeng trucks.

CONSTRUCTION EQUIPMENT

Volvo Construction Equipment develops, manufactures and markets equipment for construction and related industries under the brands Volvo, SDLG and Terex Trucks. Its products are leaders in many world markets, and include a comprehensive range of wheel loaders, wheeled and crawler excavators, articulated haulers, road machinery and a range of compact equipment.

BUSES

The product range includes complete buses and bus chassis for city, intercity and coach traffic. The company has a total offering that, in addition to buses, includes a global service network, efficient spare parts handling, service and repair contracts, financial services and traffic information systems. The offer also comprises complete transport systems for electric buses including charging infrastructure.

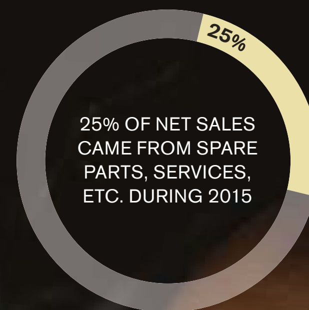
POWER SOLUTIONS FOR
MARINE AND INDUSTRIAL APPLICATIONS

Volvo Penta manufactures engines and drive systems for both leisure boats and commercial craft, with an engine range of 10 to 900 hp and has a global service network of approximately 3,500 service points. Volvo Penta also supplies industrial engines ranging from 75 kW to 655 kW for a variety of industrial applications such as container handling, mining equipment and power generation.

SPECIAL-PURPOSE VEHICLES

The Volvo Group manufactures special-purpose vehicles for use by for instance government, defense, peace-keeping and relief organizations. The Volvo Group's sales of defense material, as defined in the Swedish Military Equipment Ordinance (1992:1303) section A, amounted to 0.32% (0.41) of net sales in 2015.

... and first-class services.



In addition to vehicles and machines, the Volvo Group's offering includes various types of financing solutions, insurance, rental services, spare parts, preventive maintenance, service agreements, assistance services and IT services. The range and flexibility of the offering means that the solutions can be customized for each customer.

24 HOURS A DAY 7 DAYS A WEEK

Since a large part of the offering within the aftermarket business is linked to the vehicle population, they contribute to balancing the fluctuations in the sales of new products for the Group. Sales of services and aftermarket products accounted for 25% of Group net sales in 2015.

Efficient workshops
The Volvo Group extensive network of workshops is expanding all the time. Customers have access to skilled service technicians wherever they are. Genuine service maximizes uptime and reduces the risk of unplanned workshop visits. Individual service plans for each truck, bus or machine guarantee that the right type of service is carried out exactly when needed.

Products from the Volvo Group are built with genuine parts. The best way to ensure that they remain tools for cost-effective operations is to keep the vehicle or machine 100% genuine. That is why the Volvo Group's workshops use genuine parts, and they are an integrated part of preventive maintenance and repair contracts.

Service and maintenance agreements
Service contracts give customers easy and convenient truck, bus or machine ownership for a fixed fee. With these contracts customers know exactly when the vehicle or machine is due for service and what the costs will be for maintenance and repairs. This gives them more time to focus on their core business. Customers can choose from different service contract levels. The basic services included in each contract can be extended with a variety of options, allowing customers to create a solution that exactly suits their needs.

Roadside assistance to keep vehicles in operation
A flat tire or a broken windscreen can happen to any vehicle at any time. But if it happens to our customers they are not alone. The Volvo Group has various roadside assistance services available 24 hours a day, 7 days a week. Whenever customers need support they will be connected to a case manager who speaks their own language and who will support them all the way during the case. If needed, a skilled technician will support them at the roadside. Financial assistance, translation service, truck and trailer repair and rental, driver repatriation and legal assistance can also be included in the service.

Transport information systems
Information is a means of competitiveness in the transport business. Keeping track of a fleet is necessary to maintain a clear overview of the operation. The bottom line is increased revenue through improved utilization, and lower operating expenses through fuel control and optimized administration. The Volvo Group's different brands offer a range of integrated transport information systems based on the latest digital, wireless communication technologies.

Remote Diagnostics is one such system, which provides truck customers in North America with proactive diagnostic and repair planning assistance with detailed analysis of critical diagnostic trouble codes. The remote communication platform facilitates live dealer and customer communication through Volvo Action Service.

CareTrack is Volvo CE's telematics system that gives customers access to a wide range of machine monitoring information designed to save time and money. CareTrack generates a wide range of reports – including fuel consumption, operational hours and geographical location – via a web portal, as well as sending SMS/email alerts.

Fuel management and driver training to keep costs down
A fuel consumption reduction of two or three litres per 100 kilometers can be crucial to success. With a more efficient driving style a driver can make an active contribution to economy and the environment. The Volvo Group's different driver training programs optimizes driver skills, resulting in reduced fuel consumption, safer driving and reduced impact on the environment. It also improves the operators' total performance by getting the most out of their vehicles and machines as well as their drivers.

Financial services
Volvo Financial Services provides customer financing and leasing, dealer financing, and related fee-based products such as insurance. These products are delivered as part of the Volvo Group integrated total offer, creating value for dealers and customers by providing convenience, speed and solutions tailored to their specific business needs.

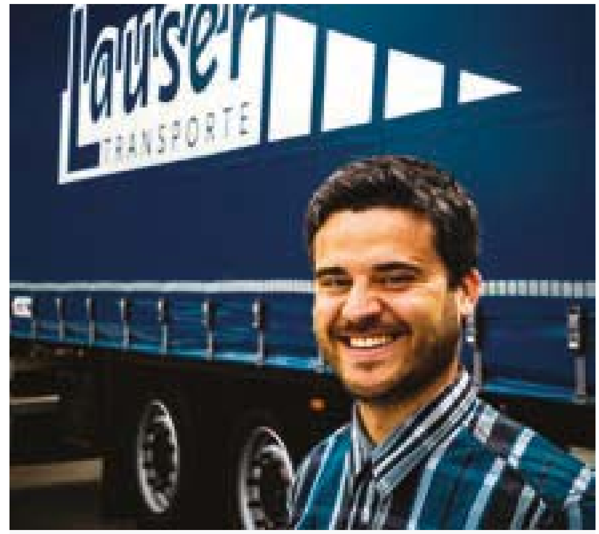
Uptime key to profitability

Lauser Transporte has been transporting goods in Germany's Baden-Württemberg region for 35 years. Philipp Lauser took over the company from his father, and while much has changed between the two generations, uptime remains absolutely vital.

1 DAY DOWNTIME = EUR 1,000 IN LOST REVENUE FOR THE CUSTOMER

LAUSER TRANSPORTE

Location Wiernsheim, near Stuttgart, Germany
History Jürgen Lauser started the company in 1980 and originally delivered milk in the Baden-Württemberg region. Today he runs the company in conjunction with his son, Philipp.
Fleet Approx. 50 trucks, roughly half of which are Volvo.
Assignments Transporting beverages and building supplies throughout Baden-Württemberg and beyond.



"When your trucks stand still, you're losing money"

How would you describe your business?
"I think what makes us unique is that we offer that little bit extra. We don't just drive from A to B like all the others – we also equip our trucks with extra features to help with the unloading as well. To deliver beverages, we have trailers with collapsible side doors for easier access. We also have trucks with forklifts, which enable us to unload anywhere without any additional equipment."

How does uptime affect your business?
"In my opinion, uptime is the most important factor when it comes to profit, because if the truck doesn't drive, you lose money and you will lose your customers. Our customers also have to satisfy their customers, so obviously uptime affects their service. Ultimately the biggest consequence is lost income, because you're not earning money, you're spending money on repairs, and it's much harder to satisfy customers with fewer trucks available for transport assignments."

How important is servicing to maintaining high uptime?
"It's the easiest way to achieve high uptime. Just service your trucks the best you can and it will automatically reduce downtime. At the moment, we have service agreements with some of our trucks and in the future I think we will have this agreement with all our trucks."

What is the advantage of having a service agreement?
"Because of all the electronics in a truck, when you have downtime, you often can't say what's wrong. It takes time to check all the electronic parts and the result is that you can't calculate the cost of a repair. But a contract is something we can calculate. In addition, there is less stress for us because everything is managed at the workshop."

FIVE TRENDS SHAPING CUSTOMER SERVICE

1. Telematics enable maintenance to go from reactive to preventive.
2. The transfer of data makes it possible to offer industry specific services in collaboration with partners.
3. Customers want to operate their own devices such as smartphones and computers and demand that they work flawlessly with the Volvo Group's vehicles. Interoperability and support need to be ensured.
4. As the transport systems become more integrated and sensitive to disruptions, customers will look for support to ensure uptime and productivity, leveraging information across their value chain.
5. Autonomous vehicles and semi-autonomous services will put new demands on customer service.

VOLVO ACTION SERVICE

25-year anniversary for Volvo Action Service

Volvo Action Service is Volvo Trucks Emergency roadside assistance service, available 24 hours a day, 7 days a week.

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LANGUAGES
SPOKEN AT THE UPTIME SOLUTIONS CALL CENTRE IN GHENT, BELGIUM

TO THE RESCUE AROUND THE GLOBE

Volvo Action Service got its current name in 1998. Previously it was called Action Service Europe.

Originally founded in 1990, Volvo Action Service celebrated its 25th anniversary in 2015. With the support of a comprehensive network Volvo Action Service helps repairs of the truck. They also support customers if they have problems with their trailer, superstructure, refrigeration, freezer units or tires.

Volvo Action Service began when a small team from Volvo's UK Headquarters in Warwick, worked together to set up the company's first purpose-built, multi-lingual, breakdown call center.

On July 1, 1990, Action Service Europe (ASE) – as it was originally called – was ready to start taking calls. The start of the breakdown service was scheduled for midnight and the first call came in at 1 am. It was taken by Peter Bryant, who continues to work at the call center today.

Soon, the new call center was fielding calls with the efficiency that it is noted for today and, with the move to a Volvo-run operation, customers were noticing a significant improvement in the breakdown service.

The success of ASE attracted attention from Volvo Trucks' head office in Sweden and other European markets. Based on the Warwick template, a new call center was opened in Ghent, Belgium, in 1993. Originally housed in a small building near the Volvo Parts central warehouse, it quickly grew into a 24-hour multilingual call center and training facility and remains central to Uptime Solutions' operations to this day.

Today the Volvo Group Uptime Solutions provides support to Volvo Trucks, Volvo Buses, Volvo Penta, Renault Trucks and UD Trucks, while additional call centers have since been opened in Lyon in France, Johannesburg in South Africa and – in 2014 – in Greensboro in the U.S.

XHOSA AND ZULU

Xhosa and Zulu are two of the languages spoken at the Uptime Solutions call center in Johannesburg, which serves customers in all eleven national languages of South Africa (English, Afrikaans, Ndebele, Sotho, Northern Sotho, Swazi, Tswana, Tsonga, Venda, Xhosa and Zulu).

GREENSBORO, USA

Greensboro, USA, is the most recent addition to the Volvo Group call center network. It opened in 2014 and accepts calls 24-hours for Volvo Action Service and Mack OneCall. Read more about the Greensboro Uptime Center on the next page.

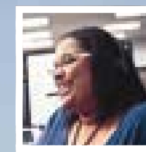
VOLAR

Volar is the emergency action service for Volvo Trucks, Mack and Volvo Buses in South American countries including Argentina, Chile, Peru and parts of Brazil.

VOLVO UPTIME CENTER

» It's the customer's call

More than 85,000 Mack and Volvo Trucks vehicles on the road today in North America are equipped with GuardDog Connect and RemoteDiagnostics. The service can cut the average diagnostic time by 70% and the repair time by more than 20% compared to traditional repair processes.



Teams providing front-line support to Mack and Volvo Trucks' customers, dealers and drivers – from parts expediters to reliability engineers – in Greensboro's new Uptime Center have one primary goal: keep the trucks rolling.

A man driving a Volvo truck learned a lesson a few months back when his onboard GPS led him into the middle of a cow pasture – and with a load of pigs in his trailer. He called the Uptime Center in Greensboro for help but simply said his truck was stuck in mud and he needed help getting pulled out.

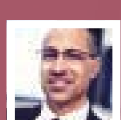
Walida Gwinn, Emergency Management Service (EMS) Coordinator, took the call. She dispatched a tow truck to bring out a heavy-duty wrecker and, an hour later, the towing company called to tell her the rest of the story. It was going to take hours to get the truck moving again.

"They had to bring in more tow trucks and four-wheelers and a chain saw to cut down a tree," Gwinn says. "That's when I called the driver's company to send another truck and rescue the pigs."

Gwinn is one of the 40 Volvo Action Service and Mack OneCall agents who take calls 24 hours a day from drivers who need help when they are on the road. These agents occupy part of the first floor of the new, 123,000-square-foot Uptime Center, which also

UPTIME CENTER NORTH AMERICA

Location: Greensboro, North Carolina.
Opened: 2014.
Agents: 40 Volvo Action Service and Mack OneCall agents available 24 hours a day, 7 days a week, 365 days a year.
Cases: Agents handle an average of 19,000 inbound calls a month and make approximately 30,000 outbound calls. More than 9,000 of these were telematics cases or scheduled maintenance.



"We want customers to see that, with us, they get great trucks but also the full range of uptime support that goes along with it."

Mark Curri, Vice President Aftermarket Quality & Operations, North America

includes parts specialists and technical experts who can troubleshoot difficult cases. This is the first time these support groups have been together under one roof.

“We wanted to give our employees an environment that makes it easy to deliver on the promise of uptime for our customers,” says Mark Curri, Vice President, Aftermarket Quality & Operations for Volvo Group Trucks in North America. “We took our front-line support, which is our call centre agents, and surrounded them with all the expertise they would need to get a truck back on the road as quickly as possible. We specialize in taking care of the things that are most important to our customers: the driver, the truck and the load.”

The Uptime Center team is now receiving praise from customers for their ability to sidestep unplanned downtime and respond to technical problems during difficult – and sometimes even life-threatening – emergencies, such as during the wave of cold weather that affected large parts of the US during the winter of 2014/2015.

Peter Dentler, who has been a Mack Parts Technical Analyst for 10 years, says it is important to explore multiple options when a truck is down. He recently received a call from an owner-operator who had been in a rollover accident and the cab was demolished. Dentler worked with the Mack Trucks marketing, reliability and technical support groups to expedite the case and the driver was up and running in two weeks. With the introduction of Mack's GuardDog Connect and Volvo Trucks' Remote Diagnostics telematics systems, the brands are now taking a more proactive approach to customer uptime.

Trevor Williams, Remote Diagnostics Supervisor, co-ordinated a quick repair recently for a driver who had a time-sensitive load. Because the truck he was driving had Remote Diagnostics installed, the Uptime Center staff was alerted when the truck registered a fault code. They diagnosed the problem and confirmed that the closest workshop had the right parts in stock before the truck arrived for the repair. The truck was fixed and back on the road in less than two hours.

“With our telematics offerings, we're trying to give customers the best information we can for them to make decisions about their business,” Curri says.

“We don't try to make the decisions for them, but we have experts who look at the information and can see if it's really worth interrupting that driver's trip.”

Since the Uptime Center opened in late 2014, it has become a popular stop for visiting customers and potential customers, as well as dealers. The number of groups visiting the facility averages about 20 a month.

“We want customers to see that with us, they get great trucks but also the full range of uptime support that goes along with it,” Mark Curri says.

REMOTE DIAGNOSTICS

- Today it is possible to run diagnostic tests remotely on the brakes, transmission, batteries and exhaust fans. It is also possible to read the distance a truck has driven and the road surface and conditions it operates in.
- When a truck sends a fault code, information such as fleet name, vehicle identification number, location (latitude and longitude) and the status (active or inactive) are all included.

RESPONDING TO TRENDS IN THE WORLD AROUND US

As part of our business and sustainability strategies, we continually analyze global megatrends as well as regional variations to assess their impact on the Volvo Group, seek new business opportunities and be well positioned to meet the transport needs of the future.

#1 Climate change and resource scarcity

There is widespread agreement that the burning of fossil fuels, including oil and diesel, is a major source of greenhouse gas emissions, which causes climate change. Governments, business, and other stakeholders aiming for a sustainable transport sector are responding by improving fuel efficiency and moving towards lower carbon alternatives. This challenge is driving interest and opportunities in electromobility, as well as alternative and renewable fuels. Developments across regions vary in speed and direction, depending on the availability of natural resources and fuels, infrastructure, political will, and incentives. We expect to see governments and multi-stakeholder partnerships place even greater focus and incentives on renewable energy and lowering emissions. We strive to manage resource scarcity by finding better ways to recycle, remanufacture, and refurbish products and components.

FUEL EFFICIENCY AND LOWER CARBON ALTERNATIVES

#2 Urbanization

Today over seven billion people live on the planet. The United Nations Population Fund expects there will be eight billion people by 2025, and over nine billion in 2050. Half the world's population already lives in cities, but the levels of urbanization vary widely by region. In the next decade, we will see a much greater rural-to-urban shift in Asia and Africa in particular. As urban populations grow, cities face increasing social and environmental challenges, including congestion, noise, traffic accidents and pollution. This challenges the transport and infrastructure industry to provide more sustainable and efficient solutions for each type of urban development, whether a small or medium sized city or a mega city. The growth in emerging markets brings the development of larger middle classes, and citizens with rising disposable incomes will spend more on consumption and housing. These are also important factors for the increased demand for transport and infrastructure in these parts of the world.

8 BN PEOPLE BY 2025

#3 Connectivity and digitalization

Today we live in a hyper-connected world and connectivity is only accelerating. In 1995 about 1% of the population had an internet connection – today around 40% does. By 2020 there will be 80–100 billion connected devices, by some estimates, and the expansion will continue with increasing numbers of sensors in all sorts of devices. The Volvo Group has approximately 470,000 connected vehicles out with customers today. The digitalization advancements create opportunities for our industry in terms of monitoring and analyzing vehicle data and transforming it to improved productivity and uptime, better fuel efficiency and new safety solutions. Productivity gains in logistics and better utilization of infrastructure will gradually benefit our business customers. Based on data insights we are working to provide new services for our customers.

470 THOUSAND CONNECTED VEHICLES

#4 Autonomous vehicles and safety developments

The car industry is leading the autonomous vehicle development, but commercial vehicles and machines are also making advances. We expect this development to intensify, and we also expect further automation in our manufacturing. Every year there are more than 1.2 million fatalities and 50 million people injured through traffic accidents. Greater traffic safety education and better planning of roadways is part of the solution. The growing automation in transportation and infrastructure solutions through the use of self-driving vehicles will also allow the industry to provide greater safety, fuel savings, and transport efficiency. With advancements in industrial robotics and increased sophistication in automation in industry, we will also see quality gains and new possibilities for smarter product development.

SELF-DRIVING VEHICLES

#5 Evolving trade and regulatory environment

Our transport and infrastructure solutions are in demand in diverse markets across the globe, and regulations, customer requirements, and competitive dynamics vary both between markets and within individual markets. Our industry is challenged to meet shifting economic and regulatory conditions, access and develop human capital around the world, and continually work to improve sustainability, effectiveness, and safety and security in the supply chain. As mentioned earlier, we can see a lot of new value resulting from connectivity, but at the same time governments, businesses, and other stakeholders must adapt rapidly to ensure the protection of data as well as integrity in diverse market environments.

RAPID ADAPTATION TO PROTECT DATA AND INTEGRITY

VISION, CORE VALUES, CODE OF CONDUCT AND WANTED POSITION

The Volvo Group is part of the global society as well as many local societies. This provides us with the opportunity to influence and contribute to social and business development. We strive to act responsibly, take into account the opinions of various stakeholders and create value for our shareholders and society. The vision is to become the world leader in sustainable transport solutions.

OUR VISION

The Volvo Group's vision is to become the world leader in sustainable transport solutions by:

- creating value for customers in selected segments
- pioneering products and services for the transport and infrastructure industries
- driving quality, safety and environmental care
- working with energy, passion and respect for the individual.

OUR WANTED POSITION 2020

- We are among the most profitable in our industry.
- We are our customers' closest business partners.
- We have captured profitable growth opportunities.
- We are proven innovators of energy-efficient transport and infrastructure solutions.
- We are a global team of high performing people.

OUR CORE VALUES

The Volvo Group views its corporate culture as a unique asset, since it is difficult for competitors to copy. By applying and strengthening the expertise and culture we have built up over the years, we can achieve our vision.

Quality, safety and environmental care are our core values. They have a long tradition and permeate our way of working. They are an important part of our commitment to sustainability and corporate social responsibility.

Quality

Quality is an expression of our goal to offer reliable products and services. In all aspects of our operations, from product development and production to delivery and customer support, the focus shall be on customers' needs and expectations. Our goal is to meet or exceed their expectations. With a customer focus based on everyone's commitment and participation, our aim is to be number one in customer satisfaction. This is based on a culture in which all employees are responsive and aware of what must be accomplished to be the best business partner.

Safety

Safety is about protecting the wellbeing of anyone coming into contact with our products, from product development to the end of their life cycle. We have been in a leading position in the safety domain for a long time; our goal is to reinforce this position. A focus on safety is an integral part of our product development work. Our employees are highly aware of safety issues, and the knowledge gained from our own crash investigations and in-depth accident research are used in many places in the world. Our goal is to reduce the risk of accidents and mitigate the consequences of any accidents that may occur as well as to improve the personal safety and the work environment of the drivers of our vehicles and equipment as well as our employees. Our long-term vision is zero accidents with Volvo Group products.

Environmental care

We believe that it is self-evident that our products and our operations shall have the lowest possible adverse impact on the environment. We are working to further improve energy efficiency and to reduce emissions in all aspects of our business, with particular focus on the use of our products. Our goal is for the Volvo Group to be ranked as a leader in environmental care within our industry. To achieve this goal, we strive for a holistic view, continuous improvement, technical development and efficient resource utilization.

OUR CODE OF CONDUCT

The Code of Conduct is the mandatory, Group-wide policy for appropriate business behavior and responsibility towards our stakeholders, and is the backbone of the Group's CSR and sustainability commitment. The Code of Conduct outlines the Volvo Group's principles and minimum standard for conducting business in an appropriate, responsible and transparent manner. The policy consists of business ethics, human rights and social justice and environmental principles which shall be applied in policies, decisions and activities.

Business ethics principles

Volvo Group strives for integrity and compliance with business ethics principles in all parts of our operations and prefers to work with component suppliers, consultants, distributors and other business partners that share the same values. The most important principles to apply and implement relate to anti-corruption, not facilitating money laundering, reporting in a transparent, truthful and timely manner, fair competition and compliance with tax rules.

Principles of human rights and social justice

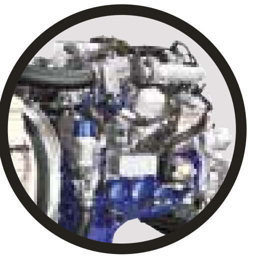
Volvo Group shall support and respect the protection of internationally proclaimed human rights and make sure that the Group is not complicit in human rights abuses. Volvo Group's commitment to employees is that all employees shall be treated with respect and be offered equal opportunities, be provided the conditions for a safe and healthy work environment and have the right to join an association to represent their interests.

Environmental principles

Environmental care has been a corporate core value for the Volvo Group since 1972 and is an integrated part of daily business throughout the value chain. We strive to design our processes and products in such a way that energy, natural resources and raw material shall be used efficiently. We aim to avoid materials and methods posing environmental and health risks.

STRATEGY

STRATEGY FOCUSING ON PROFITABILITY THROUGH CUSTOMER VALUE AND EFFICIENCY



Following more than a decade with an active acquisition strategy to build the scale needed to be competitive in commercial vehicles and diesel engines, the Volvo Group is in a phase focused on improved efficiency, increased profitability and creating customer value.

ECONOMIES OF SCALE ACHIEVED AFTER GROWTH PERIOD

During the period 1999–2011 the Volvo Group's strategy was primarily targeted at growth particularly through acquisitions while at the same time focusing the business on commercial vehicles.

On the truck side, acquisitions included Renault Trucks, Mack and Nissan Diesel (now UD Trucks), the joint venture with Eicher Motors in India and, in 2015, the strategic alliance with a 45% ownership in DFCV in China.

Volvo Construction Equipment bought a 70% ownership in the Chinese wheel loader manufacturer Lingong (SDLG), Ingersoll Rand Road Development and the hauler business from Terex (2014).

The acquisitions along with organic growth have enabled the Volvo Group to reach the position as the world's second largest manufacturer of heavy-duty trucks, one of the world's largest manufacturers of construction equipment, buses and heavy-duty diesel engines as well as a leading independent supplier of marine and industrial engines. These positions provide for economies of scale in product development, production, distribution and service.

The streamlining to commercial vehicles has also involved the divestment of non-core operations such as Volvo Aero.

COMMON ARCHITECTURE AND SHARED TECHNOLOGY CREATING SYNERGIES AND COST EFFICIENCY

Many of the Volvo Group's products have a common architecture and shared technology (CAST) based on a modularized concept and standard interfaces. CAST is the common base around which brand unique products are developed.

At the center of this strategy are the Volvo Group's heavy-duty and medium-duty engine platforms. There is also a high degree of commonality within electronics and transmissions while at the same time maintaining brand-specific attributes.

This approach provides for a critical volume base on which to invest in the development of technology and solutions at the forefront of the industry.

Three phases in the Volvo Group's development

1999–2011	2012–2015	2016–>
ACQUISITION-DRIVEN GROWTH	**TRANSFORMATION**	**INCREASED PROFITABILITY**

CREATING VALUE FOR OUR CUSTOMERS

The Volvo Group creates customer value by delivering products and services that meet our customers' priorities and challenges. We provide products and services that are tailored to meet our customers' needs and improve their profitability. This is delivered through a retail network focused on building customer satisfaction. As of March 1, 2016 the truck business will be organized based on the brands in order to increase customer focus and to drive the business with higher speed and efficiency.

TRANSFORMATION PROGRAM DELIVERING PROFIT IMPROVEMENT

During the period of 2012–2015 the Volvo Group underwent a transformation program aimed at reorganizing the company to take out overlaps, reduce structural costs and increase efficiency and profitability after the period of acquisition-driven growth.

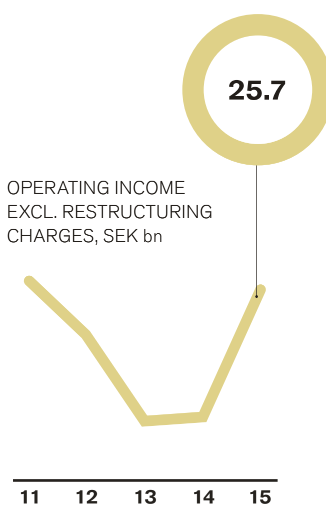
Among the activities in the program to reduce the Group's structural cost levels, which were launched at the end of 2013 and implemented in 2014 and 2015, there were substantial reductions of white-collar employees and consultants, a reduction in research and development expenses, optimization of the sales and service channel and the industrial footprint for trucks as well as a consolidation and optimization of the spare parts distribution worldwide.

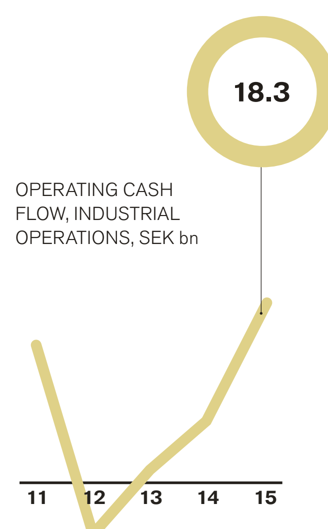
In the autumn of 2014 additional opportunities to reduce costs were identified and therefore the scope of the program was increased with the reorganization of Group Trucks Sales in order to increase efficiency and reduce costs; further cost-reduction activities in Volvo CE and a review of what was core and non-core in the Group's IT operations. This subsequently led to a decision to divest the external IT business and outsource IT infrastructure operations.

Having implemented almost all activities before the end of 2015 the cost reductions in the increased program are expected to result in full-year savings of SEK 10 billion in 2016 compared to the full year 2012 when measured in local currencies. Total restructuring charges for the program amounted to SEK 6.2 billion at the end of 2015, of which SEK 2.3 billion was in 2015.

By 2015 the efficiency program had already contributed to an improvement in underlying earnings. In 2015 operating income excluding restructuring charges increased by 206% to SEK 25.7 billion compared to SEK 8.4 billion in 2014. Operating cash flow in the industrial operations increased by 186% to SEK 18.3 billion (6.4).

- ☑ **2012 Reorganization, brand positioning and new strategy**
- ☑ **2013 Extensive product renewal and launch of efficiency program**
- ☑ **2014 Execute efficiency program and drive organic growth**
- ☑ **2015 Deliver profitability improvement**





VALUE CREATION THROUGHOUT OUR VALUE CHAIN

The Volvo Group takes a whole value chain approach to developing long-term, sustainable competitiveness. We take responsibility for the operations within our direct control and we strive to create mutually beneficial partnerships with our business partners.

VALUE CREATION

The Volvo Group's operation comprises multiple activities and products that create economic value.

1 PRODUCT DEVELOPMENT

- Investments in research and development amounted to SEK 15.4 billion for 2015, corresponding to 4.9% of Group net sales.
- Product development is based on the needs of customers, legislation, changes in society and new technology.
- More than 90% of the environmental impact from a truck occurs during use. Consequently, product development focuses on sustainable transport solutions.
- Our main areas of focus are CO_2 and fuel efficiency; safety, automation and the driver environment; and complete transport solutions.
- The Volvo Group's cooperation with external research partners and participation in public research programs increases knowledge both for us and the societies we operate in.

2 PURCHASING

- In 2015, the Group made purchases of goods and services totalling SEK 210.6 billion.
- We have around 43,000 Tier 1 contractors, of which about 6,500 supply automotive product components.
- We strive to have long-term relationships with suppliers of technologically advanced components.
- The Volvo Group applies the principles in its Code of Conduct to assess suppliers as a part of the purchasing process.
- During 2015, 86% of the value bought from automotive product suppliers underwent CSR assessment. Of the suppliers that underwent the assessment 79% of the value passed.
- Around 95% of the Volvo Group spending on automotive products comes from suppliers certified in accordance with ISO 14001 or its equivalent.

3 PRODUCTION

- At year-end 2015 the Volvo Group had 88,464 regular employees and 11,037 temporary employees and consultants. 47,368 regular employees and 4,341 temporary employees and consultants were blue collar.
- The Volvo Group has 66 factories in 18 countries around the world.
- 54% of Volvo Group employees are located in Europe, 18% in North America, 6% in South America, 19% in Asia and 3% in other parts of the world.
- In 2015, the Volvo Group's wholly-owned truck operations delivered 207,475 trucks. The Group also delivered 8,825 buses, 44,718 units of construction equipment, 17,413 marine engines and 15,295 industrial engines.
- All the Volvo Group's wholly-owned production facilities have third-party audited quality certificate and 98% have environmental certificates.

READ MORE The Volvo Group creates shared economic, environmental and social value with stakeholders across our value chain, as described on page 64.

INVESTMENTS A significant portion of generated capital is normally transferred back into the operation. The capital is used for investing in activities to strengthen competitiveness and create long-term value for the Group and its stakeholders.

The Volvo Group's income for the year amounted to SEK 15,099 M.

DISTRIBUTION AND SERVICE

- During 2015, our service and aftermarket business represented approximately 25% of the Volvo Group's net sales, compared to 26% in 2014.
- The Volvo Group's products are distributed to customers through wholly-owned and independent dealerships.
- Our service network supports customers and maximizes their product's uptime.
- The number of service points in South and North America has been significantly increased in recent years.
- Our dealer and service networks in Central and Eastern Europe have been optimized, with increased service availability.
- All Volvo Group-owned dealers are covered by the Group's environmental requirements and 90% of our distribution centers are certified according to ISO 14001.

PRODUCTS IN USE

- More than 2 million trucks and 100,000 buses, which the Group manufactured in the past ten years, operate on roads worldwide.
- According to our estimates 15% of food in Europe is delivered by our trucks and more than 10 million people worldwide can be transported daily on our buses and coaches.
- Our construction machines are present at construction sites all over the world. We have delivered half a million units of construction equipment in the last ten years.
- Our support services keep thousands of customers' fleets on the road, contributing to productivity and growth. Today, approximately 470,000 Volvo Group vehicles are connected via different telematics solutions.

RE-USE

- In 2015, the total sale of remanufactured components amounted to SEK 8.3 billion an increase with almost 20% compared to 2014.
- The Volvo Group has eight remanufacturing centers worldwide handling used components from our whole range of brands.
- Resource efficiency and recycling potential is designed into our products during product development.
- Remanufactured components are important to our offering in order to reduce customers' ownership and operating costs.
- Remanufacturing is more labor intensive than production of new products and requires high-skilled labor. Therefore, it also contributes positively to society.

SHAREHOLDERS
AB Volvo's shareholders normally receive a certain portion of the retained earnings in the form of a dividend, after consideration has been given to the Group's need for capital for continued development according to its strategies.

The Board of Directors has proposed a dividend of SEK 3,00 per share, corresponding to a total of SEK 6,093 M for 2015.

DEVELOPING FOR OUR CUSTOMERS

We base our development of products and services on the needs and requirements of our customers. We develop products and services with the aim of solving a customer's problem or improving their long-term profitablility.

The world faces a number of challenges. These include transport and infrastructure needs for more than 9 billion people in 2050 and 1.2 million traffic fatalities per year. Others are fossil fuel dependency, greenhouse gas emissions and the earth's finite resources.

In addition, the Volvo Group has to consider environmental regulations, new customer challenges and demands, societal and technological development, as well as fuel quality and infrastructure.

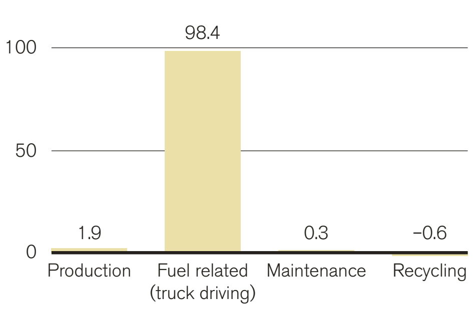
Our primary focus is always to support our customers' profitability.

Total life cycle assessment
We conduct life cycle assessments (LCAs) for our products, taking environmental impacts from the production, operation and scrapping into account. Data, representing used resources and emissions during the product life cycle, are collected and summarized. The summary of resources and emissions are then associated with environmental impacts, e.g. climate change, measured as global warming potential.

The result indicates that the majority (98%) of the global warming potential is related to the operation of the truck based on calculations for a Volvo FH with a life time driving distance of 1,000,000 km, fuelled with conventional diesel.

Considering all materials
It is estimated that about 45% of a typical Volvo truck is produced from recycled material. Despite the high amount of recycled content, virgin material is still needed to ensure quality, availablility and durability.

GLOBAL WARMING POTENTIAL, % (100 YEARS PERSPECTIVE)



THREE FOCUS AREAS

- CO_2 and fuel efficiency
- Safety, automation and driver environment
- Complete transport solutions

Over the past few years, several countries and regions have conducted critical material assessments based on multiple factors. These include scarcity, supply risks, environmental and social concerns, and industry vulnerability to restrictions on supply and cost increases.

Similar assessment has been conducted to create a list of the most critical materials from a Volvo Group perspective, including those critical to our product development. The result helps us to understand the emerging risks and how to mitigate them.

Research and product development focus areas
Each stage of our product development process has different objectives e.g. financial, quality and reliability, that need to be met before proceeding to the next stage. Emissions, intelligent technology and energy efficiency are among the most important product-related issues for our business and stakeholders. Our research and product development focus are therefore on CO_2 emissions and fuel efficiency; safety, automation and the driver environment as well as vehicle productivity.

CO_2 emissions and fuel efficiency
We work with full optimization of diesel engines and fuels but more can be done to decrease CO_2 emissions. Contributions have to come from the use of renewable and low-carbon fuels as well as optimization of complete vehicle combinations. Other ways to increase energy efficiency and reduce CO_2 emissions include driver training and fuel management systems.

Developing hybrid technology and electromobility
Electric and hybrid vehicles offer one way to increase energy efficiency and reduce environmental impact. The city bus market is moving away from diesel-powered vehicles and more and more cities are investing in electric public transport systems. Volvo Buses is a leader in electromobility and is the European bus manufacturer that has invested most heavily in developing elec-

tric city buses the last couple of years. In 2012, Volvo Buses took the decision to only offer complete, low-floor city buses as hybrids on the European market. Volvo Buses has a product range to meet all public transport needs by offering hybrids, electric hybrids (plug in hybrids) and fully electric buses.

On the truck side we believe that, in the long run, a dynamic supply of electricity from the road could power long-haul trucks. We are currently developing practical knowledge through our participation in Electric Road Systems concept studies.

The Volvo Group has also successfully been testing electromobility technologies and road testing fully electric trucks with European customers for several years. Read more about our solutions on page 60.

Alternative and renewable fuels

Following years of study and prototype truck trials running on different fuels, the Volvo Group recognizes that there is no single solution to meet all needs, see graph Renewable fuels below. We believe conventional diesel fuel, with increasing renewable or synthetic content, will remain the dominant fuel for all types of commercial transport for many years.

The Volvo Group position on alternative fuels supports our strategic objective of efficiency by prioritizing our research and development to the following applications:

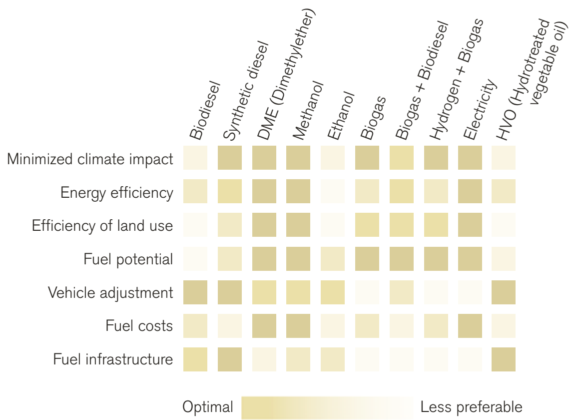
- Long distance: liquid methane and Dimethylether (DME) are our main alternatives. Dynamic electric charging is an additional long term alternative.
- Medium distance: compressed methane and DME are our main alternatives. Dynamic electric charging is an additional long term alternative.
- Urban: electricity and compressed methane.

World leader in DME

The Volvo Group is the world leader in pioneering DME as an alternative fuel and field testing continued during 2015 for both Mack Trucks and Volvo Trucks. In the US, the production of DME through a process using food waste, was certified by the authorities. DME produced from food waste reduces CO_2 by 68% compared to conventional diesel fuel. Volvo Group truly believes that DME holds great promise for the future. The main interest in DME, as a fuel, lies in the environmental benefits and in the simplicity of the technology as well as the potential for low cost throughout the value chain. In addition, DME does not create soot when combusted and therefore ultralow emissions can be reached without the need for advanced exhaust aftertreatment.

The Volvo Group will continue developing engines that can operate on DME as a fuel for commercial vehicles with an initial focus on highway applications. In the future DME could be used in most applications.

RENEWABLE FUELS



DIMETHYLETHER (DME)

- Can be produced from any biomass source
- Can reduce CO_2 emissions up to 95% as BioDME compared to conventional diesel fuel
- Handled as liquid at 5 bars pressure
- Ultra low exhaust emissions without advanced aftertreatment
- Relatively simple vehicle technology
- 50% of conventional diesel energy density
- Less noise

Safety, automation and driver environment

Safety is about reducing the risk of accidents and mitigating the consequences of any incidents that occur. The Volvo founders stated that “safety is and must be the basic principle in all design work” and our safety ambition is zero accidents with Volvo Group products. Therefore, safety is an integral part of product development. Our aim is to improve product and traffic safety as well as the work environment for drivers and operators of vehicles and machinery. Safety can also be improved with the help of automization where the main benefits are productivity and energy efficiency.

Safer product and services by research and robots

In Scandinavia, the Volvo Group’s in-house Accident Research Team has looked at heavy truck accidents for over 40 years. Combining accident data analysis with the Group’s own research and test programs gives us solid insights into the causes of accidents and injuries. This work provides important input into our future product plans, advanced engineering and research. It shapes our future solutions.

Advanced safety systems require advanced test methods and therefore Volvo Trucks is now testing advanced safety systems with the help of robot-steered trucks. Using robots instead of human drivers results in better precision and repeatability.

Automation to increase energy efficiency
The Volvo Group has participated in a number of projects to analyze the advantages of platooning, with a lead truck followed by one or more trucks or passenger cars. This set-up enables all following vehicles to be controlled automatically, to lower fuel consumption, by safely reducing the gap between vehicles. Read more on page 61.

A new standard for drivability and driving comfort
Official figures from the Swedish Work Environment Authority reveal that truck drivers are over-represented in occupational injury statistics. Improving the driver's working conditions and overall experience results in more relaxed, safer and healthier driving. Volvo Trucks has developed a number of features to support the driver's comfort and driving experience such as Volvo Dynamic Steering and the I-shift Dual Clutch. See page 42.

Complete transport solutions
Our products and services are just one piece in the transport and infrastructure puzzle. So as well as offering single products and services, we deliver complete transport and site solutions that simultaneously solve customers' problems, optimize customers' operations and take the environment and society into consideration. We focus our development within complete transport solution on areas directly affecting the profitability of the vehicles and our customers, such as:

- uptime and aftermarket technologies
- connected vehicle and infrastructure technologies
- customer and dealer service offerings
- solution integration and deployment
- complete vehicle combinations, including superstructures and trailers
- vehicle architecture balancing various stakeholder interests.

The Volvo Group is presently active in multiple programs focusing on optimizing customers' operations with complete transport solutions. These programs address smart technology, integrated transport systems, advanced engineering, and pioneering vehicle combinations.

Cooperation for success
To advance the technologies needed for future product development and to secure access to competent employees, the Volvo Group is involved in multiple public programs and cooperative ventures with research bodies and academic institutions.

One example is our Academic Partner Program (APP), which is a systematic approach for long-term cooperation with selected universities and research institutes in areas of special interest. Read more on page 58.

EXHAUST EMISSIONS REGULATIONS BROADEN THE FOCUS

The Volvo Group takes emissions legislation extremely seriously in all our markets, and we always strive for a transparent dialogue with the relevant authorities.

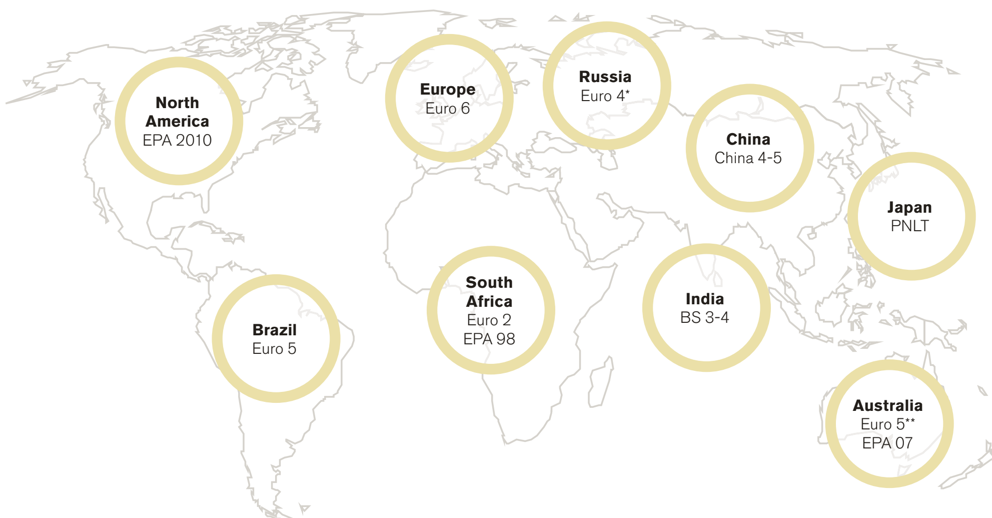
The basic reason for emissions regulation is improvement of air quality. Therefore the emission levels during on-road driving that influences the air quality are important, not only the results obtained in test cells or on chassis dynamometers.

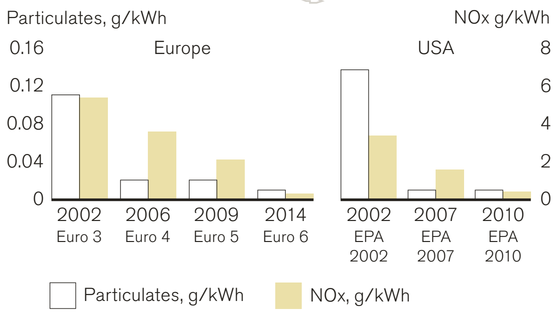
In the mid 1990s, the Environmental Protection Agency (EPA) in the US accused several engine manufacturers, including Volvo, of using illegal "emission defeat devices". Even though the manufacturers did not admit wrongdoing, in 1998, the manufacturers entered into a consent decree with EPA, paid fines and agreed to introduce new emissions standards two years in advance. At the same time period, more stringent and complicated, but not always complete, emissions regulations were introduced in many markets. Altogether this made interpretation of the emissions regulation difficult. As a result we started the Volvo Group Emission Guideline Committee. Its main mission is to implement and maintain a common approach to product emissions management, supporting compliance with legislation and contributing to sustainable transport solutions.

Since the 1990s, legal emissions limits in the US, EU and Japan have been reduced by approx. 95% for NO_x (nitrogenous oxides) and PM (particulate matters). During the years it has been debated whether emissions on road have been improved correspondingly. This has led regulators to include focus on measurements of trucks and bus engines on road in addition to verification of emissions in test cells. Non-road machinery is expected to follow this trend within some years.

During product development, the Volvo Group tests truck and bus engine emissions performance both in the laboratory and on the road to ensure compliance. With the launch

EMISSION REGULATIONS FOR HEAVY-DUTY VEHICLES





The emissions legislation varies for different regions. In some regions the implementation of stricter rules is hindered by insufficient availability of good fuel quality and low sulfur content. In many parts of the world, the emissions legislation is based on the EU and US legislation. In 2010, EPA 2010 was implemented in North America and at the end of 2013 Euro 6 was introduced in the EU. With the implementation of EPA 2010, emissions levels for particulates and nitrogen oxides (NOx) have decreased substantially. Euro 6 entails that emissions of nitrogen oxides and particulate matter are reduced by more than 95% compared to a truck from the early 1990s.

*Euro 5 mandatory on new vehicle types from January 1, 2016.
**In addition to Euro 5 and EPA 2007, there is also NLT in Australia.

of a new engine, the truck manufacturer is required to regularly perform emissions-related testing, report the results to the authorities and take action if the emissions are not within regulatory limits.

In addition, the latest emissions regulations require all new heavy-duty trucks in Europe and North America to be equipped with on board diagnostic equipment that regularly checks the health of the engine and the vehicle. If, for example a system controlling the emissions does not work properly, the driver will be warned via the dashboard. The driver then takes the truck to a workshop.

The Volvo Group uses portable emissions measurements system (PEMS) to measure on-road emissions performance. During 2015 the Volvo Group performed 25 legally required PEMS tests of Euro 6 and EPA 2010 customer owned vehicles. All the tests fulfilled the requirements.

RESPONSIBLE SOURCING TO REDUCE RISK

Our suppliers are expected to be cost efficient and deliver the highest quality standards on products and services all the way from project planning, to production and delivery to our plants as well as providing a competitive aftermarket offer for the complete product life cycle. Building long-term partnerships with our suppliers gives them a strong foundation for success and a possibility to contribute to the Volvo Group's bottom line.

To deliver sustainable transport solutions, we have high expectations of all our business partners. In 2015, we bought goods and services at a total value of SEK 210.6 billion from our suppliers. Close to 43,000 suppliers delivered parts and services to the Volvo Group. Of those almost 6,500 supplied automotive parts. Our suppliers play a significant role in driving future growth, innovation, profitability and continuous improvement for the Volvo Group. Generally we source from suppliers close to our production sites to ensure efficient flow of supplies. This means that most suppliers are located in Europe and North America. At the same time, the Group's expansion in Asia has led to an increased number of new suppliers located there.

Responsible sourcing

We have to act responsibly to be seen as a trustworthy business partner. Doing so will result in high productivity and stable long-term relationships, which benefit all parties. Our Code of Conduct sets out the principles and minimum standards of responsible behavior. Since 1996, our responsible sourcing program has consistently increased supplier requirements on environmental issues, business ethics, human rights and social issues.

The Volvo Group requires our suppliers of automotive components to have a third-party certified environmental and quality management system. Around 95% of the Volvo Group spending on automotive products comes from suppliers that are certified in accordance with ISO 14001 or its equivalent.

The Volvo Group and its suppliers must comply with the EU requirements on chemicals and harmful substances, in accordance with the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) legislation. Suppliers must also meet additional requirements on chemicals from the Volvo Group.

The majority of our purchasers and quality engineers have now had training on the business ethics, social justice and environmental issues affecting our supply chain.

After supplier training in CSR related issues in for instance Turkey and Poland, our training was extended to India during 2015.

Developing ethical assessment

In line with general automotive industry practice, the Volvo Group uses a self-assessment approach to evaluate potential and current suppliers' performance and compliance with our ethical requirements. The Supplier Evaluation Model requires core suppliers and especially those in high-risk countries or segments to update their assessments in our supplier system, before new contracts are signed.

SUPPLIER ASSESSMENT

Our supplier assessment poses approximately 40 questions relating to the principles in our Code of Conduct, including:

- Social performance
- Work environment and conditions
- Human and labor rights
- Environmental care
- Business ethics

Since 2009, new suppliers have to be approved by the Group's Global Sourcing Committe. Potential suppliers of automotive products are also evaluated by a quality engineer.

In addition, we conduct regular site visits during product development, which gives us better control over our existing supply chain.

In 2015 we ran a pilot project to ascertain that potential conflict minerals in our products originated from approved smelters. The process is designed to meet both the demands from the US Dodd-Frank Act and the upcoming European regulation.

The result from the pilot project shows that the components comes from approved smelters.

As a member of the European Automotive Working Group on Supply Chain Sustainability, the Volvo Group has contributed to a harmonization of assessments for automotive suppliers. This process will facilitate an accurate and transparent way of working. We began to use the new process in 2015 and will implement it fully during 2016.

Assessing our suppliers

During 2015, 86% of the value bought from automotive product suppliers was assessed from a CSR perspective compared to 80% in 2014. Of these suppliers, the equivalent of 79% (72) passed the assessement. It is of business importance that we rank countries from a CSR risk perspective. In 2015, 9% (12) of the value bought from automotive product suppliers operated from a high-risk country. Of this value the CSR assessed percentage was at the same level as last year i.e. 92%.

We also assess our non-automotive suppliers, such as suppliers of indirect parts and services like IT and Logistic Services, from a risk segment perspective. During 2015, around 15% (4) of these suppliers, operating in high-risk segments, were assessed and 70% (63) passed the assessment.

LONG-TERM PARTNERSHIPS

The Volvo Group strives to have long-term cooperation with suppliers in order to drive quality, efficiency and responsible behavior throughout the value chain.

Action plan for non-compliant suppliers

The ethical assessment includes a requirement for an action plan if a supplier does not fulfill all critical aspects. Among the most common causes for not passing are a lack of adequate compliance processes and systems to enforce the Volvo Group's CSR and sustainability requirements down to the supplier's own subcontractors.

We expect non-compliant suppliers to resolve the issues and ensure that our requirements are met.

Supplier awards

To sustain good relations and increase dialogue with suppliers, the Volvo Group Purchasing Supplier Awards will recognize the top suppliers based on six different categories: Cost, Fuel Efficiency & Innovation, Project Execution, Delivery, Aftermarket and Total Value Management.

EFFICIENT AND RELIABLE PRODUCTION

The Volvo Group has a global industrial and logistics system that is well-invested and able to efficiently meet the demand from our customers.

The Volvo Group has 66 production sites in 18 countries around the world. In addition to our production sites, our industrial operations worldwide include several product development centers, and a large number of parts distribution centers and logistics centers. With such a global spread we have developed tools, processes and production systems to help us set a global standard of excellence and guide our employees on responsible behavior. Read about our health, safety and wellbeing work for our employees on page 74.

Component factories and assembly plants

Our industrial system for trucks consists of capital-intensive component factories as well as labor-intensive assembly plants. The component factories supply the Group's needs on a global basis whereas assembly plants in most cases are located close to end-markets to cater for different local needs and specifications.

Engine and transmission manufacturing are common for all Volvo Group business lines. Köping, Sweden is a global hub for heavy-duty transmissions.

When it comes to engines the Group has two major hubs – Skövde, Sweden for heavy-duty diesel engines and Pithampur, India for medium-duty engines. Medium-duty engines are also supplied by the German engine manufacturer Deutz, primarily for Volvo Construction Equipment.

For Volvo Construction Equipment, production is more centralized to a few larger hubs with the big wheel loaders and articulated haulers being produced mainly in Sweden and excavators mainly in South Korea.

Major restructuring completed

During 2014 and 2015 changes in our European industrial structure for truck assembly were implemented in order to enhance the efficiency of our manufacturing and thus strengthen competitiveness. In Sweden, the cab trim operations were relocated from Umeå to Gothenburg and the assembly of heavy-duty trucks was concentrated to one line. In France, the assembly of medium-duty trucks was concentrated to Blainville. During this period, production in Japan underwent major changes with a phasing-out of non-core operations and a consolidation of operations to Ageo, adapting the capacity to the domestic demand of Japan and close markets.

With these changes completed the future direction of the truck manufacturing is more focused on continuous improvements to drive increased productivity rather than on large restructuring activities.

MANAGEMENT SYSTEMS

All the Volvo Group's wholly-owned production facilities and distribution centers are third-party audited. We hold certificates as follows:

- ISO 9001 Quality management system: 100% of production facilities and 90% of distribution centers
- ISO 14001 Environmental management system: 98% of production facilities and 90% of distribution centers
- ISO 50001 Energy standard: Macungie, Hagerstown and New River Valley plants in the US.

Stronger structure through joint ventures

The Volvo Group industrial position has been strengthened in many markets in Asia through the historical acquisitions of UD Trucks and Lingong (SDLG) and the cooperation within trucks and buses with India-based Eicher Motors. The acquisition of 45% of the Chinese manufacturer Dongfeng Commercial Vehicles (DFCV), which was completed in January 2015, will contribute further to this development. Through its acquisitions the Volvo Group has also established a global industrial structure with manufacturing as well as sales and distribution channels on all continents.

Continuous improvements

In order to produce the best products on the market we are focusing on reduced costs, improved quality and shorter lead times. We are driving continuous improvement through the Volvo Production System (VPS). VPS is used for many processes throughout the organization, including production, product development, logistics and administration. VPS uses methods that streamline operations and minimize productivity losses. The system includes tools for measuring and improving workplace safety, health and wellbeing.

At our production units, we have quality coordinators, safety delegates and environmental coordinators and we measure and monitor to continuously improve.

EFFICIENCY THROUGH HEALTH AND SAFETY

Our ambition is for zero accidents with our products for our employees and our customers. Our strategy to achieve this in the workplace includes providing safe and healthy working conditions to support a sustainable and high-performing workforce.

Environmental performance

In 2015, we had 15 licensed facilities in Sweden. The permits cover general conditions for the operations such as allowed production volumes and the environmental performance. All permits have specific site requirements related to impact on neighbours and environment. No environmental permits are deemed to be renewed for 2016. There were no major environmental incidents reported for the Volvo Group during 2015. The Group has reported environmental data since 1991. The latest quantitative data is presented in the table below.

Energy efficiency

The Group's 2015 total energy consumption amounted to 2,106 GWh, a reduction of 70 GWh compared to 2014. The main activity behind the reduction was increased energy efficiency. By reducing energy, we both reduce costs and lower emissions. Between 2005 and 2015, the Volvo Group decreased energy consumption in our own production processes by roughly 20% in absolute terms. This means that the energy cost for 2015 has decreased with more than SEK 500 M thanks to energy efficency activities. The accumulated saving is significantly larger.

For example, Volvo Construction Equipment has reduced electricity consumption by focusing on idle time. By changing behavior, electricity consumption during idle time at the six largest plants has been reduced by 19% in 2015 and by 39% overall since 2012. This is equivalent to heating 343 houses in Sweden for a full year.

Our energy efficiency index, which compares energy consumpion with net sales, was 6.9 MWh/SEK M in 2015, compared with 7.9 MWh/SEK M in 2014. The 2015 energy efficiency index has thereby improved 13% since 2014.

ENVIRONMENTAL PERFORMANCE OF VOLVO PRODUCTION PLANTS, INDUSTRIAL OPERATIONS

Absolute values related to net sales	**2015**	2014	2013	2012[1]
Energy consumption (GWh; MWh/SEK M)	2,106; 6.9	2,176; 7.9	2,536; 9.6	2,518; 8.6
CO_2 emissions (1,000 tons; tons/SEK M)	221; 0.7	231; 0.8	280; 1.1	235; 0.8
Water consumption (1,000 m^3; m^3/SEK M)	4,919; 16.2	4,982; 18.1	5,815; 21.9	7,372; 25.2
NO_x emissions (tons; kilos/SEK M)	344; 1.3	332; 1.2	347; 1.3	413; 1.4
Solvent emissions (tons; kilos/SEK M)	1,885; 6.2	2,472; 9.0	2,221; 8.4	2,358; 8.1
Sulphur dioxide emissions (tons; kilos/SEK M)	32.1; 0.1	37.9; 0.1	23.4; 0.1	26; 0.1
Hazardous waste (tons; kg/SEK M)	27,824; 91.6	24,944; 90.4	28,395; 107.0	32,547; 111.4
Net sales, SEK bn	303.6	276.0	265.4	292.2

1 Restated according to new accounting rules.

Carbon emissions from production

In 2015, direct CO_2 emissions from the Volvo Group's production facilities decreased from 231,000 tons to 221,000 tons. About 40% of our total energy consumption came from low-carbon renewable sources, including hydropower electricity and biomass heating.

The Volvo Group has carbon-neutral facilities in Ghent, Belgium, as well as Vara, Tuve and Braås in Sweden. Additionally we have facilities buying 100% of their electricity produced from landfill gas instead of fossil fuels.

Chemicals and harmful substances

Our global environmental standard for production plants requires processes for health and environmental assessment of all chemicals. Since 1996, to restrict the use of chemicals with unwanted characteristics, the Volvo Group has maintained a 'black list' of prohibited chemicals and a 'grey list' of products whose use must be limited. The lists are revised annually and serve as tools for substituting harmful substances in our production processes.

Waste and water

The Volvo Group's minimum requirements on production plants include sorting and quantifying all waste at source, implementing measures to reduce the quantity of waste and increase reuse, material recycling and energy recovery as well as reducing the quantity of waste consigned to landfill. Waste is usually classified as either hazardous or non-hazardous. The total amount of hazardous waste in 2015 was 27,824 tons, compared with 24,944 tons in 2014, an increase of close to 12%. Hazardous waste sent to landfill amounted to 1,155 tons.

Water consumption continues to decrease, from 4,982,000 m^3 in 2014 to 4,919,000 m^3 in 2015. During the year an evaluation was done of areas with the highest water-related risks. As a result we are working with preventive and mitigating activities at our facilities in for instance India.

Transport and logistics

Carbon emissions resulting from our internal freight transport and deliveries to customers are more than double the CO_2 emissions from our production plants. This is therefore a prioritized area for us with many different initiatives.

Carbon emissions for the total volume transported in our manufacturing supply chain were calculated at 505,000 tons for 2014. This is equivalent to reduced CO_2 emissions of close to 3%. Data for 2015 will be available in May 2016.

During 2015, we optimized rail transport in Sweden from Umeå to Tuve by utilizing free space and enhancing on and offloading. This resulted in an annual CO_2 saving of approximately 100,000 kg. This is equivalent to the CO_2 emissions of 230 trucks transporting the same freight by road.

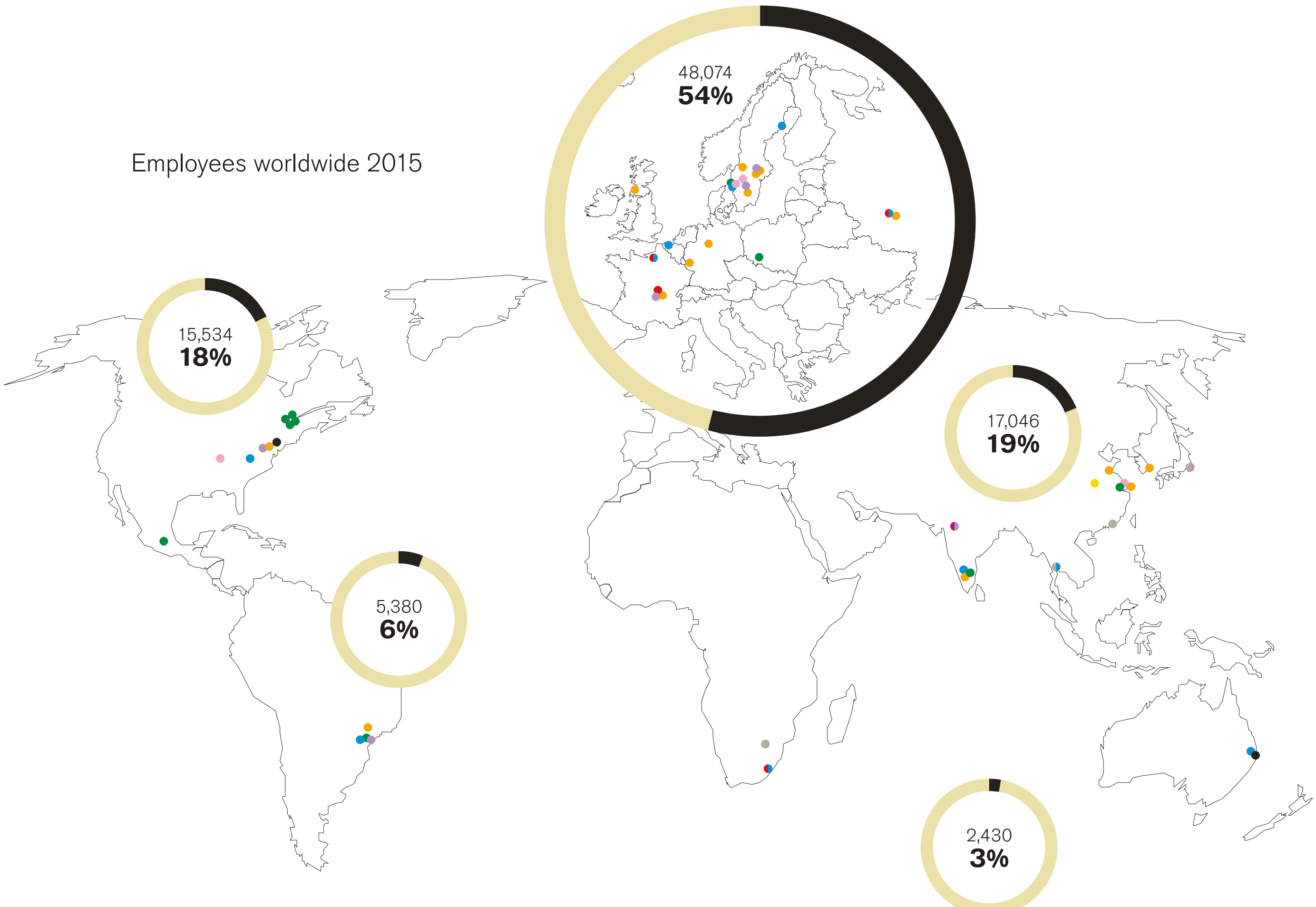
The majority of the Volvo Group's major transport suppliers are certified in accordance with ISO 14001, or equivalent.

MAJOR PRODUCTION FACILITIES	NORTH AMERICA	SOUTH AMERICA
Volvo Trucks	New River Valley (US)	Curitiba (BR)
UD Trucks		
Renault Trucks		
Mack Trucks	Macungie (US)	
Eicher*		
Dongfeng Trucks*		
Engines and transmissions	Hagerstown (US)	Curitiba (BR)
Construction Equipment	Shippensburg (US)	Pederneiras (BR)
Buses	St Claire, St Eustache, St Francois du lac (CA) Mexico City (MX), Plattsburgh (US)	Curitiba (BR)
Volvo Penta	Lexington (US)	

* Ownership ≥ 45%

GLOBAL INDUSTRIAL STRUCTURE

Employees worldwide 2015



Share of employees

EUROPE	ASIA	OTHER MARKETS
Blainville (FR), Göteborg, Umeå (SE), Gent (BE), Kaluga (RU)	Bangalore (IN), Bangkok (TH)	Brisbane (AU), Durban (ZA)
	Ageo (JP), Hangzhou* (CN), Bangkok (TH)	Pretoria (ZA)
Blainville, Bourg-en-Bresse (FR), Kaluga (RU)		Durban (ZA)
		Brisbane (AU)
	Pithampur* (IN)	
	Shiyan* (CN)	
Köping, Skövde (SE), Vénissieux (FR)	Ageo (JP), Pithampur* (IN)	
Arvika, Braås, Eskilstuna, Hallsberg (SE), Konz-Könen, Hameln (DE), Belley (FR), Kaluga (RU), Motherwell (UK)	Changwon (KR), Shanghai, Linyi* (CN), Bangalore (IN)	
Borås, Uddevalla (SE), Wroclaw (PL)	Bangalore (IN), Shanghai* (CN)	
Göteborg, Vara (SE)	Shanghai (CN)	

» On the hunt to save energy

Every Volvo Group employee can contribute to saving energy. But doing it together as a team effort – and supported by a continuous improvement model – can help save millions. This is something the Volvo Group plants such as Shippensburg, Curitiba, Umeå, Eskilstuna and Hagerstown have already experienced.

25%
IMPROVEMENT IN ENERGY EFFICIENCY

"The methodology has given us a new mindset for energy efficiency. Every kWh saved is important"

The Volvo Group is the only automotive manufacturer that has qualified for the WWF Climate Savers Program. The target is to reduce emissions of CO_2 in production and logistics and from products. Several Volvo Group sites have challenged themselves to hunt for energy savings in their facilities through a methodology called energy treasure hunt.

"This methodology is a best practice for energy savings and CO_2 emissions reductions. It is a team-focused continuous improvement model for environmental care that can be applied at any Volvo Group operation," says Colin Kiefer, Global Environmental Manager at the Group's truck manufacturing.

The activity requires focused work and a motivated cross-functional team with the right capabilities and technical skills. And the idea is to search for energy waste in areas like manufacturing equipment, lighting systems, and heating, ventilation and air conditioning units.

Successful hunt in Curitiba

Twenty colleagues took part in the first energy treasure hunt in the truck assembly plant in Curitiba, Brazil. The teams were instructed to go and see on the factory floor what opportunities exist on a Sunday when all production processes were shut down, and on a Monday when the cab plant was in normal operation. Team leaders guided their teams on the hunt and ideas were generated based

on what they saw, heard and even felt (temperature and air flow). Approximately 40 energy-saving opportunities were identified with the potential to bring about annual savings of SEK 1.5 M.

"The methodology has given us a new mindset for energy efficiency. Every kWh saved is important," says Fabio Tokuue, environmental leader in the plant in Curitiba.

For Colin Kiefer, the successful result goes beyond cost reduction: "To me the greatest result was the teamwork I observed in identifying opportunities. I believe the teams realized that the collective whole was greater than the sum of its parts, and this allowed us to exceed our goals and expectations for the treasure hunt."

Great teamwork at Volvo CE in Eskilstuna

18 employees split into three groups conducted a similar hunt at the Volvo CE plant in Eskilstuna, Sweden. The teams spent a full day searching for ways to reduce idle energy consumption. Each team identified a number of improvement areas. For example, switching off processing machines on weekends will save around SEK 250,000 annually. All potential savings were incorporated into an action plan and findings were shared with other employees. All together the hunt generated savings of more than SEK 1 M a year.

"This hunt brought together employees from various functions and departments to help eliminate wasted energy, reduce costs and encourage environmental awareness," says project leader Boris Radojcic, Maintenance Machinery at Volvo CE in Eskilstuna.

Awarded work at Hagerstown Powertrain Production

In order to achieve improvements in energy efficiency, the Powertrain Production team in Hagerstown, USA, has completed a number of energy reduction activities, such as reducing diesel usage from three gallons to one-third of a gallon per produced engine, installation of de-stratification fans for improved climate control and identifying and eliminating compressed air leaks. The team won the internal Environmental Award earlier this year for their great achievements in reducing energy usage in their facility, demonstrating a systematic, lean and pragmatic approach with a focus on delivering results.

"We have achieved 25% improvement in energy efficiency over the past five years, and the value of our continuous improvement projects focused on energy reduction has resulted in over one million US dollars of savings per year," said Matt Saloom, Director, Core Values in Hagerstown.

SUPPORTING OUR CUSTOMERS ALL OVER THE WORLD

One of our long-term business and sustainability ambitions is to be our customers' closest business partner where success is based on being the best at solving customers' problems and helping to make them successful.

We support customers in more than 190 markets. We have an extensive network of wholly-owned and independent dealerships, as well as workshops available along main routes. In the last couple of years we have optimized our networks to fit each market and thereby each customer in the demanding transport and construction businesses.

Increased important service offering

In addition to vehicles and machines, the Volvo Group's offering includes various types of financing solutions, insurance, rental services, spare parts, preventive maintenance, service agreements, assistance and IT services. The range and flexibility of the offering means that the solutions can be customized for each customer. As a large portion of aftermarket services are needed on a continuous basis while our products are in use, they help to balance out the fluctuations in our business cycle. By strengthening the service offering, profitability and revenue stability can improve. The service offering is therefore an important element of the Volvo Group's effort to achieve targets for profitability and growth, both in mature and in new markets. During 2015, the spare parts, services and aftermarket products business represented approximately 25% of the Volvo Group's net sales, compared with 26% during 2014.

Supporting customer uptime

The service support our customers receive makes a significant contribution towards customer satisfaction. One part of this support is the Volvo Action Service, which celebrated its 25th anniversary in 2015, see page 14.

To increase knowledge and skills and encourage the sharing of best practice the Volvo Group runs local, regional and global competitions for our aftermarket personnel.

For example Mack Masters is about recognizing outstanding technicians who demonstrate the skills, collaboration and problem solving abilities needed to service today's sophisticated trucks and maximize uptime for customers. The 2015 winner was the Team Babine PG from Canada.

Volvo International Service Training Award (VISTA) is the world's largest competition for aftermarket personnel. It is open to the Volvo Trucks' and Volvo Buses' global service network. The CE Masters competition is a skills competition open to technicians of authorized Volvo CE dealers. During 2015, both Vista and CE Masters started selection of participants for competitions which will end in 2016.

Environmental product information

Information about our CSR and sustainability performance increasingly influences customers' decisions to do business with the Volvo Group, especially fleet owners. Clear and open product, marketing and sales information is essential for customers to be able to make an informed choice about our products and services.

Customers receive Environmental Product Information (EPI) for many of our products, based on the result of lifecycle assessment. Our EPI is divided into three sections:

1. **Production:** information about energy consumption, emissions and waste arising during production.
2. **Use:** information about fuel consumption, emissions and spare parts during the use phase.
3. **End of life:** information about the scrapping and recycling of products.

All Volvo Group-owned dealers work according to the Group's environmental requirements and towards fulfillment of the ISO 14001 standard. This means they receive, for example, detailed instructions on how used oils and other fluids are to be handled.

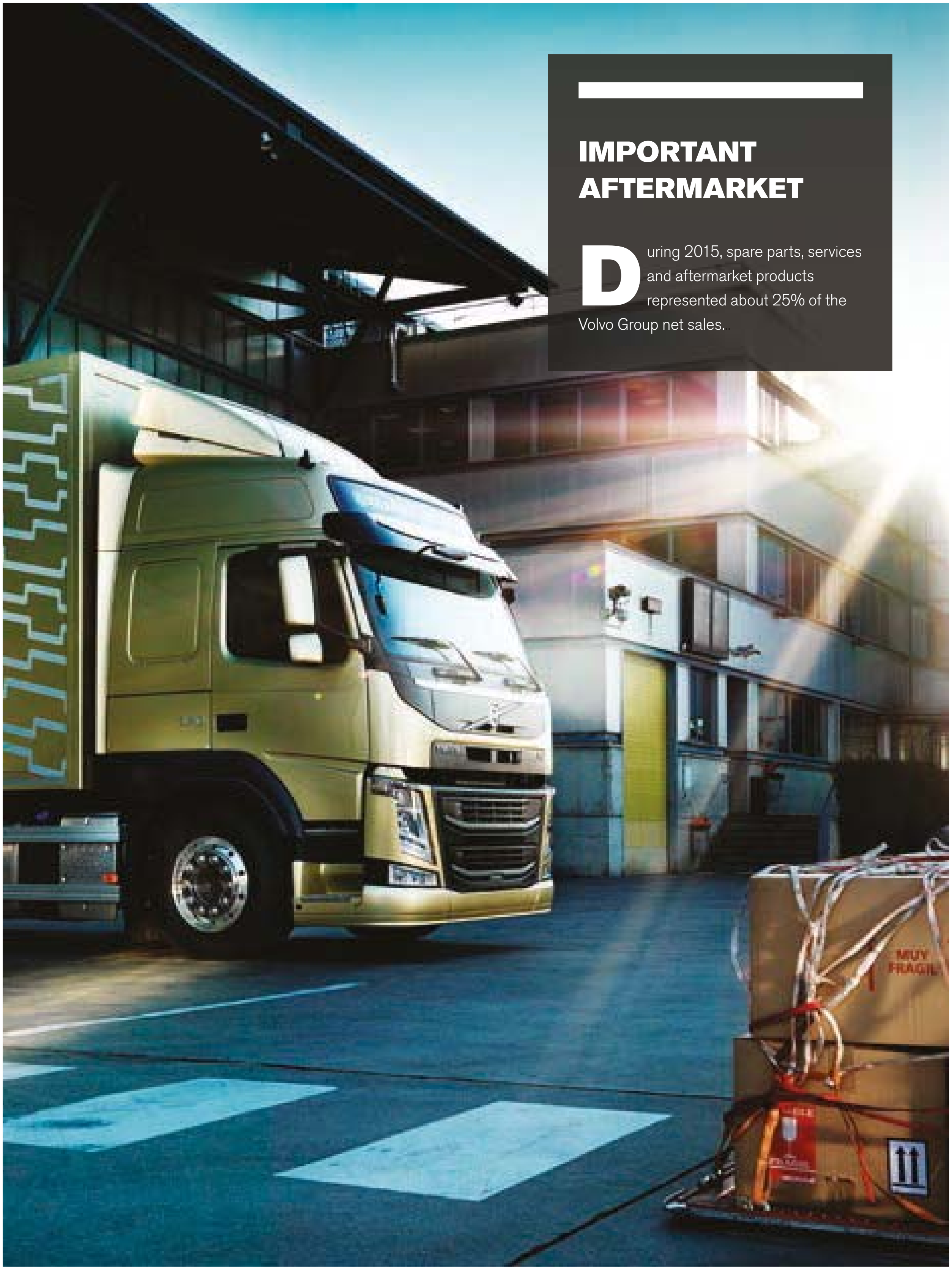
Customer CSR Assessment

During 2015, we finalized a pilot for the Customer CSR Assessment. The project was initiated following the Swedish Government's introduction of requirements on the Swedish Export Credit Agency, EKN to include human rights in their assessments of customers. The project was focused on customer financing for Volvo Construction Equipment and the Group's trucks in Africa and the Middle East. It focused on customers in high-risk segments and extreme and high-risk countries, as defined in our CSR Country Risk Atlas. The atlas is tailor-made for the Volvo Group using risk indices from a global risk analytics company combined with the principles in our Code of Conduct.

In 2015 the number of assessments performed was 40 for Group Trucks, 39 for Volvo Construction Equipment and 3 for Volvo Buses.

In November 2015, Volvo Construction Equipment performed an audit and the process will be further developed based on that input.

During 2016, the Customer CSR Assessment process will be implemented in other parts of the organization and in additional geographies.



IMPORTANT AFTERMARKET

During 2015, spare parts, services and aftermarket products represented about 25% of the Volvo Group net sales.

» Renault Trucks offers online sales

Almost anything can be bought online – even heavy-duty trucks. A world-first initiative from Renault Trucks has made this possible.

T-DRIVE
REPRESENTS AROUND
50%
OF RENAULT TRUCKS

Log on, place an order and within weeks a truck is delivered to your door, ready to go. It sounds too simple for a purchase as large and as important as a truck, but, for many businesses, that know what they want and need it quickly, Renault Trucks' E-Commerce could be the perfect way to do business.

The new online service was launched in the Netherlands last September and allows customers to purchase the Renault Trucks T-Drive – a model that represents around 50% of Renault Trucks' current order intake – in one standard package at a set price. The package includes a 36 month/120,000 km operational lease, as well as the state-of-the-art tablet Tom Tom Bridge Connected Europe Truck. By offering only one model with standard specification, Renault Truck E-Commerce can also guarantee fast and direct delivery within four weeks.

"This is a fast, easy and transparent process for the customer," says Charles Engelaar, project owner, Renault Trucks E-Commerce. "There is no need for long discussions with sales representatives, or negotiations over price. Just one click and you have a great offer."

By establishing a new sales channel, it is hoped that e-commerce can help Renault Trucks reach its ambitious targets to increase the market share in the Netherlands. The concept of e-commerce also supports the brand's image and business model.

"Renault Trucks promises to deliver fixed cost of ownership," adds Charles Engelaar. "Our products offer efficiency, productivity and value for money. We also offer services that are efficient and cost effective, and Renault Trucks E-Commerce is a perfect example."

So is this the future of truck sales?

"I think we will see over time a shift towards online sales, and by being the first to offer such a service, we've shown that we're ready for the future," explains Charles Engelaar. "But it won't replace dealerships, as they continue to perform the same service role. E-commerce is a good complement to our business and a good solution for simple, straight-forward orders."

"By being the first to offer such a service, we've shown that we're ready for the future."

Charles Engelaar

RENAULT TRUCKS E-COMMERCE

- New sales channel to increase market shares
- One standard package at a set price
- Delivery promise within four weeks

FUEL EFFICIENCY FOR CUSTOMERS AND LOWER IMPACT ON THE ENVIRONMENT

More than two million trucks and 100,000 buses delivered by the Volvo Group in the past ten years operate on roads globally, and more than half a million units of construction equipment are in operation across construction sites. Today, more than 470,000 Volvo Group vehicles are connected via different telematics solutions.

Volvo Trucks is one of the leading companies in fuel efficiency as demonstrated by our Volvo FH series. There are a number of features to attain lower fuel consumption. The feature, I-See, saves fuel on every hill by planning ahead and combined with the latest intelligent I-Shift software up to 5% fuel could be saved. Another feature is the Tandem Axel Lift that allows the driver to disengage and raise one of the two drive axels if not needed and by that achieve up to 4% lower fuel consumption when unladen.

The Renault Trucks T was awarded International Truck of the Year 2015 where one of the criteria was fuel economy.

Fuel efficiency is equally important for our construction and infrastructure customers as proved by the latest crawler excavator from Volvo Construction Equipment. The fully optimized hydraulics system and ECO mode deliver the precise amount of power required for the task in hand. Through a function that automatically switches off the engine after a pre-set inactivity period, fuel consumption and emissions can be reduced further.

Another good example of fuel efficiency is demonstrated by Volvo Penta. In 2015, Volvo Penta succeeded in increasing penetration of the Inboard Performance System (IPS) in commercial vessels. This includes the first IPS quadruple installations in operation for a fleet of transfer vessels used for offshore wind farming. As the installation takes up less space and reduces weight, it offers the vessel more speed, a longer range and lower fuel consumption of up to 30%.

Our commitment to fuel and energy efficiency does not stop by the driveline. To improve even more, it is essential to look at the whole vehicle combination, see page 60.

MITIGATION ACTIVITIES

We strive to offer maximized uptime to our customers and simultaneously limit the environmental impacts from usage. We do this in multiple ways, including:

- Fuel efficiency
- Connectivity
- Driver comfort and safety

Hybridisation and electrification

Volvo Group has a leading position in hybrid technology and electromobility. Read more about this on page 60 in the sustainable transport solutions section.

Drivelines for alternative and renewable fuels

The Volvo Group continues to demonstrate opportunities for vehicles that can run on alternative and renewable fuels. We are the world leader in pioneering DME as alternative fuel and we built the first DME-fuelled Mack truck during 2015. For further information regarding our DME technology, please see page 27.

In Sweden, we have also been successfully running field trials on Volvo trucks Euro 5 using hydrotreated vegetable oils (HVO), which the Volvo Group believes is a better alternative to biodiesel, as there is a larger raw material base to produce it from. During 2015, Volvo Trucks approved the fuel for all Euro 5 engines and D5 and D8 Euro 6 engines. The HVO acts as regular diesel and reduces CO_2 emissions between 30% and 90%.

We have also expanded our model range in Europe with the new version of the Volvo FE CNG running entirely on methane gas. This truck reduces CO_2 emissions by up to 70% when using biogas.

Connectivity to optimize products in use

Being connected is a vital aspect of daily life. Volvo Group Telematics enable commercial vehicles to perform services such as calling for help in case of an accident, to track and even immobilize stolen vehicles, monitoring driver times, connecting and managing fleets, support fuel saving, and preheating the vehicle in the winter.

The number of connected vehicles is increasing rapidly. The Volvo Group Telematics solutions now exist in our own and other products in the automotive industry in Europe, Asia, US and South

RENAULT TRUCKS K

Renault Trucks offers two ranges designed for construction work and other special applications, the C Construction and the K Heavy Construction. Ruggedness, working comfort, payload, pulling power, efficient engines and easy body mounting all make these the perfect tools for businesses and local authorities with high demands.

America under the names of Volvo Dynafleet, Volvo Vehicle Remote Diagnostics, Renault OptiFleet, UD Telematics and the Volvo CE CareTrack.

Another example is the Mack Trucks' GuardDog Connect, which is now active in more than 25,000 trucks. This service has delivered a proven reduction in diagnostics time (70%) and repair time (21%).

Safety and driving comfort

Other important uptime aspects for products in use are our safety and driver comfort features.

The new Volvo FH is the first serial-produced heavy truck available with individual front suspension that largely facilitates the handling of the truck.

The Volvo FH was also first in bringing to market a dual clutch system for heavy duty vehicles. With the I-Shift Dual Clutch, the gear changes take place without any interruption in power delivery. Overall, the I-Shift Dual Clutch results in more relaxed and therefore safer driving, while reducing wear on the driveline and the rest of the vehicle.

For our construction equipment, suspension systems and ergonomically-positioned machine interfaces increase the comfort for the operator.

We have also developed passive and active safety solutions for the Group's trucks such as collisions warning systems and lane changing assistance.

In Europe, Volvo Buses was recently recognized for its unique Volvo Dynamic Steering stabilization system, based on Volvo Trucks technology. The system boosts driving safety and comfort. Now the system is being introduced on Volvo's long-distance coaches in Europe.

Customer competition for increased motivation

In 2015 the UD Trucks Extra Mile Challenge was completed with the Australian team presented as the overall winner. The competition demonstrates how customers can get the most out of UD products and services by improving fuel efficiency, uptime, and driver skills. The competition simulates a transport delivery cycle, and the winner is the team with the highest financial profit. The Extra Mile Challenge demonstrates UD Trucks' contribution to furthering customer business success but also driver capability and confidence, contributing to safer roads and motivated drivers.

» The silent true value of electric buses

A city with half a million inhabitants would save up to SEK 100 M per year if the city's buses ran on electricity instead of diesel. This is the finding from extensive analysis conducted in collaboration between the Volvo Group and the audit and advisory firm KPMG. The analysis has taken into consideration such factors as noise, travel time, emissions, energy use, taxes and the use of natural resources.

100 MSEK
IN ANNUAL SAVINGS WITH ELECTRIC BUSES

"The results show that irrespective of the number of parameters taken into consideration, electric buses comprise the leading public transport solution"

says Niklas Gustafsson, Chief Sustainability Officer.

In June 2015, the Volvo Group took a big step in the journey towards delivering sustainable transport solutions – as an entirely new electric bus route, operated by Volvo branded full-electric buses and electric hybrids, opened in Gothenburg. The aim of the route is to develop and test new solutions for sustainable public transport. It is the result of ElectriCity, a collaboration between the Volvo Group and several partners from industry, research and society.

"The bus line is one of the most modern in the world and the interest is incredibly high, not least due to the buses being completely silent and emission-free, and being run on electricity from wind and hydro power," says Niklas Gustafsson, Chief Sustainability Officer, Volvo Group. "But the innovation aspect primarily pertains to the complete transportation system. A system that we can now show meets society's socio-economic and environmental challenges."

A more complete picture of the savings of electric buses

Standard investment appraisals often do not take into account all of the costs and benefits that impact society and the environment. Therefore, to quantify these aspects, the Volvo Group and the audit and advisory firm KPMG have calculated the monetary value of an electric bus line.

"Electric buses are an excellent example of an innovation that can create substantial societal value," says Daniel Dellham, KPMG. "By supplementing standard financial analysis with socio-economic and environmental factors, one arrives at a more complete picture of the investment's impact on companies and society."

The analysis was based on a city with about half a million inhabitants and 400 buses. If the buses were run on electricity instead of diesel, the total annualized societal saving would be up

to SEK 100 M. Among other areas, the savings stem from reduced noise and air pollution, which is estimated to lead to decreased health care costs of up to SEK 24 M. The annual reduction in carbon dioxide emissions would total 33,000 tons, corresponding to emissions from about 3,000 Swedish households.

Surprise concerts on the silent electric buses

ElectriCity recently launched the Silent Bus Sessions campaign to bring further publicity to the electric public transport project by showing another side of sustainable transport; the quietness of electric buses. Unsuspecting passengers on the new bus route in Gothenburg were treated to surprise performances by some of Sweden's hottest artists.

"Noise is one of the biggest health problems in big cities around the world. Volvo's electric buses are silent and emissions-free, and we are convinced that electric public transport in cities is the way forward to achieve sustainable transport," says Håkan Agnevall, President Volvo Buses.

TAKING A CIRCULAR APPROACH

Improved resource efficiency, reuse and recycling are increasingly important for society and our industry to counteract increasing demands and costs on the use of the planet's finite natural capital.

The Volvo Group works consistently with lean methodologies to use less material as well as processes to integrate more recycled materials, reduce waste and energy, recover heat, and assess our water footprint.

We offer refurbished spare parts as a way of extending the useful life of our products, and to reduce costs for our customers. Remanufacturing consists of three different parts:

1. **Collecting:** the customer's worn part is collected and replaced with an exchange part – this part can be new or remanufactured.
2. **Repairing:** once the core is deemed reusable, it will be disassembled, cleaned, re-machined, reassembled and tested.
3. **Replacing:** a new customer buys the remanufactured part from the dealer.

Growing remanufacturing business

Remanufacturing engines, gear boxes and other spare parts is a growing trend and a growing part of the Volvo Group's business. In 2015, total Volvo Group sales of remanufactured components amounted to SEK 8.3 billion, an increase of close to 20% compared with 2014.

The Volvo Group has more than 50 years of experience and eight remanufacturing centers worldwide handling used components from our whole range of products. The first center opened in 1960 in Flen, Sweden. Other centers are located in France, Japan, Brazil, US and China. In 2015 a new center in Bangalore, India, was inaugurated. The center will play an important role in the aftermarket offer for Volvo branded trucks, buses and construction equipment in the Indian market.

Remanufacturing is also contributing from a societal perspective as it is more labor intensive than new production and demands high-skilled employees.

Remanufactured components are offered to Volvo Group customers worldwide. Through exchange, engines, gearboxes, exhaust filters and rear axle transmissions can be renovated to the same condition as new parts, and our range continues to increase. Customers benefit from the same quality and a full warranty, delivered at a lower price.

Environmentally, remanufacturing minimizes the need for raw materials. It also significantly reduces energy consumption and emissions. For example, a remanufactured engine saves up to 80% of the energy needed to build a new engine and dramatically cuts the emissions of nitrogen oxides and carbon dioxide. It also ensures that potentially dangerous residuals inside worn components are dealt with correctly.

> *In 2015, total Volvo Group sales of remanufactured components increased by close to 20% compared with 2014.*

Circular product development

A truck produced by the Volvo Group is largely recyclable, since almost 85% of its weight consists of metal – mostly iron, steel and aluminum. The additional materials are mainly plastic, rubber and material from electronics components.

In order to work efficiently, recycling and remanufacturing activities have to be considered during the product planning phase. The Volvo Group's experts within this area, therefore works closely together with product developers to enable disassembly workers to extract the most material, and value, from our vehicles at the end of their life.

Triple win

In the last couple of years Volvo Group North America have marketed remanufactured components for the aftermarket. It is called the "The Triple Win" because:

- Customers can buy a high quality part for a significantly lower price
- Volvo Group can increase sales
- The reduced number of new components and quality-assured reused components deliver environmental benefits.

The project focuses on powertrain components and contains a mix of remanufactured components from suppliers and from Volvo operations internally.

REMANUFACTURING IS A WIN FOR CUSTOMERS, VOLVO GROUP AND THE ENVIRONMENT

The Volvo Group's different remanufacturing programs lower costs for our customers. At the same time all components are remanufactured to original specifications. The result is high performance, increased reliability and longer component life.

» Entering phase two of our WWF Climate Savers partnership

WWF is one of the world's largest and most respected environmental organizations. Its Climate Savers Program involves multinational companies in the effort to reduce carbon emissions. Each company pledges to reduce its greenhouse gas emissions following an agreement made with WWF.

40
MILLION TONS
IN REDUCTION OF
CO_2 EMISSIONS

In 2010, the Volvo Group became the world's first automotive industry manufacturer approved by WWF to participate in its Climate Savers program. Between 2009 and 2014, the Volvo Group successfully managed to reduce:

- the total lifetime CO_2 emissions from products sold during this period by more than 50 Mton, compared with vehicles manufactured in 2008
- CO_2 emissions from our production plants by 0.5 million tons (23%), compared with 2008.

Other major achievements included:

- the Volvo Group developed three truck prototypes demonstrating various techniques to improve fuel efficiency
- Volvo CE demonstrated a new prototype with considerably improved fuel efficiency compared with existing models
- Volvo Buses expanded the number of field tests with plug-in hybrid buses.

In 2014, we renewed our commitment to Climate Savers and the Volvo Group is still the only automotive manufacturer that is a member of the program.

Our 2015-2020 program

Having renewed our agreement for this unique strategic cooperation, we aim to accelerate progress. In addition to reducing emissions from our own products and production, the Volvo Group is committed to push the reduction of carbon emissions across our industry.

Our current commitment includes:

- A cumulative reduction of emissions from products and production by at least 40 million tons of carbon dioxide by 2020 compared with 2013.
- Improving energy efficiency in production by implementing energy saving measures giving 150 GWh/year in savings. This corresponds to 8% of the energy use in Volvo Group's production sites.
- Reducing CO_2 emissions per produced unit from the Volvo Group freight transport by 20%.
- Developing truck prototypes with substantially lower fuel consumption compared with a corresponding truck today.
- Volvo CE will develop and demonstrate technologies with considerable efficiency improvements.
- Starting up the so-called City Mobility concept in at least five cities. City Mobility is the collective term for an offering in which Volvo Buses collaborates with cities and regions to find the best and most energy-efficient public transport solution. One example is to plan for the infrastructure required for electric city buses.
- Hosting the Construction Climate Challenge (CCC) that aims to create a dialogue with construction industry representatives, academia and politicians and address mutual projects for improvement.

Results 2015

- 3 Mton CO_2 reduction in lifetime emissions from products.
- 45 GWh/year in energy saving from activities implemented during the year. This corresponds to 2.5% in energy savings.

The results are audited by independent experts and the agreed target must be more ambitious than the company would have set on its own. It must also signify that the company is leading its sector in the reduction of greenhouse gas emissions.

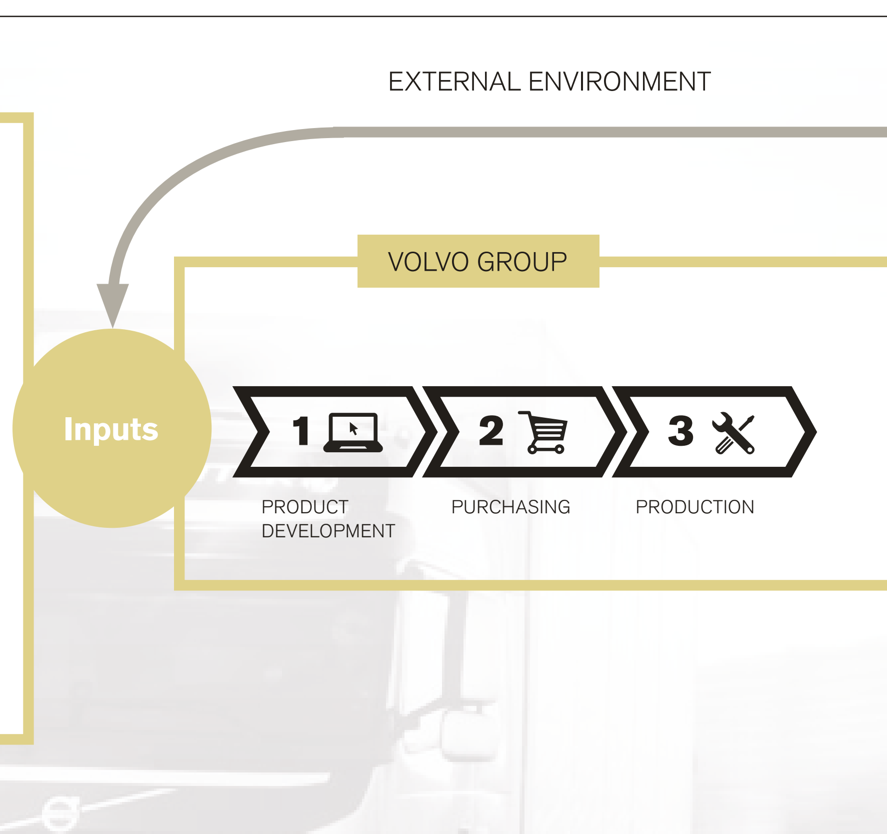
CREATING ECONOMIC, SOCIAL AND ENVIRONMENTAL VALUE

The Volvo Group's future success depends on our ability to deliver efficient, innovative and sustainable transport solutions that are converted into positive financial performance. Close collaboration with our key stakeholders enables us to create shared value over time.

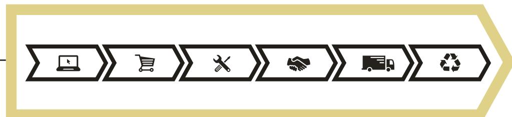
Economic
Our financial capital consists of funds derived from net operating profits, share capital, and credit and loan facilities from financial institutions. We procure close to 2 billion components for use in automotive production. Steel is the manufactured resource that we procure in greatest quantity.

Social
Our intellectual assets include our brands and patents, and our R&D organization, systems and processes. Our skilled, engaged, diverse workforce of almost 100,000 employees represents our human capital. Our relationships include long-term partnerships with labor representatives, academic and research organizations, policy makers, development organizations and Non Governmental Organizations (NGOs) as well as local communities in the countries where we operate.

Environmental
Our production involves the use of various materials, including metals, such as iron, steel and aluminium. The additional materials are mainly plastic, rubber and electronics components. Our energy sources include renewable energy from wind and hydro generation.



GOVERNANCE



Vision

Wanted position

Core values

Code of conduct

RISKS

Seizing opportunities and mitigating risks

Achieving our vision is dependent on reaching our wanted positions, taking our core values into account and adhering to our Code of Conduct to perform business in a responsible way.

To be aware of the risks and be able to mitigate and prevent them through a clear governance structure, is also essential.

Invest-ments

DISTRIBUTION AND SERVICE

PRODUCTS IN USE

RE-USE

Outcomes

Economic

Our reliable, quality products and services satisfy the needs of customers in the transport and infrastructure industry for fuel efficiency that reduces operating costs, and increases uptime. Strong sales coupled with strategic efficiencies enable us to deliver sustainable returns to financial stakeholders and to reinvest in the development of improved products and services for customers. Our remanufacturing and recycling operations contribute towards the circular economy and reduce the need for raw materials.

Social

Our intellectual assets enable us to offer safer and economically efficient products and services to our customers with lower environmental impact. Our products and services enable the safe and efficient distribution of goods and movement of people.

Investing in the health, safety, wellbeing and development of our employees results in qualitative output with low absence and no fatal accidents. Our societal engagement activities create shared value for our company and for society.

Environmental

We are actively reducing the environmental footprint of our global manufacturing, distribution and operations. Our products and services reduce the impacts of the transport and construction industry on the environment. Our leadership encourages more people and organizations to contribute towards environmental sustainability and thereby reduced costs.

Stakeholders

Through stakeholder dialogue we understand the internal and external expectations of the Volvo Group, and how we ensure that our business operations build value both for the company and for society. Our most important stakeholders are our customers, suppliers, investors, employees, trade unions and the local and global community where we operate. How we engage with and create value for our stakeholders is described in the shared value section on page 64.

APPROACHING SUSTAINABILITY TO CREATE PROSPERITY

Building on responsible business behavior, creating shared value and delivering sustainable transport solutions requires cooperation with the world around us.

As the population in the world continues to grow along with the desire to create prosperity, the need for accessibility and sustainable transport will increase. For us, sustainability includes economic, environmental and social dimensions.

Our economic impact is totally dependent on our customers' success. By focusing on our customers, we secure financial health and the ability to invest in innovative development. Thereby, we create employment opportunities and long-term growth.

Our largest environmental impact comes downstream, from our products in use, and we therefore aim to deliver energy-efficient transport and infrastructure solutions, corresponding to customers' needs.

Our main social impact stems from offering safe transport solutions that enable mobility and accessibility for people and goods – moving both our business and society forward.

2015 was an exciting year from a sustainability perspective. The launch of our electric buses to the ElectriCity project in Gothenburg was one example of our leading position in electromobility and innovative public transport solutions. With 470,000 connected vehicles delivered by the Volvo Group, the potential for optimization, both from an economic and environmental perspective, is enormous. In addition, we launched our societal engagement program aligned with our business strategies. By linking our societal activities with our core competences, we attain the highest leverage in addressing the relevant social challenges of education and skills development; traffic and worksite safety, and environmental sustainability.

We also faced some challenges during 2015. Reorganization and lay-offs led to a continued negative trend in employee engagement, as measured by our annual employee survey. Although it is flattening out, this is something we take very seriously and revitalizing our culture is a strategic priority.

In the EU, the Volvo Group and a number of other companies are still under investigation by the European Commission regarding a possible breach of EU antitrust rules prior to January 2011.

Our reputation of being a trustworthy company does not come for free, we need to continuously work in an ethical and responsible way and have an open and transparent dialogue with all our stakeholders.

This includes upholding the principles stated in our Code of Conduct, which is based on the norms of the UN Global Compact that we have signed in 2001.

During 2016, I believe that our new brand-based truck organization will advance our market positions. Through close cooperation with our customers we will further secure both economic and environmental efficiency.

Our remanufacturing constitutes an increasing part of our business. It has great potential to tackle resource scarcity and create economic benefits for our customers. This service offering also contributes to social development by being more labor intensive and demanding high-skilled jobs.

Within the UN High Level Advisory Group on Sustainable Transport, we will present our plan for concrete actions for the transition towards a sustainable transport industry by the end of 2016.

Looking beyond 2016, I am convinced the Volvo Group has great opportunities. In the next couple of years I believe that we will see even more connected vehicles and machines and further autonomous solutions, offering completely new opportunities for our industry, the environment and society.

We have great assets in our employees, products and services, an improved balance sheet and know-how. The mindset of contributing to our customers' success is already there. The coming years will be about connecting all of these dots to reach our full potential. I am excited to be part of this work.

To conclude, sustainability is not a "nice to have" it is a "must have" and it will be even clearer that it is an integrated part of how we do business in the Volvo Group. This combined Annual and Sustainability Report is one way of showing it. I hope you like it.

Martin Lundstedt
CEO

The Volvo Group's approach to Corporate Social Responsibility (CSR) and sustainability, focuses on conducting business in a responsible manner, taking stakeholders' perspectives into account, creating value for our stakeholders and society, and contributing to sustainable transport solutions and sustainable development.

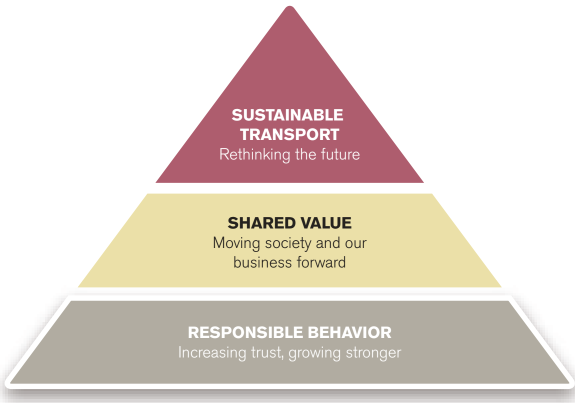
Volvo Group CSR and sustainability model

Our CSR and sustainability model, shown on the next page, is based on the United Nations Global Compact principles, other internationally recognized norms of responsible behavior and consultation with internal and external stakeholders.

The pyramid reflects our strategic framework and supports our business vision, wanted position, strategic program and responsible business practices.

Sustainable transport

Delivering sustainable transport and infrastructure solutions corresponding to our customers' needs, is the ultimate goal of our CSR and sustainability commitment. We progress towards this through leadership, innovation and research, and the development and commercialization of pioneering products and services that are driven by quality, safety and environmental care.



Shared value

The Volvo Group moves our business forward by meeting the needs of customers in selected segments of the commercial vehicles and the construction equipment industry, and supporting their value creation. Working with cultural values and investing in skills development, safety programs and environmental sustainability, we help to move society forward today, while securing business opportunities for the future.

Responsible behavior

Conducting business in a responsible manner across our operations and value chain is essential for maintaining and enhancing the Volvo Group's reputation as a trustworthy global company. Responsibility and sustainability are embedded in our corporate culture, values, Code of Conduct, policies and training. Every employee is expected to adhere to this.

Global perspective

As well as reflecting the Volvo Group's business priorities and value chain, our CSR and sustainability approach aims to address issues in our external, global environment.

Following analysis of the latest global megatrends and industry challenges, on page 18 and 19, we updated our list of key areas for the Volvo Group in 2015, on page 54.

We also linked these to the United Nations' Sustainable Development Goals (SDGs) and targets that were agreed in 2015.

Our response to the SDGs

The Volvo Group has chosen to focus on the SDGs most relevant for our business and where we can contribute the most. That way we can get the highest leverage for us as a business and for the world around us. The Volvo Group will try to contribute to all SDGs in our activities, but our focus will be on:

- **Goal 3** – Good health and well-being and the target to halve the number of global deaths and injuries from road traffic accidents by 2020.
- **Goal 9** – Industry, innovation and infrastructure with particular emphasis on the targets to develop qualitative, reliable, sustainable and resilient infrastructure.
- **Goal 11** – Sustainable cities and communities and the target to provide access to safe, affordable, accessible and sustainable transport systems for all, by 2020, notably by expanding public transport.
- **Goal 13** – Climate action by taking urgent action to combat climate change and its impacts.

Innovation, technology and enhanced modern logistics services will be important for progressing on all goals and the Volvo Group competencies will contribute to this. On the next page we present some of the Volvo Group solutions to contribute to the SDGs and address the challenges.

Good health and wellbeing
Halve the number of global deaths and injuries from road traffic accidents by 2020.

Protect the planet
Take urgent action to combat climate change and its impacts.

Innovation and infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Sustainable cities and communities
Make cities and human settlements inclusive, safe, resilient and sustainable.

AMBITIONS FOR SUSTAINABILITY

By making the connection between global trends, the challenges that affect our industry and the United Nations Sustainable Development Goals, the impact of our activities will bring far-reaching benefits.

The Volvo Group is committed to contributing to sustainable development. Our main contribution comes from delivering safe and environmentally enhanced products and services that support economic growth, increase access and thereby greater prosperity. We also take the way we develop, source, produce, distribute and recycle our goods into account. We see our global strength and local presence as unique opportunities to deliver transport and infrastructure solutions that meet the needs of our customers while simultaneously addressing global sustainability challenges.

The Volvo Group's approach

We continually analyze megatrends and regional variations to assess their impact on our Group and seek new business opportunities, see page 18. During 2015, we reviewed and updated the five trends influencing our business. As part of our CSR and sustainability approach, we have also taken the United Nations Sustainable Development Goals into account.

Updating our sustainability ambitions

In 2015, our sustainability ambitions were reviewed and updated. Based on internal and external stakeholder dialogue, six focus areas have been identified and targeted. These ambitions cover the whole sustainability area from a social, economic and environmental perspective with the aim to drive prosperity through transport solutions. The ambitions also have different time frames. The short-term target is for the coming three to five years, the long-term refers to five to 10 years. Outcomes are measured yearly.

Going forward we will continue our work on relevant measurements for each ambition to facilitate follow-up and continued development.

TRENDS	CHALLENGES AND OPPORTUNITIES	UN SUSTAINABLE DEVELOPMENT GOALS	EXAMPLES OF VOLVO GROUP SOLUTIONS	
1 Climate change and resource scarcity	Greenhouse gas emissions, fossil fuel dependency and the earth's finite natural capital	(13) Take urgent action to combat climate change and its impact.	▪ Energy-efficient vehicles and drivelines ▪ Drivelines run on alternative and renewable fuels ▪ Electric vehicles ▪ Carbon neutral productions ▪ Life Cycle Analysis ▪ Remanufacturing	SUSTAINABILITY AMBITIONS
2 Urbanization	Transport and infrastructure need for 9 billion people by 2050	(11) Sustainable cities and communities (9) Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	▪ ElectriCity ▪ Bus Rapid Transit ▪ City Mobility	
3 Connectivity and digitalization	80–100 billion connected devices by 2020	(9.1) Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	▪ All Group brands offer integrated transport information systems based on wireless communication technologies ▪ 470,000 Volvo Group connected vehicles	
4 Autonomous vehicles and safety developments	1.2 M traffic fatalities and 50 M injuries each year	(3.6) By 2020, halve the number of global deaths and injuries from road traffic accidents.	▪ Platooning ▪ Passive and active safety features on our vehicles ▪ Campaigns and education to increase traffic safety awareness ▪ Driver training programs	
5 Evolving trade and regulatory environment	Public confidence and corporate reputation in the automotive industry	(11.6) By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	▪ Legal compliance ▪ Clear governance to secure adherence to country specific regulations ▪ Laboratory and on-the-road testing to ensure compliance with emissions legislation	

CONSOLIDATING OUR SUSTAINABILITY AMBITIONS

Our customers' closest business partner

- Long-term: Be the leader in brand image and customer satisfaction within each product's competitive set by delivering pioneering products and services for the transport and infrastructure industries.
- Medium/short-term: Among the top in brand image and customer satisfaction surveys for our main products within each competitive set in relevant markets*.
- Results 2015: Brand image surveys show a good position for our main products within their competitive set in our main markets. Market shares for our main products in our main segments have been stable or had minor declines during 2015.

*Definition of main products and markets is based on sales volumes.

Proven innovators of energy-efficient transport and infrastructure solutions

- Long-term: Number one in energy-efficiency transport and infrastructure solutions.
- Medium/short-term: Reduce total lifetime CO_2 emissions of the Group's products by a cumulative saving of 40 M tons by 2020 compared to base year 2013.
- Results 2015: 3 Mton reduced total lifetime CO_2 emissions of the Group's products.

Leading supplier of vehicle safety solutions for our customers and a safe workplace for our employees

- Long-term: Our ambition is zero accidents for our employees and our customers with our products.
- Medium/short-term: Number one in safety image for our main products in our main markets. Zero fatalities related to Volvo Group operations.
- Results 2015: Volvo brand is number one in safety image in our main markets. Zero fatalities related to Volvo Group operations.

Be the most admired employer in our industry

- Long-term: To be in line with high-performing companies for employee engagement and performance excellence index** as measured in the Volvo Group Attitude Survey (VGAS).
- Medium/short-term: Engaging people and driving business performance by revitalizing the Volvo Group culture.
- Results 2015: VGAS results for employee engagement show a slight decline from 72% 2014 to 71% 2015. The Volvo Group is above the global norm but not in line with high-performing companies. The performance excellence index fell one percentage point to 73% compared to 2014.

**Performance excellence index indicates whether the Volvo Group has the right structures and processes to support customers.

Reducing our industrial environmental footprint

- Long-term: All our production facilities to be carbon neutral
- Medium/short-term: 8% energy saving for production sites and reducing CO_2 emissions from Volvo Group freight transport by 20% 2020. 100% of all major production plants ISO 14001 certified.
- Results 2015: 5 production sites out of 66 are carbon neutral, 45 GWh/year in energy saving achieved and, approximately 10%*** reduction of emissions from freight transport. 98% of our major production plants were ISO 14001 certified by end of 2015.

***Data from 2014 compared to 2013 in relation to net sales, including inbound and transport to customers. 2015 data available in May 2016.

Recognized for creating business value by using CSR as a tool for innovative and sustainable solutions

- Long-term: Known for being a trustworthy company and for our ability to integrate CSR and sustainability into our daily operations and create shared value for our business and society.
- Medium/short-term: All white-collar employees to participate in Code of Conduct training, anti-corruption and competition law e-learning. 100% of Automotive Supplier spend in high risk markets CSR assessed. 80% of the Volvo Group's societal engagement initiatives linked to the MSF Program****. 20% of initiatives designed for specific needs.
- Results 2015: 48% of white-collar employees participated in Code of Conduct training, 76% in anti-corruption and 90% in competition law training. 92% of automotive supplier spend in high-risk markets were assessed. The number of activities linked to the focus areas in the MSF program, was 45% out of all CSR activities.

****MSF, Moving Society Forward program with areas; education and skills development; traffic and work site safety; and environmental sustainability.

OUR MATERIAL ISSUES

MATERIALITY PROCESS TO SET FOCUS

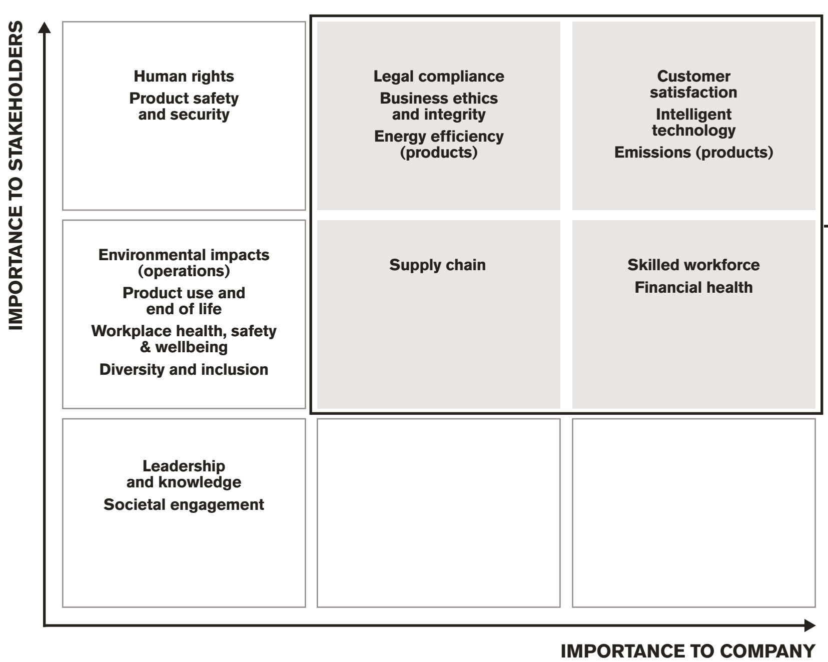
The sustainability materiality process aims to identify the matters that stakeholders view as most important for engaging with the Volvo Group and for the Group's ability to create value over both the short and the long term.

Our materiality assessment addresses the economic, social and environmental issues of most importance for our business and for our stakeholders. Based on previous years' processes we take the Global Reporting Initiative (GRI) G4 reporting principles into account. We started by evaluating external and internal aspects in a workshop to decide on the most material topics. We received external input on these topics, both quantitative from our materiality survey and qualitative from stakeholder dialogue. Our external stakeholders represented all our key stakeholder groups, our different segments and our most important geographical areas. Input from internal colleagues focused on business success issues and the likelihood of impacts occuring. The internal colleagues represented different functions, segments, brands and geographies. For further information about our materiality process, including stakeholder engagement, please refer to the GRI supplement to this Annual Report, available mid-March 2016 at volvogroup.com/responsibility

Customer satisfaction most important for engagement and value creation

For the third consecutive year, customer satisfaction was ranked number one in the overall scoring ahead of intelligent technology. Intelligent technology was introduced as a new topic in 2015, combining and replacing the topics previously known as innovation and transport system efficiency. Like last year, emissions from our products received the third highest ranking.

Our material issues have been ranked and visualized in the matrix below. We have used this matrix as a base to determine our reporting priorities. Greater detail is given to those topics that are both of highest importance to our stakeholders and most likely to have a significant impact on the Volvo Group's ability to create value.



SUSTAINABLE TRANSPORT SOLUTIONS

Intelligent technology
Intelligent technology means investing in pioneering research and development for innovative technology, transport and service solutions to contribute to efficient transport systems. This includes investing in connectivity, automation, safety and data protection as well as adaptation of products and services to reduce congestion and improve the economic, social and environmental dimensions of urban mobility, distribution and infrastructure.

Emissions (products)
Emissions related to our products involves developing cleaner transport solutions designed to reduce consumption of fossil fuels and lower emissions of CO_2, NO_x, particulate matter, and noise.

This year's analysis shows an increased focus for this area together with an increased interest for environmentally enhanced products as well as expectations of more regulations.

Energy-efficiency (products)
Energy efficient products originate from developing leaner and smarter solutions designed to reduce energy consumption, operational costs and environmental impacts.

Energy efficiency decreased somewhat in importance compared to last year's survey. One explanation for this may be lower fuel prices.

CREATING SHARED VALUE

Customer satisfaction
For us customer satisfaction means building long-term brand loyalty and business partnerships by understanding customer needs, delivering the right products and services, and taking a total lifecycle approach to support customer profitability through quality, fuel efficiency, uptime, and aftermarket services.

Financial health
Financial health is the prerequisite for doing business and for creating long-term value for our shareholders. We are maximizing long-term growth and value by reinvesting in our business, prioritizing opportunities, optimizing cost structures and creating sustainable competitive positions for all our products and services.

Skilled workforce
Skilled workforce involves ensuring the optimal workforce composition, attracting and developing people with required skills and competences as well as retaining talent and developing the talent pipeline to remain competitive.

RESPONSIBLE BEHAVIOR

Legal compliance
Succeeding in legal compliance includes continuous development of corporate governance, policies and practices to ensure adherence and compliance with all applicable laws, regulations and directives.

Our embedded compliance program, together with training in anti-corruption and competition law, are examples of activities in this area.

Business ethics and integrity
Business ethics and integrity is about creating a responsible culture and being aware of risks in order to maintain our reputation as a trustworthy company.

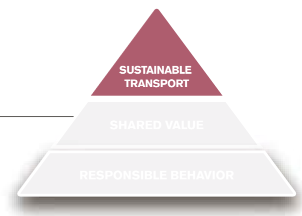
The starting point being Volvo Group culture values, leadership, transparency and our Code of Conduct.

Our new Game of Conduct course is an example of an activity in this area.

Supply chain
Creating long-term business relations with our suppliers is important for cost efficiency and quality assurance and for a socially and environmentally responsible supply chain. For the Volvo Group this means CSR assessments, supporting local procurement and securing delivery of our own plans.

For definitions of all 2015 material topics, see the GRI supplement to this report, available mid-March at volvogroup.com/responsibility.

TOWARDS SUSTAINABLE TRANSPORT SOLUTIONS

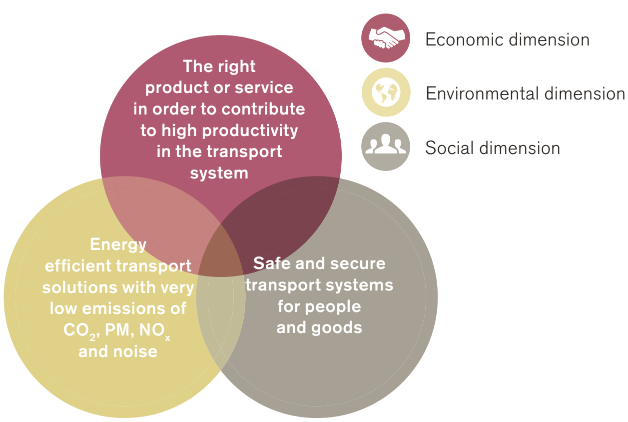


Our ambition to become the world leader in sustainable transport solutions is based on our understanding of our customers' needs, the expected increased need for transportation and the technological challenges and opportunities in the world around us. We take a solutions-based approach to deliver cleaner, safer and smarter products and services.

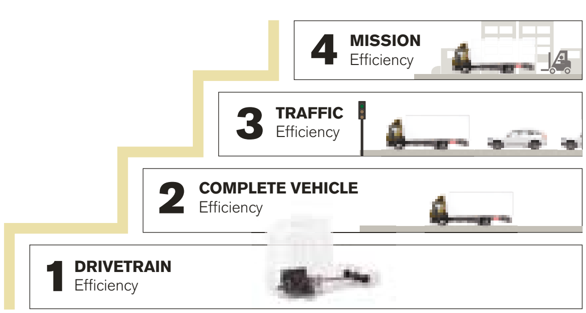
Half the world's population already lives in cities and urbanization continues at high pace in developing economies. Globally, 1.2 million people die every year in road traffic accidents and 50 million sustain injuries.

We acknowledge that transport is part of the problem today, but the Volvo Group believes that we can lead the way and deliver sustainable, future-focused solutions that effectively address our impacts. For the Volvo Group, sustainable transport solutions support economic productivity, reduce environmental impacts and contribute to societal development. Sustainable transport solutions are created at the intersection of the three areas shown in the figure below.

SUSTAINABLE TRANSPORT SOLUTIONS



TRANSPORT TECHNOLOGIES IN CONTEXT



SOLUTIONS APPROACH

Our solutions-based approach applies to all our key focus to areas in developing future sustainable transport solutions:

- Cleaner and leaner – CO_2 and fuel efficiency
- Safer – Safety, automation and driver environment
- Smarter – Complete transport solution

New business model for future solutions

Our products and services are one piece of the transport and infrastructure puzzle. To maximize the long-term environmental, social and business benefits, we need to consider the bigger picture and understand how our products and services are, and can be, integrated into society. Instead of offering single products or services, we deliver complete transport and site solutions with added customer value.

The image, transport technologies in context, shows how our work starts with the desired outcome, instead of focusing solely on the drivetrain or the vehicle. Enhancing customer productivity and concentrating on efficient delivery of the mission is the goal. We can reduce customer downtime with intelligent, connected systems for efficient traffic and freight scheduling. This is supported by vehicle-to-vehicle and vehicle-to-infrastructure technology that reduces accidents, congestion and improves traffic flows at the same time satisfying the customer's overall needs.

The same mindset is applied when developing truck, bus and construction equipment solutions.

Investing in innovation

Our main investment in innovation is of course related to our own research and development activities within our operations but there are additional ways to push development forward.

Founded in 1997, Volvo Group Venture Capital is an investment company owned by the Volvo Group. Its ambition is to be a leading corporate investor in sustainable transport solutions. Each investment should have a positive return in itself while also contributing to the profitable growth and competitiveness of the Volvo Group. Recent investments includes Cargomatics, a software platform that enables local truck drivers to get offers for cargo to unutilized capacity on their trucks in real time and Lytx, a program that uses in-vehicle video technology to capture data on driving behavior.

GO STRAIGHT INSTEAD OF AROUND

The new Volvo 7900 Electric is so much more than an electric bus. It's an enabler, a tool that gives cities and municipalities totally new possibilities to develop their public transport – and entire cities. The new Volvo 7900 Electric can literally run everywhere. Silent and clean, with no climate emissions, it can go where people actually want to go. The shorter way, the better way.

Each year, the Volvo Research and Educational Foundations (VREF) make major investments in dedicated research projects supporting the development of sustainable transport systems in large urban areas worldwide. We also devote extensive resources to traffic safety research, partnering with key industry players, universities and governments for greater efficiency.

The basic principle behind our Academic Partner Program (APP) is long-term strategic collaboration with leading universities in areas of mutual interest. The program is an efficient way to develop and implement long-term research and innovation agendas and to enhance employer attractiveness with leading universities. This collaboration with universities is key for the Volvo Group to keep driving innovation in the area of transport solutions. Presently, the Volvo Group has, within the APP framework, an exclusive partnership with 12 universities in 6 countries. An example of the APP collaboration is the Robot-based Autonomous Refuse handling (ROAR) project, see page 62.

Sustainability leadership

In 2010, the Volvo Group was the world's first automotive manufacturer to be approved by WWF to participate in their Climate Savers program. In 2014 we committed to even more challenging targets in the new 2015–2020 commitment.

In 2014, the Volvo Group's CEO, was appointed co-chairman of the United Nations (UN) High-level Advisory Group on Sustainable Transport for three years. The group is appointed by UN Secretary-General Ban Ki-Moon and is tasked with delivering actionable recommendations to accelerate implementation of sustainable transport solutions.

During the 2015 United Nations Climate Change Conference, COP 21, our President and CEO Martin Lundstedt chaired a meeting with the Advisory Group on Sustainable Transport. The conclusion from the meeting was mutual agreement that bold innovation is needed together with partnership among governments, civil society and the private sector.

The Volvo Group Sustainability Forum aims to stimulate greater collaboration between companies, governments, civil society and the scientific community to accelerate action and decisions towards sustainable development. Our 2015 forum brought together more than 300 international leaders and stakeholders – including many of our academic and research partners – to explore how business can contribute to sustainable development and help mitigate climate change.

CLEANER AND LEANER

The Volvo Group has a leading position in hybrid technology and electromobility. Volvo Buses has sold more than 2,300 hybrid buses in over 20 countries. The first Volvo Electric Hybrid went into commercial operation in Hamburg in December 2014, followed by Stockholm in 2015. In June 2015, bus route 55 opened in Gothenburg, with three completely electric buses and seven electric hybrid buses. The buses run on renewable electricity and are energy efficient, and silent. The three electric buses are completely emissions-free. Route 55 is a result of ElectriCity, a collaborative project between academia, industry and the public sector aimed at developing, demonstrating and evaluating new sustainable public transport systems for the future.

In December 2015, it was decided that Volvo hybrids will be introduced in Mumbai, India. The hybrids will be manufactured in our facility in Bangalore, India.

Electric trucks

Renault Trucks has developed two all-electric vehicles: the Maxity Electric operating on a hydrogen fuel cell and the Renault Trucks D all-electric. These two truck models are currently being tested under actual operating conditions.

Since February 2015, Renault Trucks and the French Post Office have been operating a Renault Maxity Electric truck powered by a hydrogen fuel cell which doubles the vehicle's operating range, extending it to 200 km. This fuel cell solution makes it possible to overcome two of the major limitations which have so far hampered the development of electrically-powered vehicles: their operating range and recharging time, since the time taken to refuel a vehicle with hydrogen is comparable to that of a vehicle running on diesel fuel.

Vehicle solutions to reduce fuel consumption

Our commitment to fuel and energy efficiency does not stop at the driveline. To improve even more, it is essential to look at the whole vehicle combination. For a number of years, Volvo Trucks has been actively involved in the development of High Capacity Transport vehicles (HCT). One of the aims is to develop a modular system for forest transport. Compared to standard 60-ton combinations, the high-capacity 90-ton combinations have achieved a 22% reduction in fuel consumption and CO_2 emissions, while the 74-ton combinations have reduced CO_2 by 10% to 15% per ton-km.

Another aim is to test trucks that are longer and heavier than those generally available in Europe today. So far, the vehicle combination shows 20–25 % reduction in fuel consumption, compared to standard combinations and that volume and load distribution may play a more significant role than weight restriction.

Solutions for off-road heavy-duty vehicles

Continued development of new drivetrain and hydraulic system solutions shows considerable potential for further optimization of fuel efficiency and productivity in construction equipment such as articulated haulers, wheel loaders and excavators. Various technical solutions such as electro-hydraulics, continuous variable transmissions and hybrid approaches, including grid plug-in possibilities, may yield significant energy efficiency contributions. In these cases, potential reduction ranges from 20% to more than 50%. The functions of the machine, especially the electronically controlled functions, offer great potential for optimizing the machine itself, its operation path and the efficiency with which its components are used.

ELECTROMOBILITY FOR CLEANER ENVIRONMENT

Concrete solutions to decrease CO_2 emissions are already underway. One example is the Renault Trucks D all-electric vehicle.

SAFER

Road traffic and work site safety are both global challenges and material areas for the Volvo Group to address. We cannot achieve sustainable economic or social growth if regions are crippled by congestion or failing to stem the rising number of fatalities and injuries in traffic.

The Volvo Group's ambition is for zero accidents involving our vehicles or equipment. We focus on both active and passive safety features:

- Active safety features and technology, such as vehicle stability, emergency braking and visibility support, aim to prevent or mitigate the consequences of crashes.
- Passive safety components, including airbags and body protection in the cab, aim to protect the occupants in the event of a crash.

Safety studies from our Volvo Accident Research Team show that more than 90% of all traffic accidents involve human factors. Loss of concentration on the road, resulting from fatigue or inattention, is one of the most common causes.

Driver assistance systems

Over the years, the Volvo Group has pioneered a variety of driver assistance systems, including Driver Alert Support and Lane Changing Support, that enhance awareness and alert the driver before a situation turns critical. The Collision Warning with Emergency Brake system is another sophisticated system developed by the Group, which offers market leading emergency braking capabilities.

Volvo Trucks is piloting technology that substantially enhances the driver's perception of the area around the truck. This type of technology may help dramatically reduce the risk of accidents caused by limited field of vision. Vehicles may in the future be able to detect road users in complex road environments and act when the driver fails to.

Self-driving safety

The Volvo Group has participated in a number of projects to analyze the advantages of platooning, with a lead truck followed by one or more trucks or passenger cars. Platooning technology enables close-following vehicles to be controlled automatically in order to generate improved energy efficiency while ensuring highest levels of safety. The main goals with platooning are to reduce CO_2 emissions and to develop solutions that increase productivity.

This can be achieved through fuel consumption savings, of between 8 to 15%, and reduced congestion through more efficient use of the road network.

Automated vehicles also push the boundaries for automotive safety. Safety is a pre-requisite for automated driving, and some automated vehicle applications may significantly help to reduce the risk of some of today's most common accident types.

Proactive safety strategy

Volvo Buses new AEBS (Automatic Emergency Brake System), based on technology from Volvo Trucks, is a good example of the Volvo Group's proactive strategy to road safety and efficiency. With the new technology the Volvo Group is already fulfilling the safety requirements due for 2018 in the EU.

Increasing safety through awareness and training

We run traffic and site safety programs for drivers and operators all over the world, including:

- The TransFORM program in Brazil has been running since 1998 and has been replicated in Peru.
- Driver training programs run jointly with Eicher in India have trained more than 159,000 drivers.
- Operator training run by Volvo Construction Equipment in India trained close to 2,000 operators in 2015 and the total trained since the start 2007 is above 10,200.
- Volvo Driver Academy is a demo training project initiated in China for drivers to drive more safely and efficiently.

IMPROVED DRIVER VISIBILITY

Volvo Trucks is piloting new technology which enhances the driver's perception of the area around the truck.

SMARTER

The transport industry is being driven by rapidly developing trends in smart services, administration, connectivity and personalization (see below). The Volvo Group is presently active in a variety of programs that address these trends using smart technology, integrated transport systems, advanced engineering, and pioneering vehicle combinations. The combination of telematics, advanced IT solutions and communication technology providing real-time traffic information, remote monitoring and communication between vehicles and the infrastructure, offers major opportunities for increasing safety and reducing congestion and environmental impacts.

Smarter solutions in urban areas
We are actively involved in a number of initiatives to deliver smarter public transport solutions in urban areas.

There are currently around 250 Bus Rapid Transit (BRT) systems globally and we supply products and services to more than 30, including Bogota's Trans-Milenio BRT system, the biggest in the world. Volvo Buses is also supplying buses to BRT systems in Brazil, Chile, Mexico, India, South Africa and Sweden.

The Volvo Buses' City Mobility program brings together key stakeholders to develop and implement integrated and innovative sustainable transport pilot projects that are suited to each individual city. It is being deployed in several cities including Gothenburg, Stockholm, Hamburg, Montréal, Shanghai and Curitiba. During 2015, agreements on cooperation were signed with Mexico City.

Volvo Bus Zone Management is a service that enables compliance with restrictions in various kinds of sensitive areas. The technology automatically regulates how the bus operates in specific zones along the route. GPS is used to determine exactly where along the route the bus should run on electricity or diesel, and also how fast it may drive in the various zones. The technology contributes to a cleaner, safer and quieter urban environment.

ROBOT SUPPORTING REFUSE TRUCK

Within the Volvo Group we foresee a future with more automation. The ROAR-project provides a way to stretch the imagination and test new concepts to shape transport solutions for tomorrow.

Refuse truck driver supported by robot
The Volvo Group is currently working on a joint initiative within the Academic Partner Program (APP) together with Chalmers University of Technology and Mälardalen University in Sweden, Penn State University in the United States, as well as the waste recycling company Renova. The initiative aims to develop a robot that interacts with the refuse truck and its driver to accomplish the work. The project is called ROAR, for Robot-based Autonomous Refuse handling, and the goal is to introduce a robot that, with the help of instructions from a truck's operating system, can collect refuse bins in a neighbourhood, bring them to a refuse truck and empty them. All of this occurs under the supervision of the refuse truck's driver, who can thereby avoid heavy lifting.

FOUR SMART TRENDS IN THE TRANSPORT INDUSTRY:

Smart services
In addition to predicting faults, truck manufacturers will, in another few years be able to better understand why faults occur in the first place – before they occur. The vehicle will also be able to rectify minor faults on its own and issue an alert and book its own service before a problem arises.

Less administration
In the future, service will involve far less administration for the haulage firm and workshop since the truck will be able to handle most of this itself, such as booking a service and downloading and updating its own on-board software.

Connected devices
In the future all the products around us, such as watches, jackets and cycle helmets, will be able to communicate directly with one another as long as the connection adds value. Tomorrow's wristwatch, for example, will not just show the time, it will also be able to monitor the driver's pulse and issue an alert and even activate autopilot if something happens to the driver.

Personalization
The more information the truck manufacturer has about whom is behind the wheel and who owns the truck, the easier it becomes to individually tailor the truck to match specific driving styles and transport assignments.

» From vehicle to business partner – how tomorrow's intelligent trucks work

Personalized, predictive and always driveable. Tomorrow's intelligent truck is more similar to a smartphone on wheels than a traditional vehicle.

"Within a few years this is going to revolutionize productivity in the transport industry,"

says Hayder Wokil, Market & Product Performance Manager at Volvo Trucks.

Today there are about 175,000 online-connected Volvo trucks on Europe's roads. A number of them can already today send information about when they need maintenance and some of the necessary service work can even be administrated remotely. This, however, is just the beginning.

"In the coming few years, for instance, the truck will be able to monitor its own health in real time, promoting easier and quicker service which leads to higher productivity for all concerned – drivers, workshops and haulage firms," says Hayder Wokil, Market & Product Performance Manager at Volvo Trucks.

In the future the truck will also make workshop administration easier by booking its own service as and when necessary, booking the appropriate mechanics for the relevant jobs and advance-ordering the necessary parts for delivery to the workshop. Repairs will be able to be performed wherever the truck happens to be and will be carried out at an appropriate time in its working schedule.

"Service will be synchronized with the truck's operating timetable and will be booked at the nearest workshop at a time when the vehicle would in any case not be in operation, for instance at night or when the driver has to take a legislated break. Via online connectivity the truck will also be able to carry out simple self-repairs remotely," relates Hayder Wokil.

Tomorrow's truck will also enable more flexibility. As the connectivity potential for trucks continues developing, vehicles will be able to be specified to suit each individual assignment, which in turn promotes more efficient operation.

"The next generation of trucks will be increasingly personalised and will for example be able to be tailored to match the operator's needs and driving style. It will also be able to update its own configuration to suit specific transport assignments," explains Hayder Wokil.

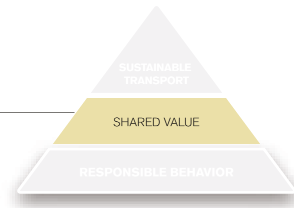
An important prerequisite to harness the benefits of connectivity is collecting large amounts of data. This is already happening today, but in the future it will mean that trucks can communicate not only with other road users and trucks but also portable items such as bicycle helmets. This means the reduced risk of accidents and fewer unplanned stops.

"Thanks to this connection, the truck in the future will, on its own, be able to read the traffic situation and select the most efficient route, in traffic jams or roadworks for example," says Per Adamsson, Director of Strategy and Business Development at Volvo Group Telematics.

However, even if much of the technology for realizing tomorrow's truck already exists today, it may take some time before the next-generation scenario becomes reality.

"The biggest challenge lies in sifting through the massive amount of data we collect from our vehicles. The infrastructure for connectivity throughout the world also needs to be further developed before we can transform next-generation vision into everyday reality," says Hayder Wokil.

CREATING SHARED VALUE



Creating shared value with our stakeholders and society plays an important part in the continued success of the Volvo Group. Engaging with stakeholders enables us to better understand and meet their expectations.

Creating shared value is about moving both our business and society forward. It involves everyday business practices, such as financial management, but also strategic initiatives on a more longer term, including societal engagement activities. We create economic value for our company and shareholders by delivering transport and infrastructure solutions that contribute to our customers' success. We create value for suppliers through the purchase of goods and services. We support our customers' value creation through efficient products and world-class services.

Our trucks, buses, engines, construction equipments and services literally keep society moving every day, with essential food distribution, public transport, infrastructure and power supplies. Our support services keep thousands of customers on the road, contributing to productivity and growth. And our marine engines power commercial transport and leisure activities on water.

We remain competitive, sustainable and profitable by investing in talent and our employees' professional development.

We contribute to society through taxes and social security payments. We create added value for society by aligning our CSR programs with our business resources and opportunities.

Stakeholder engagement

The Volvo Group has identified key stakeholder groups right along our value chain – from suppliers to customers and society.

VALUE BY STAKEHOLDER GROUP, SEK M	2015	2014
To suppliers – Purchases of goods and services	210,598	199,484
To employees – Salaries and remuneration[1]	40,458	37,533
To society – Social costs[1]	8,995	8,118
To society – Pension costs[1]	4,340	4,133
To society – Income taxes paid	3,110	3,304
To creditors – Interest paid	1,683	1,846
To the Volvo Group – Investments in tangible assets	6,561	7,093
To shareholders – Dividend	6,093[2]	6,090

1 For further information, please see note 27 to the consolidated financial statements.
2 According to the Board's proposal.

We engage through our daily work and processes, as well as dedicated stakeholder platforms. We also arrange strategic events and initiatives, such as the Volvo Group Sustainability Forum, that bring together stakeholders from different groups.

We also invite stakeholders to participate in our materiality process, see the GRI supplement for full details of our stakeholder engagement, available mid-March 2016 at volvogroup.com/responsibility.

Customers

In 2015, we delivered 207,475 trucks from our wholly-owned truck operations and 8,825 buses, 44,718 units of construction

ENGAGING WITH STAKEHOLDERS

The Volvo Group understands the importance of having an open dialogue with stakeholders to create shared value and deliver on our targets.

equipment, 17,413 marine engines and 15,295 industrial engines from our Group operations. These products and services support our customers' profitability by enabling them to meet their customers' needs. We engage with our customers in a variety of ways to understand how we are progressing towards our ambition of becoming our customers' closest business partner and delivering customer satisfaction, see below.

Suppliers
In 2015, our procurement of goods and services from around 43,000 suppliers amounted to SEK 210.6 billion. We build long-term partnership with our suppliers to ensure cost efficiency, quality and adherence to our CSR and environmental requirements. We engage through online platforms and meetings as well as ethical assessments and training, see page 30.

Capital market
In 2015, we distributed SEK 6,090 M in dividends to our shareholders and SEK 1,683 M in interest paid to our debt providers.

In order to run our daily business and secure long-term financial health the Volvo Group is dependent on obtaining financing from both shareholders and debt providers. To support mutual trust and understanding, we engage with shareholders, investors and analysts through meetings and dialogue.

Employees
In 2015, we paid SEK 40.5 billion in salaries and remuneration to our employees. Our business success depends on our ability to attract and retain a skilled workforce. We offer a wide range of opportunities for employees, and union representatives, to develop, give feedback and share ideas, see pages 68 and 73.

Society
Local, national and international authorities; non-governmental organizations (NGOs); business partners; potential employees; academia and the general public are among our diverse stakeholders in society.

In 2015 the Volvo Group paid SEK 8,995 M in social costs, SEK 4,340 M in pension costs and SEK 3,110 M in income taxes.

CUSTOMER SATISFACTION

We operate from the viewpoint that organizations that capture customers' needs best and translate them into tailored products and services will be the leaders in any market or segment. Studies show that it is five times more costly to find a new customer than it is to retain an existing one. That is why keeping customers satisfied is vital for business success.

For the third consecutive year, customer satisfaction received the highest ranking in our materiality assessment. Our definition of customer satisfaction is understanding customer needs, delivering the right products and services, and taking a total lifecycle approach to support customer profitability through quality, fuel efficiency, uptime, and aftermarket services. We strive towards this with enhanced customer relationships, long-term brand loyalty and business partnerships.

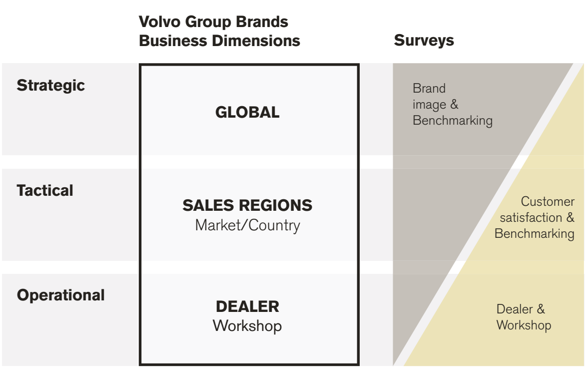
The Volvo Group provides products and services for many different segments and customer needs. The strength and breadth of our portfolio enables us to meet the individual purchasing behaviors, needs and expectations of customers operating in diverse segments, environments and various conditions.

Understanding customer needs
We track customers satisfaction and brand image perception through surveys worldwide. Performance is integrated in our KPI reporting and is used to increase our understanding of our customers' needs. Research and studies are done by leading international organizations and interviews are carried out with decision makers among Volvo Group customers and non-customers.

From this year's materiality survey, interviews with customers and extracts from selected customer satisfaction surveys, we can conclude that our customers most value fuel efficiency, long-term partnership and uptime. See our case studies on pages 12 to 16.

We take a structured approach to measuring and managing customer satisfaction, as shown below. All our businesses and brands have strategic targets by market. The data from various global image and benchmark surveys is used to produce a brand KPI dashboard that informs and supports continuous improvement work.

STRUCTURED APPROACH



Brand image surveys are an important input at all levels, but especially at strategic and tactical levels with regard to competitor information. Among others, the brand image surveys measure perceptions of the Group's brands against key competitors on aspects including quality, safety and environmental care. We also ask customers about various brand attributes that drive purchases and overall opinion, such as customer care, uptime, fuel efficiency, driver productivity and innovation.

At an operational level, dealers also receive more specific information from our customer satisfaction surveys. This data is used as input for KPIs and for following up and improving daily work routines.

Market and customer feedback

According to the latest image and benchmark surveys conducted in different regions globally on behalf of our brands the Volvo brand occupies a leading position, or is among the best, in terms of quality, safety and environmental care, in all global markets and for all our business areas.

Awards – indicators of satisfaction

External awards are also a useful indicator of satisfaction and thereby an important sales tool. Below are some of the awards presented to the Volvo Group during the year.

- TU-Automotive, an organization focused on connected vehicle technology assigned the 2015 Commercial Vehicle Maker of the Year Award to Mack Trucks for its telematic solutions (see opposite).
- As part of "The Best Commercial Vehicles 2015", in Stuttgart, Germany, Volvo Trucks received five awards for the Volvo FH/FH16 and Volvo FM.
- Volvo FH won the Truck of the Year title in Poland as well as in the Czech Republic and Slovakia.
- Volvo Trucks also received Europe's Quality Innovation of the Year Award for its new transmission, I-Shift Dual Clutch.
- The Renault Range T won Irish Truck of the Year 2016.
- Renault Trucks was also voted Best Supplier of the Year 2015 by the Fraikin Group, an industrial and commercial vehicle renter.
- UD Trucks won the "WOW Product – GIIAS 2015" with UD Quester at the GIAKINDO Indonesia International Auto Show.
- In November, Volvo Penta's revolutionary Forward Drive (FWD) was honored at the Berlin Boat Show with the Best of Boats Special Award. Earlier in the year Boating Industry, a US boating business magazine, selected FWD as one of the top products of the year. FWD also won the Innovation Award at Miami International Boat Show.
- Volvo Penta in China received an Excellent Supplier Award from Kohler Power Systems.
- European Coach and Bus Week in Kortrijk, the Netherlands, awarded Volvo Buses first prize in both Safety and Innovation categories for the Volvo Dynamic Steering system.
- The ElectriCity partnership, where Volvo is one of the main participants, was recognized by the European Association for Renewable Energy, Eurosolar, for being the best example for 2015 of sustainable public transport using renewable energy.
- The SDLG LG6460E excavator was named one of China's best construction products by the China National Construction Machinery Association.
- Volvo CE China was awarded the "National Customer Satisfaction Products" for its large excavators by China Quality Association.
- VFS Poland was awarded "Financial Product of the Year 2015" for the "Try & Buy" and "Try & Go" innovative lease products by the Central Chapter of the National Certification Bureau.
- VFS China was awarded "Institutional Excellence Award" by the People's Bank of China for exceeding customer and regulators' expectations through a focus on continuous improvement.

2015 COMMERCIAL VEHICLE MAKER OF THE YEAR

TU-Automotive, a leading organization focused on the connected vehicle technology segment, recognized Mack's ongoing commitment to offering state-of-the-art uptime and telematics solutions with the 2015 Commercial Vehicle Maker of the Year Award. Mack received the award for Mack GuardDog Connect, its integrated telematics solution, and Mack Fleet Management Services.

SKILLED WORKFORCE

By the end of 2015, the Volvo Group had 88,464 permanent employees and 11,037 temporary employees and consultants, compared to 92,828 permanent employees and 11,750 temporary employees and consultants at the end of 2014. The reduction of 5,078 people is a consequence of the Group-wide structural cost reduction program announced in autumn 2013, and finalized during 2015.

Attracting the right talent
Being an employer of choice involves participation at student fairs at the top engineering and business universities. We collaborate with target groups of students through study visits at Volvo and on-campus company activities. The Group also runs the 12-month Volvo Group International Graduate Program with the aim of recruiting the right competence to develop future key talent.

Our Academic Partner Program (APP) is a highly exclusive program for selected universities working in areas that support the Volvo Group's long-term plan. We have APP partners in Sweden, France, the US, China, India and Japan. APP includes two kinds of partnerships: Preferred Research Partners and Preferred Talent Partners.

Personal business plan to ensure progress
All employees are expected to have a personal business plan that translates our corporate strategic objectives into individual objectives and contributions. It includes business-related and competence development targets, and provides essential feedback for both short and long-term individual development. Employees review their plan annually together with their manager to ensure mutual understanding of roles and expectations.

Survey to measure engagement and performance
The annual Volvo Group Attitude Survey (VGAS) is a tool towards higher commitment and a higher performing organization, by raising employee engagement.

In this survey the Volvo Group measures itself against an international database of approximately 15 million employees from over 80 countries used by over 400 companies. Our target for 2015 was to be one of the world's top 25% companies. Our results remain above the global norm, but our target was not achieved. The VGAS 2015 shows slightly lower employee engagement compared to last year (71% versus 72%) and compared to high-performing organizations, which are following an upward trend. The performance excellence index (PEI), which indicates whether the Volvo Group has the right structures and processes to support customers, fell one percentage point to 73%. The 2015 leadership effectiveness index stayed at 70%.

Targeted action plans are being implemented in order to increase engagement and performance levels.

Harmonized job evaluation
In 2015 the roll-out of global, common job evaluation methodology continued. 85% of white collar positions across all the businesses are now evaluated using a common methodology.

Based on this, locally-competitive pay structures have been set up for our 15 biggest countries, using a harmonized methodology but linked to local market data.

SKILLS TO PERFORM

A skilled workforce is necessary to reach long-term success. In order to outperform our competitors, we need people with the right competences across all of our businesses.

Volvo Group University
Every year we allocate around half a million training days to our employees and retail organizations worldwide. The Volvo Group University is now established as our center of further education and learning activities to efficiently support our strategy in all major competence areas in the Group. The University enhances the consistency and quality of the training we offer and ensures that the training outcome support business operations.

Developing high-performing leaders
Talent review at the Volvo Group is a key tool in developing and managing talent. It is the formal review of performance and potential across the pool of leaders, including succession planning for the leadership teams.

The Leadership Pipeline framework is developed within the Volvo Group to support our present leaders as well as our potential leaders prepare for future roles. This is well supported by our leadership programs and other learning offers, for example mentorship.

During 2015, 67 mentees and 63 mentors participated in the Volvo Group Female Mentoring Program aimed at developing leaders by sharing knowledge and experience.

SOCIETAL ENGAGEMENT

Engaging with the communities where we live and operate is natural for the Volvo Group in order to be a good corporate citizen. Our approach involves driving and participating in CSR initiatives, establishing strategic partnerships and supporting work following natural disasters. We also encourage our employees to participate in employee volunteering programs. In addition to our global efforts, we have dedicated employees in our main countries, to coordinate our CSR ambitions.

Moving Society Forward

Our Moving Society Forward program is based on the "Creating Shared Value" principle, further described in the diagram below.

In order to maximize the shared value created, the program is directly connected to Volvo Group's vision, business and expert capabilities. Our program specifically aims to:

- Remove obstacles to future business success, turning threats into opportunities that mitigate risks
- Engage in activities with both business and societal benefits
- Utilize the Volvo Group's unique assets and knowledge
- Encourage employee involvement.

The highest potential for mutual benefit is where Volvo Group's business significantly interacts with the society. The focus areas selected for our Moving Society Forward program are:

- Education and Skills Development
- Traffic and Worksite Safety
- Environmental Sustainability.

In 2015 the number of activities linked to the focus areas in our Moving Society Forward program was 45% out of all CSR activities compared to 39% 2014.

Stop, Look, Wave

The Volvo Group conducts a wide range of traffic safety campaigns focusing on professional drivers as well as school children and local communities. Our training programs are run in the majority of the countries where we operate. In May 2015 we initiated a global program called "Stop, Look, Wave". We encouraged our 100,000 employees to get involved in promoting safety awareness sessions for children in their immediate environment, with the help of specially developed training kits. We simultaneously launched a campaign with the International Road Transport Union (IRU). The campaign is directed at drivers to encourage them to always be aware of vulnerable road users and do their utmost to drive safely. And, of course, to wave back to children who wave at them. In 2015, we reached out to more than 50,000 children with this campaign and it will continue in 2016.

Vocational training

During 2015, we continued our work to establish vocational training schools for mechanics, drivers and operators of trucks, buses and construction equipment, mainly in Africa and South East Asia. In total, training will be provided for around 4,500 young people enabling them to be employed within the transport industry and enabling Volvo Group customers to find skilled drivers, operators and after market personnel. At the end of 2015, vocational schools had been established in Ethiopia and initiated in Morocco and Zambia.

GLOBAL ROAD SAFETY

- Interactive traffic safety training for children
- Training kits made available for anyone to use
- A challenge to all 100,000 employees

www.volvogroup.com/stoplookwave

Employee volunteering

Employees are welcome to participate and volunteer in different local and global societal engagement initiatives.

During 2015 on-site volunteering in our vocational training schools in Africa was piloted as part of our Moving Society Forward program. Three employees from our the Group's truck manufacturing were selected to spend two months in Ethiopia, Zambia and Morocco respectively.

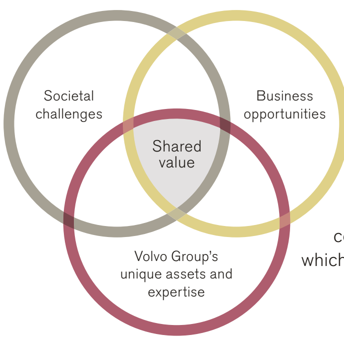
Volvo Step – industrial production training

During the autumn 2015 another round of the Volvo Step started, a vocational training for unemployed youth aged 18 to 22. The program is offered to 100 young people and takes place at 11 Volvo sites in Sweden. It aims to secure long-term access to skilled employees and improve young peoples' chances in the labor market. In total 1,055 people have completed the training and of these 70% had jobs and 10% had chosen to continue studies when surveyed six months after finishing the program.

Disaster relief

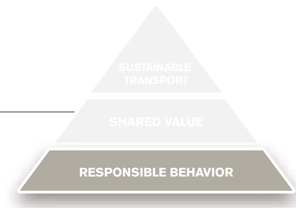
Volvo Group has a disaster relief fund that is approved by AB Volvo Board of Directors. This fund is used to support the work related to global natural disasters or catastrophes by providing our products or money to the most relevant organization related to the disaster. During 2015, the Volvo Group donated for example SEK 5 M to UNHCR, the UN High Commissioner for Refugees, to support their work in providing refugees with emergency relief items such as shelter, food, water and medical care.

SHARED VALUE



For the Volvo Group, creating shared value involves moving both our business and society forward. We enhance our competitiveness while simultaneously advancing the economic, environmental and social conditions of the societies in which we operate.

ACTIVELY EARNING TRUST



The Volvo Group aims to increase trust and gain long-term strength by managing and mitigating risks and behaving in a responsible manner across our entire operations and value chain.

To become a world leader in sustainable transport solutions, we must not only act in compliance with all laws and regulations, but see them as minimum requirements. As a responsible company, the Volvo Group must put ethics and integrity into practice throughout our organization and across the whole value chain. This is described in the value chain section on page 24 and forward.

The most material aspects of responsible business behavior for the Volvo Group and our stakeholders are:

- Legal compliance
- Business ethics and integrity
- Human rights.

Workplace health, safety and wellbeing and diversity and inclusion are also important.

RESPONSIBILITY THROUGH:

Implementing our Code of Conduct and bringing our core values and corporate culture to life.

The Global Compact
In 2001, the Volvo Group signed the Global Compact, the UN's initiative on socially responsible business practices.

ETHICS AND INTEGRITY

For us, business ethics and integrity involve risk awareness and transparency regarding our work with anti-corruption, competition law, tax strategies, political neutrality and the risk of human rights abuse.

We act as a responsible business by implementing the principles of our Code of Conduct and by bringing our corporate core values and our corporate culture to life.

Mandatory Code of Conduct

The Volvo Group Code of Conduct is a mandatory Group-wide policy for appropriate ethical business behavior and responsibility towards our stakeholders. Its content is based on international norms, including the United Nation's (UN) Global Compact and the OECD's guidelines for multinational companies.

The Code has been adopted by the AB Volvo Board of Directors and is publicly available on www.volvogroup.com/responsibility. The Volvo Group Code of Conduct is complemented by around 20 other policies that describe in more detail how to address the code's minimum standards.

Gamification to increase awareness

During 2015 the Volvo Group Code of Conduct training was available as an e-learning course and a workshop with open discussions. It was adapted for specific target groups, such as purchasers and new managers. Since November 2012, 48% of white-collar employees have completed the web-based training. In 2016, we will launch the Game of Conduct as our new e-learning tool. The target is for 90% of all white-collar employees to complete the training in 2016. The Game will be available in 14 languages and it will be followed by team discussions on ethical dilemmas. It will be possible for blue-collar employees to play The Game of Conduct on mobile devices.

48%
COMPLETED TRAINING

To increase awareness and knowledge about the Group's responsible behavior among external stakeholders, it will also be available outside the Volvo Group at www.volvogroup.com/gameofconduct

Complying with the Code of Conduct

Adherence to the Code of Conduct is monitored through management control systems, internal controls, audits and the annual employee survey.

All employees are expected and encouraged to report suspected violations to their superiors. If reporting to superiors is not feasible or possible, a whistleblower procedure is available, which gives employees access to the Head of Corporate Audit and the opportunity to remain anonymous. The Volvo Group does not tolerate retaliation against a person for making complaints of suspected improper behavior in good faith.

In total, 55 reports were logged in 2015 including 22 incident reports sent by management. All cases were addressed, investigated and reported to the Audit Committee of the AB Volvo Board of Directors. In total two whistleblower cases and 8 management reports were substantiated as of February 3rd, 2016.

The most common report categories were personnel management and conflict of interest. The Volvo Group is planning to enhance the whistleblower procedure in 2016 by offering reporters a secure web-based reporting mechanism.

Quality, safety and environmental care

Our core values, as defined on page 21, are key to support the development of sustainable transport solutions. Our policies state that the Volvo brand shall be a leader in the areas of quality, safety and environmental care.

Volvo Group culture values

During 2015, extensive work has been carried out relating to the Volvo Group culture. Interviews and analysis have been conducted as a strong basis for our new CEO to focus the culture around some selected values that support the long-term direction and vision for the Volvo Group. Implementation of this work will start during 2016.

TAXES

The Volvo Group's policy is to comply with the tax laws and regulations of each country in which it operates. Where tax laws do not give clear guidance, prudence and transparency are our guiding principles. Given the role of taxes as a way to fund public welfare we regard corporate tax compliance not purely as a question of legal compliance, but also a matter of responsible business behavior. A fundamental objective of our tax policy is to ensure compliance with these principles throughout the Group, and at the same time ensure tax efficiency through tax-conscious management of the operations.

Tax reporting in accordance with new regulations

The Volvo Group reports taxes in accordance with the laws and regulations in each country where we operate. As part of the OECD project on Base Erosion and Profit Shifting (BEPS), new international standards for reporting corporate income tax on a Country-by-Country basis (CBCR) have been developed. The Volvo Group will report in full compliance with these new standards and is well advanced in developing reporting tools to accommodate these new requirements as they are currently being implemented into local legislation.

28%
AVERAGE TAX RATE

The average corporate tax rate of the Volvo Group for the last five years is approximately 28%, whereof SEK 11 billion or 58% of current taxes relates to emerging markets as defined by the IMF. The Volvo Group is not engaged in any aggressive tax planning activities and does not operate through structures in tax havens.

LEGAL COMPLIANCE

Compliance with anti-trust and anti-corruption

As set out in our Code of Conduct, the Volvo Group is committed to complying with the anti-trust (competition) and anti-corruption laws in all jurisdictions where we conduct business. It says further that we promise to compete in a fair manner and with integrity and not to participate in or endorse any corrupt practices. These principles of compliance are implemented through the Volvo Group Compliance Policy and dedicated compliance programs.

Updated due diligence process for business partners

Our programs consist of a number of elements, including policies and guidelines, a comprehensive range of e-learning and tailored face-to-face training, counseling and support, as well as auditing and review. The Volvo Group whistleblower procedures also apply to our compliance programs.

In 2015, the Volvo Group updated the process for anti-corruption due diligence assessments of business partners. The aim is to enhance the existing processes designed to prevent bribery by third parties carrying out business on behalf of the Volvo Group. The system includes the use of external tools, and applies to existing and new business partners.

Training in compliance

Training is a central component of the Group's compliance programs. In 2015, more than 10,200 employees received face-to-face training. E-learning on legal compliance topics is required on a rolling basis and in 2015, our competition law e-learning was completed by more than 42,800 employees. This represents more than 90% of all white-collar employees.

90%
COMPLETED E-LEARNING

In addition, the Volvo Group implemented its "embedding" project. The purpose of the project is to integrate compliance and awareness into all business activities and decisions, so that compliance becomes an even stronger part of the Volvo Group culture. The project involves focused training of management groups at all levels, support to managers in integrating compliance into the activities of their teams and follow-up to ensure full engagement.

CSR GOVERNANCE

The Corporate Governance Report is detailed later in this report, on page 168. The structures we have in place for CSR and sustainability governance enable rapid and efficient decisions and adjustments, when necessary. We aim to involve all employees and clarify how each individual contributes towards our targets.

New corporate function

Following the Volvo Group's structural reorganization, taking effect on 1 January 2015, the responsibility for the two corporate functions, Corporate Communication and Corporate Sustainability & Public Affairs, was merged into the new corporate function of Corporate Communication & Sustainability Affairs.

Henry Sténson was appointed Executive Vice President Corporate Communication & Sustainability Affairs and member of the Volvo Group Executive Team. Corporate Communication & Sustainability Affairs is responsible for:

- Strategies, direction and following up on performance
- Supporting and developing the Volvo Group's businesses in areas related to CSR and sustainability, public affairs and relevant emerging issues.

Implementation of principles in Code of Conduct

The Volvo Group CSR Committee supports and develops the Group's CSR work. This committee focuses on work related to responsible business practice and the implementation of the principles in our Code of Conduct into daily operations. The CSR Committee is chaired the Volvo Group's Senior Vice President, Corporate Social Responsibility Management. The committee's members include CSR managers from across the Group who represent different relevant processes for the implementation of the principles in our Code of Conduct with the support of their own CSR networks.

Network for efficient social engagement

During 2015, the CSR country manager network started the implementation of an effective societal engagement program, Moving Society Forward. The members of this group coordinate CSR activities in their respective countries and share experiences of their work in the Volvo Group's Moving Society Forward program.

MANAGING HUMAN RIGHTS

The Volvo Group is a company with a global reach, and as such, we have operations, suppliers, customers and other business partners in countries with higher risks of human rights abuses. We have embarked on the journey to implement the UN Guiding Principles on Business and Human Rights. Specific policies guide our work such as our Code of Conduct, our Health and Safety Policy and our Responsible Supply Chain Directive. The Volvo Group has defined our salient human rights issues as labor rights of business partners' employees; rights of people in communities near operations in our value chain and right to life, liberty, security and health. We are increasingly developing and integrating tools to assess and manage human rights in all our main processes. During 2016 we will initiate human rights due diligence for our own organization.

Labor rights of business partners' employees

The Volvo Group's Code of Conduct sets out our minimum standards for respecting human rights and labor practices. We encourage all partners to share and apply these standards, regardless of country or business. Our responsible sourcing program, page 30, and customer CSR assessment process, page 38, are two tools we work with to ensure that human rights are respected in our value chain. Where human rights issues are identified, the Group believes that we can have more impact by cooperating with partners and applying influence from the inside, than by abstaining from business and remaining on the outside.

MOST IMPORTANT HUMAN RIGHTS ISSUES

1. Labor rights of business partners' employees
2. Rights of people in communities near operations in our value chain
3. Right to life, liberty, security and health

Rights of people in communities near operations in our value chain

All people have the right to an adequate standard of living and to ownership of land and property. For people living in certain communities near operations in our value chain, we see risks of these rights not being properly respected. We have policies and procedures to reduce the negative environmental impact and ambitions to increase the positive social impact from our operations. We encourage our business partners to do the same.

Right to life, liberty, security and health

Mitigating the risk of accidents or harm to all employees within our facilities is an important part of our approach to health, safety and wellbeing, see page 74. We encourage our business partners to provide a safe and healthy work environment for their employees.

To minimize risks of traffic accidents, the Volvo Group has focused on safety and quality since 1927, read more on page 27 and 61. The Volvo Group works hard to reduce emissions from our production facilities to minimize harm to people, read more on page 34.

Wherever we do business, we adhere to local laws and regulations as well as international laws and regulations, including boycotts and sanctions agreed by inter-governmental decision-making bodies. We manufacture commercial products used to build and maintain communities around the world, and such products are sold openly and without restrictions. Our products are resold on the second-hand market and may be used for purposes we did not intend, including causing harm to people. Any misuse of our products for destructive purposes, is regrettable, but such practices are exceptional and beyond our direct control. For our sales of military products, on top of following all legal and export control regulations, we have a directive for military sales to certain destinations, including human rights considerations.

LABOR RELATIONS

Labor relations topics are included in the Volvo Group Code of Conduct covering all employees and consultants.

There are several dialogue platforms for our employees:

- AB Volvo Board: there are three ordinary members of employee representatives on the AB Volvo Board of Directors and two deputies appointed by employee organizations.
- Volvo European Works Council (EWC) meets once a year focusing on European issues and sharing best practices. In 2015 there were 13 formal information and consultation meetings with the EWC.
- Volvo Global Works Council (GWC) includes union representatives from the existing EWC and from wholly-owned Volvo Group companies in countries outside Europe with more than 500 regular employees. In 2015, over 50 representatives represented 25 different countries.
- Volvo Global Dialogue (VGD) gives employee representatives from the GWC a yearly opportunity to meet with senior Group Management. The 2015 VGD gathered 45 representatives from 20 different countries on the theme "2015 – The Year of Transformation".

Supporting freedom of association

The Volvo Group respects the right of all employees to join an association to represent their interests as employees, to organize and to bargain collectively or individually. An employee's right to refrain from joining a union is equally respected.

The Group now reports on collective bargaining agreements in 24 countries, up from 16 in 2014. The latest study covered nearly 95% of all regular employees. Overall, 71% of regular employees in these countries were covered by collective bargaining agreements, and we estimate that more than 43% of regular employees were members of an independent trade union.

During 2015, less than approximately 0.25% of available working days were lost through walkouts or strikes within the Volvo Group. These strikes were mainly related to our Brazil salary negotiations due to the difficult economical environment and also to some extent to our French social plan negotiations. All issues were resolved through close communication and partnership with our employee representatives.

Collaborating to find solutions

LESS THAN
0.25%
OF WORKING
DAYS LOST

In response to economic conditions and sales volumes, we made 3,400 redundancies among regular Volvo Group employees globally during 2015. Compulsory redundancies accounted for less than 4% of the total regular headcount.

Employees' representatives and relevant government authorities are always notified about major changes in our organization in accordance with our Code of Conduct and legal requirements. Labor organizations are informed via formal forums and are also represented in board meetings.

The Volvo Group enters into consultation and negotiations with trade unions and/or works councils about changes that affect their members. During 2015, 105 consultations were held with trade unions and 126 consultations with works councils over organizational changes (e.g. restructuring, outsourcing, layoffs).

In the spirit of the Volvo Group culture and in accordance with our Code of Conduct, we work to find reasonable solutions for employees who are laid off. This includes internal mobility forums, which support the establishment of new enterprises, and outplacement support.

In addition the Volvo Group often works closely together with local agencies or governmental offices to support affected employees.

DEVELOPING HEALTH, SAFETY AND WELLBEING

Safety is one of Volvo's core values and our ambition is zero accidents for our employees and our customers with our products. The Volvo Group has a strong focus on health and safety in the workplace and we believe performance and engagement are strongly linked to wellbeing. During 2015, we launched an updated Health and Safety Policy based on the belief that accidents, near misses and work-related illnesses can be prevented. The new policy sets out where minimum standards, training, awareness and upstream integration in our product and working processes should be applied.

Health, safety and wellbeing to improve efficiency

Health and safety is also important when it comes to working more efficiently. For example setting ergonomic targets was part of the transfer of activities to increase efficiency in cab and vehicle assembly in Europe. On engine and axle assembly lines in Ghent, Belgium, the number of workstations with very good ergonomic conditions increased from 10% to 90%.

Mental health is included in our policy and a global plan has been launched to increase awareness and work more proactively in this area.

The Volvo Group Health and Safety Award 2015 was given to the Logistics Services Distribution Center in Ghent for implementing a preventive and simple way of working with the truck driver to increase awareness and reduce accidents during loading and unloading. This best practice is now part of a global safety directive to be launched in 2016.

ACCIDENT DECREASE BY 13%

Measuring for improvement

In 2015, our Lost Time Accident Rate (LTAR) was 1.38 covering 91% of employees. This was in line with the target of 1.3 for 2015 and an improvement of 13% compared to the LTAR rate 2014 at 1.6.

This year there were no fatal accidents compared to three in 2014.

In 2015 over 29 of our production sites were OSHAS 18001-certified. To ensure that our health and safety culture is visible in our workshops and in employees' behavior, we follow up through OSHAS 18001, Volvo Production System and health and safety audits.

In 2015 we achieved zero accidents at 13 plants the same as 2014. There are economic as well as social benefits of being accident free and one example is our production plant in Linyi, China, which has been accident free for 7 years.

BENEFITING FROM DIVERSITY AND INCLUSION

Diversity is a key factor in business performance and work is coordinated on a global scale. Our long-term target is for all levels and operations of the Group's employee and management pool to reflect the diversity of the world in which we do business.

Building better business with diversity and inclusion

Our second Diversity and Inclusion Week was celebrated across the Volvo Group in September 2015 with a focus on Building Better Business. Employees and managers at all levels expressed how diversity and inclusion improves performance. The Group Executive Team (GET) is responsible for making Diversity and Inclusive Leadership (DIL), part of business as usual. The target to train all managers down to CEO-3 level in DIL by the end of 2015 was not fully met (72% trained). The program continues with a revised goal to train all managers by the end of 2017.

Room for improvement

We use two key performance indicators to measure diversity, the Balanced Team Indicator and the Inclusiveness Index:

- The Balanced Team Indicator is a quantitative measure covering nationality, gender, age and experience across different Volvo Group entities. The result for 2015 show a need for improvement in terms of diversity in the GET, especially with regard to nationality. In the level below the GET, average diversity scores increased slightly.

GENDER DIVERSITY OF THE VOLVO GROUP WORKFORCE

%	**2015**	2014
Share of women	18	18
Share of women, presidents and other senior executives	21	21

- The Inclusiveness Index is based on how employees judge their workplace to be inclusive. The Inclusiveness Index was stable in 2015, but not at the desired level.

We also measure gender balance in total and at senior management level:

- The Gender Balance Indicator shows that women accounted for 18% of the Volvo Group's global workforce, at the end of 2015. This was at the same level as 2014. The share of women among presidents and senior executives was also flat compared to the previous year, at 21%.

For more information about diversity in the Volvo Group according to region, gender etc., see the GRI G4 supplement, available in mid-March 2016 at www.volvogroup.com/responsibility

CELEBRATING DIVERSITY AND INCLUSION

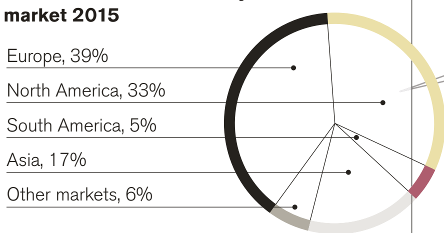
The Volvo Group Diversity and Inclusion week was celebrated all over the world in September. This is a team from our parts factory in Ghent, Belgium, taking part in the celebrations.

GLOBAL STRENGTH

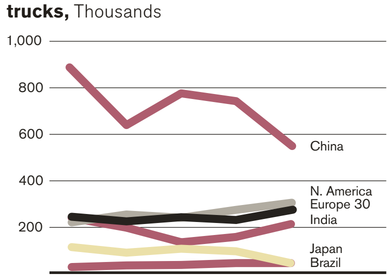
IN A CHANGING WORLD

Since the streamlining towards commercial vehicles was initiated more than ten years ago, the Volvo Group has grown into the world's second largest manufacturer of heavy-duty trucks and one of the largest manufacturers of buses and construction equipment and is today also a leading manufacturer of heavy-duty diesel engines and marine and industrial engines. In 2015, market conditions varied around the world.

Distribution of net sales by market 2015

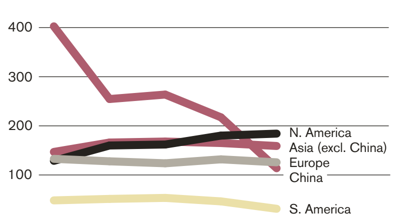


Market development, heavy-duty trucks, Thousands



	11	12	13	14	15
Europe 30	242	222	240	228	270
N. America	216	250	236	270	302
Brazil	111	87	104	93	42
Japan	25	32	34	42	44
India	237	195	132	155	210
China	882	636	774	744	551

Market development, construction equipment, Thousands



	11	12	13	14	15
Europe	131	126	122	130	124
N. America	127	158	160	178	182
S. America	47	50	52	45	30
China	399	252	261	215	112
Asia (excl. China)	145	164	166	163	157

NORTH AMERICA

- Net sales: SEK 101,952 M (76,258)
- Share of net sales: 33% (27)
- Number of employees: 15,534 (15,217)
- Share of Group employees: 18% (16)
- Largest markets: The U.S., Canada and Mexico.

- The heavy-duty truck market grew by 12% but weakened towards the end of the year.
- Record deliveries of Volvo trucks.
- Continued success for the Group's captive engines and gearboxes, which are delivered in a growing number of trucks.
- Improved profitability in the truck business.
- The construction equipment market grew, primarly driven by compact machines.

SOUTH AMERICA

- Net sales: SEK 16,725 M (26,958)
- Share of net sales: 5% (10)
- Number of employees: 5,380 (6,353)
- Share of Group employees: 6% (7)
- Largest markets: Brazil, Peru, Chile and Argentina.

- Demand in the important Brazilian truck market declined further, mainly as a consequence of the weak economy. The heavy-duty truck market was down 55%.
- Other South American markets held up better.
- New Volvo FH and Volvo FM rolled out.
- The South American construction equipment market continued to be negatively affected by the downturn in the global mining industry and declined by 36% as of November.

The Group's five largest markets
The United States • France
United Kingdom • Japan
Canada

EUROPE

- Net sales: SEK 120,413 M (106,176)
- Share of net sales: 39% (38)
- Number of employees: 48,074 (50,833)
- Share of Group employees: 54% (55)
- Largest markets: France, the UK, Germany, Sweden and Norway.

- Registrations of heavy-duty trucks in Europe increased by 19% with a rebound in many markets.
- Good development in the aftermarket.
- Market share slightly down for Volvo and slightly up for Renault Trucks.
- The construction equipment market declined by 6% as of November.

ASIA

- Net sales: SEK 53,470 M (52,076)
- Share of net sales: 17% (18)
- Number of employees: 17,046 (17,793)
- Share of Group employees: 19% (19)
- Largest markets: Japan, China, South Korea, Turkey and India.

- Continued decline in the important Chinese market for construction equipment, which went down by a further 48%.
- Mixed development in the truck markets with India growing, Japan and other developed markets being relatively stable and China and Southeast Asia declining.
- Acquisition of 45% of the Chinese company Dongfeng Commercial Vehicles completed in January 2015.

OTHER MARKETS
(Africa and Oceania)

- Net sales: SEK 19,955 M (21,481)
- Share of net sales: 6% (7)
- Number of employees: 2,430 (2,626)
- Share of Group employees: 3% (3)
- Largest markets: Australia, South Africa, Algeria, Morocco and Egypt.

- Demand in Australia continued to be negatively impacted by the downturn in the mining industry.
- Turmoil in Northern Africa and low demand for commodities affecting demand in the region.
- The South African market declined as a consequence of slow economic growth.

SIGNIFICANT EVENTS PUBLISHED IN QUARTERLY REPORTS

DURING 2015

2015 was characterized by mixed market conditions, continued internal measures to increase efficiency and reduce costs as well as acquisitions and divestments.

45%
OWNERSHIP IN DFCV

Completion of the acquisition of 45% of Dongfeng Commercial Vehicles
On January 5, 2015 AB Volvo announced that it had completed the acquisition of 45% of the Chinese truck manufacturer Dongfeng Commercial Vehicles Co., Ltd (DFCV). The purchase consideration amounted to RMB 5.5 billion. DFCV includes most of Dongfeng's operations in heavy- and medium-duty commercial vehicles. The transaction strengthens the Volvo Group's position in China while the Group will become one of the world's largest manufacturers of both medium- and heavy-duty trucks.

Volvo sold holding in the listed Indian company Eicher Motors Limited
On March 4, 2015 the Volvo Group announced that it had sold 1,270,000 shares in the listed Indian automotive manufacturer, Eicher Motors Limited, for an amount totaling approximately SEK 2.5 billion. The sale generated a capital gain of SEK 2,471 M, which impacted operating income in the Trucks segment in the first quarter of 2015. The divestment of shares has no effect on ownership or the development of the longstanding joint venture, VE Commercial Vehicles.

Annual General Meeting of AB Volvo
The Annual General Meeting of AB Volvo held on April 1, 2015, approved the Board of Directors' motions that a dividend of SEK 3.00 per share be paid to the company's shareholders.

Matti Alahuhta, James W. Griffith, Kathryn V. Marinello, Hanne de Mora, Anders Nyrén, Carl-Henric Svanberg, Olof Persson and Lars Westerberg were reelected as members of the Board. Martina Merz and Eckhard Cordes were elected as new members of the Board. Carl-Henric Svanberg was reelected as Chairman of the Board.

A remuneration policy for senior executives was adopted in accordance with the Board of Directors' motion.

Volvo sold remaining holding in Eicher Motors Limited
On June 4, 2015 the Volvo Group sold its remaining holding in the listed Indian automotive manufacturer, Eicher Motors Limited. The sale corresponded to 1,005,610 shares with a total value of

VOLVO GROUP PRESS RELEASES 2015

THE FIRST QUARTER

05/01/2015 Volvo completes the acquisition of 45% of Dongfeng Commercial Vehicles **22/01/2015** Invitation to press and analyst conference in Stockholm **30/01/2015** New number of votes in AB Volvo **05/02/2015** Volvo Group – the fourth quarter 2014 **16/02/2015** Volvo scholarship for research on why we travel the way we do **19/02/2015** Truck deliveries in January 2015 **25/02/2015** Martina Merz and Eckhard Cordes proposed as new Board members of AB Volvo **26/02/2015** Annual General Meeting of AB Volvo **04/03/2015** Volvo sells holding in the listed Indian company Eicher Motors Limited **11/03/2015** AB Volvo publishes 2014 Annual Report **19/03/2015** Truck deliveries in February 2015 **21/03/2015** Volvo to train service technicians in Zambia **25/03/2015** AB Volvo publishes its sustainability report for 2014 **31/03/2015** New number of votes in AB Volvo

THE SECOND QUARTER

01/04/2015 Technology award for dual clutch for trucks **01/04/2015** Annual General Meeting of AB Volvo **22/04/2015** Volvo Group – the first quarter 2015 **22/04/2015** New date for press and analyst conference covering the report for the first quarter 2015 **22/04/2015** Martin Lundstedt appointed President and CEO of the Volvo Group **29/04/2015** Young cancer researcher receives Assar Gabrielsson award for research into antioxidants **29/04/2015** Annual Report of Volvo Treasury AB (publ) **11/05/2015** Press conference and emission-free bus trip **21/05/2015** Truck deliveries in April 2015 **01/06/2015** Volvo continues to invest in attracting young people to the industry **04/06/2015** Volvo sells remaining holding in the listed Indian company Eicher Motors Limited **15/06/2015** Electric bus route 55 launched in Gothenburg **18/06/2015** Truck deliveries in May 2015 **30/06/2015** New number of votes in AB Volvo **30/06/2015** Volvo Group Celebrates Inauguration of New Central Distribution Center in Mississippi, USA

approximately SEK 2.2 billion. The sale generated a capital gain of SEK 2,137 M, which impacted operating income in the Trucks segment in the second quarter of 2015.

New CEO of the Volvo Group
On October 22, 2015 Martin Lundstedt, 47, assumed the position of President and Chief Executive Officer of the Volvo Group. His most recent role was as President and CEO of the Scania Group. The decision to appoint Martin Lundstedt as the new President and Chief Executive Officer was taken in April by the Board of Directors of AB Volvo.

Volvo wins arbitration case
The Volvo Group won a case in the Arbitration Tribunal relating to defective components. The deliveries were made several years ago and the problem was corrected in the production process many years ago. The outcome had a positive impact of SEK 809 M on the Volvo Group's operating income in the fourth quarter 2015.

Divestment of IT business and outsourcing of IT infrastructure operations
The Volvo Group announced on October 20, the intention to divest its external IT business and to outsource IT infrastructure operations to HCL Technologies. On February 16, 2016 a final agreement was signed. The transaction is expected to be implemented on March 31, 2016 and will provide both cost savings and a capital gain of approximately SEK 900 M.

EVENTS AFTER BALANCE SHEET DATE

On January 27, 2016 changes to Volvo's Group Executive Board and truck organization with clearer commercial accountability were announced. The Volvo Group will effective March 1, 2016 introduce a brand-based organization with clearer commercial accountability for the Group's various truck brands. Four separate units will be created: Volvo Trucks, UD Trucks, Renault Trucks and Mack Trucks, each with profit and loss responsibility for their respective business. Volvo Group will comprise ten business areas: Volvo Trucks, UD Trucks, Mack Trucks, Renault Trucks, Value Truck & JV:s, Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and Volvo Financial Services. Volvo's Group Executive Board will be changed to include representatives from some of the Group's business areas.

More information is available at www.volvogroup.com

THE THIRD QUARTER

03/07/2015 Invitation to the Volvo Group report on the first six months 2015 **09/07/2015** First students to graduate from Volvo's vocational training school in Ethiopia **17/07/2015** Volvo Group – the second quarter 2015 **31/07/2015** New number of votes in AB Volvo **20/08/2015** Truck deliveries in July 2015 **27/08/2015** Semi-Annual Report of Volvo Treasury AB (publ) **10/09/2015** The Volvo Group qualifies for the Dow Jones Sustainability World Index (DJSI) **11/09/2015** Future changes to Volvo Group's management **16/09/2015** Refuse truck driver is supported by robot **17/09/2015** Truck deliveries in August 2015 **22/09/2015** One of Sweden's hottest artists performs surprise gig to promote new electric bus route **24/09/2015** Zara Larsson performs new song in a video recorded on Gothenburg's electric bus route **26/09/2015** Electric buses can save millions of kronor for society and the environment **30/09/2015** New number of votes in AB Volvo

THE FOURTH QUARTER

01/10/2015 ElectriCity's campaign featuring Zara Larsson and Seinabo Sey reaches 2.5 million views **09/10/2015** Invitation to press and analyst conference in Stockholm **20/10/2015** Volvo intends to divest external IT business and outsource IT infrastructure operations to HCL Technologies **21/10/2015** Atmospheric detective receives Volvo Environment Prize award for 2015 **23/10/2015** Volvo Group – the third quarter 2015 **10/11/2015** Volvo wins arbitration case concerning defective components **19/11/2015** Truck deliveries in October 2015 **17/12/2015** Truck deliveries in November 2015 **18/12/2015** Upcoming changes to Volvo Group's Management **30/12/2015** New number of votes in AB Volvo

IMPROVED UNDERLYING PROFITABILITY

For the Volvo Group 2015 was a year with improved underlying profitability despite unchanged volumes.

INCOME STATEMENTS VOLVO GROUP

SEK M		Industrial Operations 2015	Industrial Operations 2014	Customer Finance 2015	Customer Finance 2014	Eliminations 2015	Eliminations 2014	Volvo Group 2015	Volvo Group 2014
Net sales	Note 6, 7	**303,582**	**275,999**	**11,199**	**10,111**	**-2,265**	**-3,162**	**312,515**	**282,948**
Cost of sales		–236,311	–217,251	–6,607	–5,923	2,265	3,162	–240,653	–220,012
Gross income		**67,271**	**58,748**	**4,591**	**4,188**	**-**	**-**	**71,862**	**62,937**
Research and development expenses		–15,368	–16,656	–	–	–	–	–15,368	–16,656
Selling expenses		–25,857	–25,778	–1,837	–1,670	–	–	–27,694	–27,448
Administrative expenses		–5,728	–5,367	–41	–41	–	–	–5,769	–5,408
Other operating income and expenses	Note 8	–3,473	–6,931	–706	–766	–	–	–4,179	–7,697
Income from investments in joint ventures and associated companies	Note 5, 6	–143	46	–	–	–	–	–143	46
Income/loss from other investments	Note 5	4,610	49	–2	1	–	–	4,609	50
Operating income		**21,312**	**4,111**	**2,006**	**1,712**	**-**	**-**	**23,318**	**5,824**
Interest income and similar credits		257	328	–	–	–	–	257	328
Interest expenses and similar charges		–2,366	–1,994	0	–	–	–	–2,366	–1,994
Other financial income and expenses	Note 9	–792	931	0	–	–	–	–792	931
Income after financial items		**18,411**	**3,377**	**2,006**	**1,712**	**-**	**-**	**20,418**	**5,089**
Income taxes	Note 10	–4,687	–2,287	–633	–568	–	–	–5,320	–2,854
Income for the period		**13,725**	**1,091**	**1,373**	**1,145**	**-**	**-**	**15,099**	**2,235**
Attributable to:									
Equity holders of the parent company								15,058	2,099
Minority interests	Note 11							41	136
								15,099	**2,235**
Basic earnings per share, SEK	Note 19							7.42	1.03
Diluted earnings per share, SEK	Note 19							7.41	1.03

OTHER COMPREHENSIVE INCOME

SEK M		2015	2014
Income for the period		**15,099**	**2,235**
Items that will not be reclassified to income statement:			
Remeasurements of defined benefit pension plans		2,783	–2,833
Items that may be reclassified subsequently to income statement:			
Exchange differences on translation of foreign operations		–2,481	5,998
Share of OCI related to joint ventures and associated companies		24	198
Accumulated translation difference reversed to income		45	33
Available-for-sale investments		–3,837	3,067
Change in cash flow hedge reserve	Note 19	–32	24
Other comprehensive income, net of income taxes		**-3,498**	**6,487**
Total comprehensive income for the period		**11,601**	**8,722**
Attributable to:			
Equity holders of the parent company		11,527	8,334
Minority interests		74	388
		11,601	**8,722**

VOLVO GROUP

Net sales

Net sales increased by 10.4% explained predominantly by positive currency impact mainly related to the appreciation of the USD towards SEK. Excluding the currency impact there were slightly increased sales for Trucks where the increased volumes in primarily North America and Western Europe was to great extent offset by the sharp decline in South America following the continued weak market in primarily Brazil and in Africa explained by lower demand from the commodity driven economies and political turbulence. Construction Equipment sales declined significantly explained by the overall weak demand for construction equipment although with a better product mix with higher portion sale of bigger machines. The volume decrease was explained by significant decrease in China following the economic slowdown in Brazil due to the economic weakness and Russia explained by both the geopolitical situation and sharp decline in commodity prices. Furthermore sales volume in North America also saw a decline explained by product exits for Volvo branded motor graders and backhoe loaders. Buses and Volvo Penta sales excluding currency showed solid increase explained by better market and product mix for Buses and increased volumes for Volvo Penta.

Out of the Volvo Group total sale the Vehicle portion made up 75% which is a slight increase compared to 2014.

Operating income

Operating income increased by SEK 17.5 billion (300%) compared with prior year out of which approximately SEK 8.9 billion came from improved gross income which primarily is explained by positive currency impact where the Volvo Group could leverage from the weakening SEK towards most of the major currencies with the Volvo Group's sizeable manufacturing footprint in Sweden. Additionally a positive product mix for Construction Equipment and Buses also contributed positively to the gross income while Penta contributed predominantly due to increased volumes. The lower utilization of the industrial system for Construction Equipment in general and in South America for the whole Volvo Group had negative impact on the gross income.

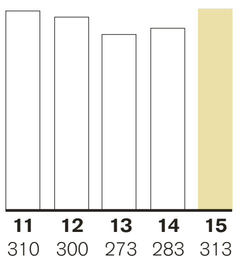
In addition to the positive contribution from the improved gross income lower R&D expenses of SEK 1.3 billion as a result of generally lower expense level but also higher capitalization in 2015 had a positive impact on operating income. Furthermore the underlying reductions in selling and administration costs was not

Net sales by business area, SEK M	**2015**	2014	%
Trucks	213,978	190,904	12
Construction Equipment	51,008	52,855	−3
Buses	23,580	18,645	26
Volvo Penta	9,406	7,790	21
Corporate Functions, Group Functions & Other	8,346	8,162	2
Eliminations	−2,736	−2,356	–
Industrial Operations[1]	**303,582**	**275,999**	**10**
Customer Finance	11,199	10,111	11
Reclassifications and eliminations	−2,265	−3,162	–
Volvo Group	**312,515**	**282,948**	**10**

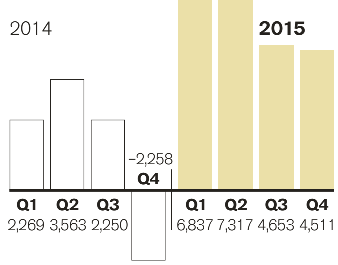
1 Adjusted for acquired and divested units and changes in currency rates, net sales was unchanged.

Operating income/loss by business area, SEK M	**2015**	2014
Trucks	19,517	4,157
Construction Equipment	2,044	652
Buses	860	92
Volvo Penta	1,086	724
Corporate Functions, Group Functions & Other	−2,189	−1,689
Eliminations	−6	176
Industrial Operations	**21,312**	**4,111**
Customer Finance	2,006	1,712
Volvo Group	**23,318**	**5,824**

Net sales, SEK bn



Operating income, SEK M



Operating margin, %	**2015**	2014
Trucks	9.1	2.2
Construction Equipment	4.0	1.2
Buses	3.6	0.5
Volvo Penta	11.5	9.3
Industrial Operations	**7.0**	**1.5**
Volvo Group	**7.5**	**2.1**

Change in operating income, SEK bn	**Change (excluding currency)**	**Currency impact**	**Total**
Operating income 2014			**5.8**
Change in gross income Industrial Operations	1.1	7.4	8.5
Change in gross income Customer Finance	0.4	0.0	0.4
Higher credit losses[1]	−0.1	−0.1	−0.2
Change in group structure	0.0	0.0	0.0
Higher capitalization of development cost	0.9	0.0	0.9
Lower research and development expenditures	1.0	−0.6	0.4
Higher selling and administrative expenses	0.8	−1.5	−0.7
Sale of shares in Eicher Motors Limited	4.6	0.0	4.6
Provision related to EU antitrust investigation 2014	3.8	0.0	3.8
Provision related to engine emission case in the U.S 2014	0.4	0.0	0.4
Favourable outcome in arbitration case	0.8	0.0	0.8
Divestment of real estate	−0.4	0.0	−0.4
Restructuring and efficiency program	0.2	0.0	0.2
Volvo profit sharing program	−0.5	0.0	−0.5
Other	−0.6	−0.1	−0.7
Operating income 2015			**23,3**

1 The higher credit losses are related to Industrial Operations.

enough to offset the currency headwind leading to a net cost increase of SEK 0.7 billion. The operating income was also positively impacted by the sale of the shares in Eicher Motors Limited with approximately SEK 4.6 billion and the comparable figures includes the provision for EU-litigation of SEK 3.8 billion. Credit provision in Volvo CE in China of SEK 0.7 billion (0.7) was recognized during the year. Additionally positive outcome of an arbitration case and gain on sale of properties had a positive impact of approximately SEK 1 billion in the current year, in line with last year's capital gain on properties. Operating income also included SEK 2.3 billion (2.6) related to restructuring costs.

Net financial items

Compared to previous year, net interest expense increased due to higher interest rates on outstanding debt.

Net interest expense for the Volvo Group amounted to SEK 2.1 billion (1.7).

Other financial income and expense were negatively impacted in an amount of SEK 0.5 billion from realized result and unrealized revaluation of derivatives related to hedging, compared to a positive impact of SEK 1.1 billion in the previous year.

» **Read more in Note 9** Other financial income and expenses.

Key operating ratios, % **Industrial Operations**	**2015**	2014
Gross margin	22.2	21.3
Research and development expenses as percentage of net sales	5.1	6.0
Selling expenses as percentage of net sales	8.5	9.3
Administrative expenses as percentage of net sales	1.9	1.9
Operating margin	**7.0**	**1.5**

Net sales by market area, SEK M	**2015**	2014	%
Western Europe	99,944	86,011	16
Eastern Europe	17,402	17,826	–2
North America	97,971	73,358	34
South America	15,611	25,837	–40
Asia	52,923	51,717	2
Other markets	19,731	21,249	–7
Total Industrial Operations	**303,582**	**275,999**	**10**

Impact of exchange rates on operating income Compared with preceding year, SEK M Industrial Operations	
Net sales[1]	27,045
Cost of sales	–19,658
Research and development expenses	–634
Selling and administrative expenses	–1,520
Other	–115
Total effect of changes in exchange rates on operating income	**5,119**

1 The Volvo Group sales are reported at monthly average rates.

Income taxes

The tax expense for the year amounted to SEK 5.3 billion (2.9) corresponding to a tax rate of 26% (56). The tax rate was impacted by both the non-taxable capital gain from the divestment of shares in Eicher Motors Limited of SEK 4.6 billion which was offset by the revaluation of deferred tax assets in Japan of SEK –1.1 billion. The tax rate in 2014 was impacted by the non-deductible provision for EU antitrust litigation.

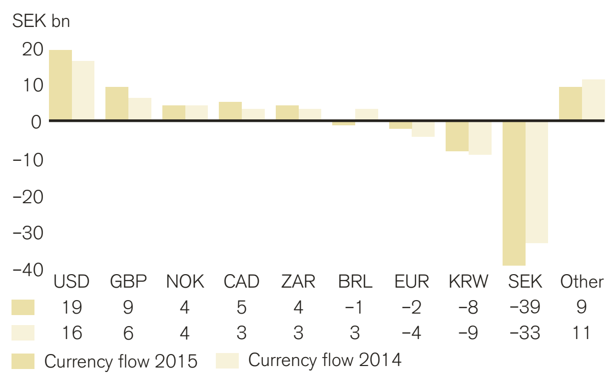
Income for the period and earnings per share

The income for the period amounted to SEK 15,099 M (2,235), corresponding to diluted earnings per share of SEK 7.41 (1.03). The return on shareholders' equity was 18.4% (2.8%).

Impact of exchange rates on operating income

Operating income for 2015 in Industrial Operations was positively impacted by approximately SEK 5.1 billion mainly as a consequence of the depreciation of the SEK against most of the key Volvo Group currencies. The currency impact was primarily related to the net flows in foreign currency.

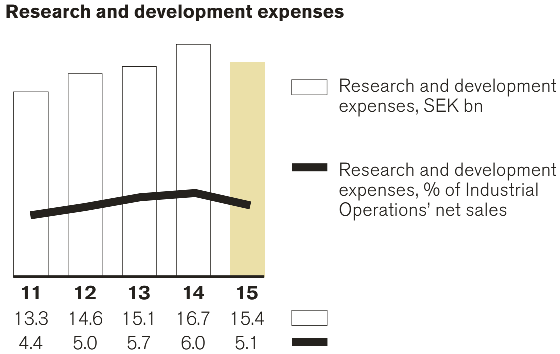
Transaction exposure from operating net flows[1]



1 The graph above represents the transaction exposure from commercial operating net cash flows in foreign currency in Industrial Operations, expressed as net surpluses or deficits in key currencies. The deficit in SEK and KRW is mainly an effect of expenses for manufacturing plants in Sweden and Korea, but limited external revenues in those currencies. The EUR deficit on the other hand, is the net of significant gross volumes of sales and purchases made by many entities around the globe in EUR. The surplus in USD is mainly generated from external sales within the US and emerging markets.

» **Read more in Note 4** Goals and policies in financial risk management regarding Industrial Operations transaction exposure from operating net flows as well as currency effects on sales and operating income.

Research and development expenses



STRENGTHENED FINANCIAL POSITION

Net financial debt in the Volvo Group's Industrial Operations decreased by SEK 13.1 billion during 2015 and equals to 17.6% of shareholders' equity at December 31.

During 2015 **net financial debt,** excluding provisions for post-employment benefits in Industrial Operations, decreased by SEK 10.3 billion, resulting in a net financial asset position of SEK 0.3 billion on December 31, 2015. This was equal to 0.5% of shareholders' equity. Including provisions for post- employment benefits, the Industrial Operations net financial debt amounted to SEK 13.2 billion which was equal to 17.6% of shareholders' equity. The decrease was mainly explained by a positive operating cash-flow of SEK 18,3 billion, the disposal of shares in the listed Indian company Eicher Motors Limited, remeasurements of the defined benefit pension obligation by SEK 3.5 billion offset by the acquisition of 45% of Dongfeng Commercial Vehicles by SEK 7.0 billion and dividend paid to the AB Volvo shareholders by SEK 6.1 billion. The decrease of the defined benefit pension obligations was an effect of an increase in the discount rate, mainly in Sweden.

›› **Read more in Note 5** regarding Volvo Group's investments in joint ventures, associated companies and other shares and participations.

›› **Read more in Note 20** Provisions for post-employment benefits.

The Volvo Group's **liquid funds**, i.e. cash and cash equivalents and marketable securities combined amounted to SEK 24.4 billion at December 31, 2015. In addition to this granted but unutilized credit facilities amounted to SEK 39.7 billion. Cash and cash equivalents as of December 31, 2015 include SEK 0.8 (0.2) billion that is not available to use by the Volvo Group and SEK 5.4 (6.1) billion where other limitations exists.

›› **Read more in Note 18** Marketable securities and liquid funds.

›› **Read more in Note 22** Liabilities regarding the maturity structure on Volvo Group's credit facilities.

Total assets in the Volvo Group amounted to SEK 374.2 billion as of December 31, 2015, a decrease of SEK 8.7 billion since December 31, 2014. Negative currency effects from revaluation of foreign subsidiaries by SEK 5.2 billion have decreased total assets offset by increased customer-financing receivables due to portfolio growth in the Customer Finance Operations. During the year the Volvo Groups financial assets have been impacted by the disposal of shares in the listed Indian company Eicher Motors limited and by the acquisition of 45% of shares in Dongfeng Commercial Vehicles Co., Ltd.

›› **Read more in Note 5** regarding Volvo Group's investments in joint ventures, associated companies and other shares and participations.

The Group's **intangible assets** amounted to SEK 36.4 billion as of December 31, 2015. Investments in research and development amounted to SEK 2.3 billion (1.4), resulting in a net value of capitalized development costs of SEK 11.7 billion at the end of the year. Compared to prior year, capitalization increased while the amortization correspond to 2014 years level. The Volvo Group's total goodwill amounted to SEK 22.1 billion as of December 31, 2015, an increase by SEK 0.6 billion compared to year-end 2014. The goodwill is tested for impairment on an annual basis.

›› **Read more in Note 12** Intangible assets regarding the impairment test on goodwill.

Tangible assets decreased by SEK 0.3 billion during 2015.

The value of inventories decreased by SEK 1.1 billion during 2015. The decrease is mainly related to finished products within Trucks and Construction Equipment.

As of December 31, 2015 assets amounting to SEK 3,314 M and liabilities amounting to SEK 573 M are classified as assets held for sale. This mainly pertains to the planned divestment of the North American used truck business, Arrow Truck Sales. The assets and liabilities held for sale also includes the planned divestment of the external IT business and outsourcing of Volvo Group's own IT infrastructure planned to be divested as of March 31, 2016.

›› **Read more in Note 3** regarding assets and liabilities held for sale.

The net value of assets and liabilities related to **pensions and similar obligations** amounted to SEK 13.6 billion as of December 31, 2015, a decrease of SEK 3.0 billion compared to year-end 2014. In 2015 the Volvo Group recognized a positive remeasurement effect impacting the pension obligation amounting to SEK 3.5 billion, mainly driven by higher discount rates in Sweden and to less extent by review of all pension assumptions for the Swedish plan. On the asset side a negative remeasurement effect amounting to SEK 0.2 billion was recognized. In total the remeasurement amounted to SEK 3.3 billion whereof positive SEK 3.5 billion was recognized through other comprehensive income and negative SEK 0.2 billion through the income statement since pertaining to post-employment benefit other than pension.

›› **Read more in Note 20** Provisions for post-employment benefits.

As of December 31, 2015 the **shareholders' equity** for the Volvo Group amounted to SEK 85.6 billion compared to SEK 80.0 billion at year-end 2014. The equity ratio was 22.9% compared to 20.9% on December 31, 2014. At the same date the equity ratio in the Industrial operations amounted to 28.6% (25.7).

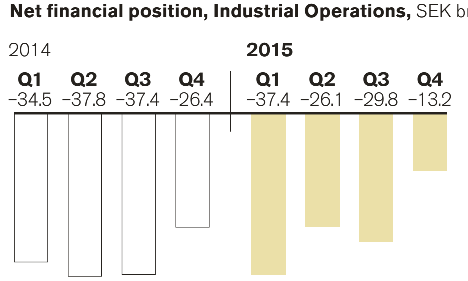
BALANCE SHEET VOLVO GROUP – ASSETS

SEK M		Industrial Operations Dec 31 2015	Industrial Operations Dec 31 2014	Customer Finance Dec 31 2015	Customer Finance Dec 31 2014	Eliminations Dec 31 2015	Eliminations Dec 31 2014	Volvo Group Dec 31 2015	Volvo Group Dec 31 2014
Assets									
Non-current assets									
Intangible assets	Note 12	36,314	37,010	102	105	–	–	36,416	37,115
Tangible assets	Note 13								
Property, plant and equipment		53,271	54,821	64	94	–	–	53,335	54,915
Investment property		283	266	–	–	–	–	283	266
Assets under operating leases		20,616	19,484	18,253	17,872	−6,338	−6,138	32,531	31,218
Financial assets									
Investments in joint ventures and associated companies	Note 5	11,148	4,821	–	–	–	–	11,148	4,821
Other shares and participations	Note 5	893	5,004	8	13	–	–	902	5,017
Non-current customer financing receivables	Note 15	3	1,205	52,163	51,380	−1,204	−1,254	50,962	51,331
Prepaid pensions	Note 20	34	126	–	–	–	–	34	126
Non-current interest-bearing receivables	Note 16	1,138	1,041	500	22	−487	378	1,150	1,441
Other non-current receivables	Note 16	3,271	3,528	140	150	−143	−165	3,268	3,513
Deferred tax assets	Note 10	12,582	15,022	868	809	–	–	13,450	15,831
Total non-current assets		**139,552**	**142,328**	**72,098**	**70,445**	**-8,172**	**-7,179**	**203,478**	**205,594**
Current assets									
Inventories	Note 17	44,194	45,364	196	169	–	–	44,390	45,533
Current receivables									
Customer-financing receivables	Note 15	9	623	52,404	48,063	−792	−850	51,621	47,836
Tax assets		1,537	2,918	624	496	–	–	2,161	3,414
Interest-bearing receivables	Note 16	2,600	1,736	14	345	−827	−968	1,788	1,113
Internal funding[1]		7,963	4,374	–	–	−7,963	−4,374	–	–
Accounts receivable	Note 16	28,577	30,495	525	400	–	–	29,101	30,895
Other receivables	Note 16	14,259	13,950	1,327	1,984	−1,667	−1,265	13,920	14,669
Non interest-bearing assets held for sale	Note 3	3,314	288	–	–	–	–	3,314	288
Interest-bearing assets held for sale	Note 3	–	–	–	–	–	–	–	–
Marketable securities	Note 18	3,344	6,927	–	385	–	–	3,344	7,312
Cash and cash equivalents	Note 18	17,866	24,178	3,651	2,470	−469	−406	21,048	26,242
Total current assets		**123,664**	**130,853**	**58,741**	**54,312**	**-11,717**	**-7,863**	**170,687**	**177,302**
Total assets		**263,216**	**273,181**	**130,839**	**124,757**	**-19,890**	**-15,042**	**374,165**	**382,896**

1 Internal funding is internal lending from Industrial Operations to Customer Finance.

Change in net financial position, Industrial Operations, SEK bn	**2015**	2014
Net financial position at beginning of period	**-26.4**	**-32.1**
Cash flow from operating activities	26.7	14.3
Investments in fixed assets	−9.1	−9.1
Disposals	0.7	1.1
Operating cash flow	**18.3**	**6.4**
Investments and divestments of shares, net	−2.0	0.1
Acquired and divested operations, net	0.4	7.7
Capital injections to/from Customer Finance Operations	0.1	0.7
Currency effect	0.4	−0.5
Dividend paid to AB Volvo shareholders	−6.1	−6.1
Remeasurements of defined benefit pension plans	3.5	−3.6
Pension payments and costs, net	−0.6	0.7
Other changes	−0.9	0.2
Total change	**13.1**	**5.7**
Net financial position at end of period	**-13.2**	**-26.4**

Net financial position, Industrial Operations, SEK bn



BALANCE SHEET VOLVO GROUP – SHAREHOLDERS' EQUITY AND LIABILITIES

SEK M		Industrial Operations Dec 31 2015	Industrial Operations Dec 31 2014	Customer Finance Dec 31 2015	Customer Finance Dec 31 2014	Eliminations Dec 31 2015	Eliminations Dec 31 2014	Volvo Group Dec 31 2015	Volvo Group Dec 31 2014
Equity and liabilities									
Equity attributable to the equity holder of the Parent Company	Note 19	73,350	68,382	10,460	9,943	–	–	83,810	78,325
Minority interests	Note 11	1,801	1,723	–	–	–	–	1,801	1,723
Total equity		**75,151**	**70,105**	**10,460**	**9,943**	**-**	**-**	**85,610**	**80,048**
Non-current provisions									
Provisions for post-employment benefits	Note 20	13,621	16,580	53	103	–	–	13,673	16,683
Provisions for deferred taxes	Note 10	546	201	2,949	2,595	–	–	3,495	2,796
Other provisions	Note 21	9,286	12,463	214	231	35	46	9,536	12,740
Total non-current provisions		**23,453**	**29,244**	**3,216**	**2,929**	**35**	**46**	**26,704**	**32,219**
Non-current liabilities	Note 22								
Bond loans		47,776	68,877	–	–	–	–	47,776	68,877
Other loans		17,123	27,395	11,581	13,013	–1,204	–1,254	27,500	39,154
Internal funding[1]		–42,442	–59,955	42,712	42,997	–270	16,958	–	–
Other liabilities		20,359	17,549	733	607	–4,554	–4,424	16,538	13,732
Total non-current liabilities		**42,816**	**53,866**	**55,026**	**56,617**	**-6,028**	**11,280**	**91,814**	**121,763**
Current provisions	Note 21	**14,104**	**12,390**	**67**	**76**	**6**	**7**	**14,176**	**12,473**
Current liabilities	Note 22								
Loans		50,339	32,130	8,480	9,266	–1,488	–1,443	57,331	39,953
Internal funding[1]		–40,234	–20,267	49,013	42,002	–8,780	–21,735	–	–
Non interest-bearing liabilities held for sale	Note 3	573	130	–	–	–	–	573	130
Trade payables		55,250	56,351	398	296	–	–	55,648	56,647
Tax liabilities		1,113	2,558	209	135	–	–	1,322	2,693
Other liabilities	Note 22	40,652	36,674	3,970	3,493	–3,635	–3,197	40,986	36,970
Total current liabilities		**107,693**	**107,576**	**62,071**	**55,192**	**-13,902**	**-26,375**	**155,860**	**136,393**
Total equity and liabilities		**263,216**	**273,181**	**130,839**	**124,757**	**-19,890**	**-15,042**	**374,165**	**382,896**

1 Internal funding is internal lending from Industrial Operations to Customer Finance.

Net financial position, SEK M	Industrial Operations Dec 31 2015	Industrial Operations Dec 31 2014	Volvo Group Dec 31 2015	Volvo Group Dec 31 2014
Non-current interest-bearing assets				
Non-current customer-financing receivables	–	–	50,962	51,331
Non-current interest-bearing receivables	1,138	1,041	1,150	1,441
Current interest-bearing assets				
Customer-financing receivables	–	–	51,621	47,836
Interest-bearing receivables	2,600	1,736	1,788	1,113
Internal funding	7,963	4,374	–	–
Marketable securities	3,344	6,927	3,344	7,312
Cash and cash equivalents	17,866	24,178	21,048	26,242
Total interest-bearing financial assets	**32,911**	**38,256**	**129,913**	**135,275**
Non-current interest-bearing liabilities				
Bond loans	–47,776	–68,877	–47,776	–68,877
Other loans	–17,123	–27,395	–27,500	–39,154
Internal funding	42,442	59,955	–	–
Current interest-bearing liabilities				
Loans	–50,339	–32,130	–57,331	–39,953
Internal funding	40,234	20,267	–	–
Total interest-bearing financial liabilities	**-32,562**	**-48,180**	**-132,607**	**-147,984**
Net financial position excl. post-employment benefits	**349**	**-9,924**	**-2,693**	**-12,709**
Provision for post-employment benefits, net	–13,586	–16,454	–13,639	–16,557
Net financial position incl. post-employment benefits	**-13,237**	**-26,378**	**-16,332**	**-29,266**

STRONG OPERATING CASH FLOW

During 2015, operating cash flow in the Industrial Operations amounted to a positive SEK 18.3 billion (6.4).

The cash flow within Industrial Operations was positively affected by an operating income of SEK 21.3 billion. In addition, the cash flow has been positively impacted by higher depreciations than investments in an amount of SEK 3.5 billion. This was offset by an increase in working capital of SEK 2.0 billion mainly as an effect of increased inventories and decreased trade payables.

Financial items and paid income taxes had a SEK 4.1 billion negative effect on the cash flow within Industrial Operations, mainly through payments of interests and income tax.

Operating cash flow within Customer Finance was negative SEK 5.9 billion (5.3), mainly due to increased customer-financing receivables and investment in leasing vehicles.

Investments

The Industrial Operations' investments in fixed assets and capitalized research and development during 2015 amounted to SEK 8.8 billion (8.6).

In Group Trucks investments in fixed assets and capitalized R&D amounted to SEK 6.3 billion (5.7). The investments were mainly related to industrial efficiency measures in our plants, with the continuation of the European optimization program as well as rationalizations in our US plants, primarily a more streamlined assembly process implemented in the engine plant in Hagerstown.

Investments in optimization of the global services footprints as well as investments in Köping have also increased, in order to increase capacity for the Volvo Group's automated manual transmission. Capital expenditures were also related to investments to comply with new emission regulations in US and Japan, with both product development activities and required adaptations in the plants.

The investments in dealer networks and workshops were mainly done in Europe and Japan, primarily for upgrade and replacements.

Investments in Construction Equipment amounted to SEK 1.1 billion (1.3). The product related investments during the year continued and were mainly related to adaptions to the Tier 4 Final/Stage IV, the latest emissions regulations in North America and Europe. There were also investments in the plants related to product renewals and required adaptions mainly in Asia and Europe.

The investments in Volvo Buses were SEK 0.3 billion (0.3), and in Volvo Penta SEK 0.3 billion (0.3).

Total investments in leasing assets during 2015 amounted to SEK 0.3 billion (0.5).

The investment level for property, plant and equipment during 2015 was lower than previous years. During 2016, investments in property, plant and equipment are expected to be on the same level as in 2015. The optimization of the industrial and logistic footprint, dealer investments and product related tooling will continue to be the main areas.

Investments and divestments of shares

The acquisition of 45% of shares in Dongfeng Commercial Vehicles Co., Ltd, (DFCV) in China was completed in the beginning of January 2015.

Part of the shares in the listed Indian automotive manufacturer, Eicher Motors Limited was sold on March 4, 2015. The remaining holding of shares in the listed company was sold on June 4, 2015.

In total investments and divestments of shares, net in 2015 had a negative impact on cash flow of SEK 2.0 billion (0.1).

›› **Read more in Note 5** regarding Investments in joint venture, associated companies and other shares and participations.

Acquired and divested operations

The Volvo Group has not made any acquisitions or divestments during 2015, which solely or jointly have had a significant impact on the Volvo Group's financial statements.

In total acquired and divested operations in 2015 had a positive impact on cash flow of SEK 0.4 billion (7,4).

›› **Read more in Note 3** regarding Acquisitions and divestments of shares in subsidiaries.

Financing and dividend

Net borrowings decreased cash and cash equivalents by SEK 13.2 billion during 2015. In 2014 the corresponding item increased cash and cash eqivalents by SEK 6,7 billion.

›› **Read more in Note 29** Cash flow regarding movements during the year on the net borrowings.

During the year dividend of SEK 6.1 billion, corresponding to SEK 3.00 per share, was paid to the shareholders of AB Volvo.

Change in cash and cash equivalents

The Volvo Group's cash and cash equivalents decreased by SEK 5.2 billion during the year and amounted to SEK 21.0 billion at December 31, 2015.

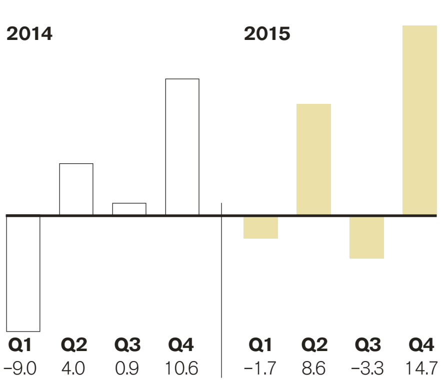
›› **Read more in Note 29** Cash flow regarding principles for preparing the cash flow statement.

›› **Read more in Note 18** regarding the accounting policy for Marketable securities and liquid funds.

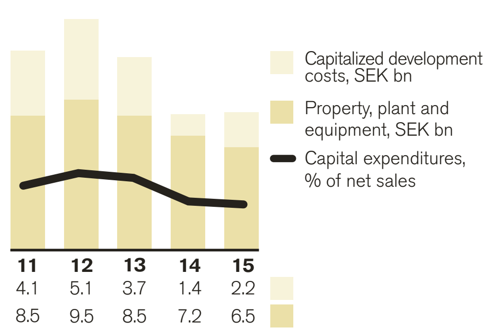
CONSOLIDATED CASH FLOW STATEMENTS

		Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M		**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Operating activities									
Operating income		21,313	4,103	2,006	1,712	2	8	23,321	5,823
Depreciation tangible assets	Note 13	6,431	6,701	13	15	–	–	6,443	6,716
Amortization intangible assets	Note 12	3,314	3,503	31	31	–	–	3,344	3,534
Depreciation leasing vehicles	Note 13	2,830	2,470	4,190	3,211	0	–1	7,020	5,680
Other non-cash items	Note 29	–1,083	5,288	796	888	–165	–35	–452	6,141
Total change in working capital whereof		–1,979	–3,272	–7,485	–4,772	315	–6,059	–9,149	–14,103
Change in accounts receivable		*642*	*1,346*	*–126*	*–133*	*–2*	*–*	*514*	*1,213*
Change in customer-financing receivables		*140*	*–144*	*–8,346*	*–4,740*	*–108*	*–5,756*	*–8,313*	*–10,640*
Change in inventories		*–2,234*	*–1,594*	*–90*	*–28*	*0*	*–*	*–2,324*	*–1,622*
Change in trade payables		*–1,210*	*–995*	*114*	*65*	*–2*	*131*	*–1,098*	*–799*
Other changes in working capital		*683*	*–1,884*	*963*	*64*	*427*	*–435*	*2,073*	*–2,255*
Interest and similar items received		374	317	–	–	1	–	375	317
Interest and similar items paid		–1,665	–1,879	–	–	–18	33	–1,683	–1,846
Other financial items		–252	–221	–	–	–	–	–252	–221
Income taxes paid		–2,573	–2,680	–531	–624	–5	–	–3,110	–3,304
Cash flow from operating activities		**26,709**	**14,331**	**-981**	**461**	**129**	**-6,055**	**25,858**	**8,737**
Investing activities									
Investments in tangible assets		–6,539	–7,079	–22	–14	–	–	–6,561	–7,093
Investments in intangible assets		–2,241	–1,523	–16	–18	–	–	–2,257	–1,541
Investment in leasing vehicles		–328	–470	–10,201	–9,645	–	–	–10,529	–10,115
Disposals of fixed assets and leasing vehicles		668	1,090	5,356	3,949	–4	–1	6,020	5,038
Operating cash flow		**18,270**	**6,349**	**-5,865**	**-5,267**	**126**	**-6,056**	**12,531**	**-4,973**
Investments and divestments of shares, net	Note 5, 29							–1,984	69
Acquired and divested operations, net	Note 3, 29							408	7,398
Interest-bearing receivables incl marketable securities								3,552	–4,808
Cash flow after net investments								**14,507**	**-2,314**
Financing activities									
Change in loans, net	Note 29							–13,247	6,686
Dividend to AB Volvo's shareholders								–6,090	–6,084
Other								14	–57
Change in cash and cash equivalents excl. translation differences								**-4,815**	**-1,769**
Translation difference on cash and cash equivalents								–378	1,044
Change in cash and cash equivalents								**-5,194**	**-725**
Cash and cash equivalents, beginning of year	Note 18							**26,242**	**26,968**
Cash and cash equivalents, end of year	Note 18							**21,048**	**26,242**

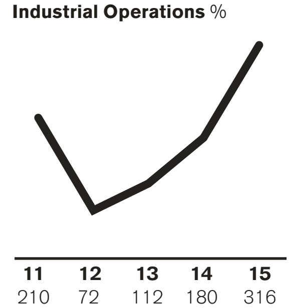
Operating cash flow, Industrial Operations, SEK bn



Capital expenditures, Industrial Operations



Self-financing ratio, Industrial Operations %



Cash-flow from operating activities divided by net investments in fixed assets and leasing assets.

TRUCKS

IMPROVED PROFITABILITY ON FLAT VOLUMES

During 2015 market conditions varied significantly between different parts of the world. Volvo Group's deliveries of trucks increased by 2% compared to 2014.

Share of Group net sales, **68%** (67)

Demand continued to good in North America for most of the year as a result of the economy developing well. The European market also showed good growth while South America's largest market, Brazil, declined sharply as a consequence of the economy slipping into recession. The Japanese market was stable. The Indian heavy-duty truck market continued the positive development that started in 2014. The Chinese market, on the other hand, declined for the second year in a row.

The truck operation's product offer stretches from heavy-duty trucks for long-haulage and construction work to light-duty trucks for distribution. The offering also includes maintenance and repair services, financing and leasing.
Position on world market Volvo Group is the world's second largest manufacturer of heavy-duty trucks.
Brands Volvo, UD, Renault Trucks, Mack, Eicher and Dongfeng Trucks.
Number of regular employees 54,668 (58,067)

Varying market conditions

During 2015 registrations in Europe increased by 19% to 270,000 (227,612) heavy-duty trucks as a consequence of increased freight activity, resulting in good capacity utilization and good customer profitability, as well as a need for fleet renewal. The total market for heavy-duty trucks in Europe is forecasted to a level of 280,000 trucks in 2016, based on the expectation of continued economic recovery in Europe.

The total North American retail market for heavy-duty trucks increased by 12% to 301,740 vehicles in 2015 as a result of fleet renewal and fleet expansion combined with good customer profitability thanks to good freight environment, low fuel prices and low interest rates. Demand weakened during the fourth quarter with a correction mainly in the long-haul segment. The heavy-duty truck market forecast for 2016 is 260,000 vehicles as freight activity weakened towards the end of the year and the need for fleet expansion and renewal will be lower in 2016.

In 2015, the Brazilian market declined by 55% to 41,603 vehicles as a consequence of the contracting economy combined with overall low business confidence. The heavy-duty market forecast for Brazil in 2016 is 35,000 trucks.

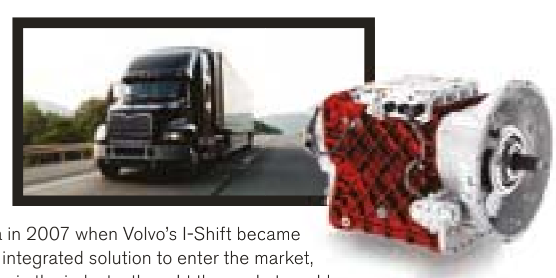
The total medium- and heavy-duty truck market in India increased by 28% to 278,139 vehicles in 2015 and is forecasted to increase to 315,000 vehicles in 2016 based on good business confidence and increased economic activity.

The Chinese total market for medium- and heavy-duty trucks declined by 24% to 751,130 vehicles in 2015 primarily as a consequence of lower demand in the construction segment. The market is forecasted to be at about 750,000 trucks also in 2016.

In Japan, demand remained healthy. Registrations of medium- and heavy-duty trucks increased by 1% to 89,644 vehicles in 2015 and the market forecast is 90,000 trucks for 2016.

In general the Volvo Group maintained its strong positions in the main markets even though the market shares declined somewhat. In Europe the combined market share for heavy-duty trucks amounted to 23.8% (24.4) and in North America it amounted to 19.6% (20.1). In Brazil the market share in heavy-duty trucks

CONTINUED CAPTIVE COMPONENT GROWTH IN NORTH AMERICA



In addition to helping Volvo and Mack deliver the optimized performance and fuel efficiency demanded by customers and regulators, proprietary powertrains represent an important ongoing source of revenue for the Volvo Group and its dealers. Increased service business has led dealers to invest in more service bays, which supports customers' uptime and strengthens brand perception and loyalty. While Mack has always offered proprietary engines, the push for increased Volvo power penetration is more recent. From representing only about a third of Volvo sales a decade ago, Volvo engines powered 92% of the trucks sold in 2015. The impact of the Group's automated manual transmission has been even more impressive, and it could be argued that in this area, Volvo innovation has changed an entire market. Automated manual transmissions were mostly absent from North America in 2007 when Volvo's I-Shift became the first integrated solution to enter the market, and many in the industry thought the market would remain committed to manual gear boxes. But penetration of the I-Shift has skyrocketed – to the point that in 2015 it represented 85% of Volvo trucks sold. The Mack brand has experienced similarly rapid growth with its mDRIVE transmission, which in 2015 represented 73% of highway vehicle sales, only five years after its introduction.

PAYLOAD AND SAFETY RENAULT TRUCKS T TANKER

Renault Trucks new range contributes to strengthening the brand and is a foundation to recapture market position. The Renault Trucks T Tanker is one example – it has been developed to meet stringent demands in terms of payload and safety.

amounted to 20.1% (21.3) while it was 18.9% (19.4) in Japan. In India the market share for Eicher amounted to 33.5% (32.6) in the medium-duty segment and to 3.7% (3.6) in the heavy-duty segment. In China Dongfeng Trucks had a market share of 13.8% (14.4) in the heavy-duty segment and 18.9% (17.2) in the medium-duty segment.

Orders and deliveries

In 2015, a total of 207,475 trucks where delivered from the Group's wholly-owned operations, an increase of 2% compared with 203,124 trucks in 2014. Deliveries increased in Europe and North America while they were flat in Asia and declined in South America and Other markets.

Order intake to the Group's wholly-owned operations declined by 10% to 198,057 (219,791) trucks with an increase in Europe, flat order intake in Asia and decreases in North America, South America and Other markets.

Improved profitability

In 2015, net sales in the truck operations increased by 12% to SEK 213,978 M (190,904). Adjusted for changes in exchange rates, net sales increased by 2%.

Operating income excluding restructuring charges increased to SEK 21,549 M (5,622), while the operating margin excluding restructuring charges was 10.1% (2.9). Restructuring charges amounted to SEK 2,032 M (1,464). Earnings included capital gains from sales of shares in Eicher Motors Limited amounting to SEK 4,608 M and SEK 772 M from a favorable outcome in an arbitration case. In 2014, operating income was negatively impacted by a provision of SEK 3,790 M related to the EU anti-trust investigation.

Excluding restructuring charges, the capital gain, the arbitration case and the provision, the improvement in underlying profitability compared to 2014 was mainly a result of a favorable currency development, higher sales of new vehicles and spare parts and services as well as lower operating expenses. Favorable earnings development in North America and Europe was partly offset by significantly lower earnings in Brazil.

Changes in currency exchange rates had a positive impact on operating income of SEK 3,401 M compared with 2014.

Enhanced features on trucks

Among product news were Volvo Trucks automatic all-wheel drive for improved drivability and economy. The new feature Automatic Traction Control activates the drive on the front axle automatically when in motion, if the truck risks getting stuck. The driver enjoys improved maneuverability, and the owner benefits from lower fuel consumption and less wear and tear on the truck.

Volvo Trucks also introduced Tandem Axle Lift, which makes it possible to disengage and raise the second driven axle. This gives better road grip and up to 4% lower fuel consumption when the truck is driven without a load. The new function is designed for heavy duty transports with loads being carried one way and empty return trips, for instance when hauling timber or in construction and bulk cargo operations.

Volvo Trucks also continued to improve productivity within construction by releasing another five new features, including Volvo Dynamic Steering for dual front axles and increased front axle loads. This further highlights Volvo Trucks' special attention to the construction segment.

NET SALES BY MARKET

SEK M	**2015**	2014
Europe	83,767	72,757
North America	73,017	53,696
South America	11,624	19,669
Asia	31,589	29,264
Other markets	13,982	15,518
Total	**213,978**	**190,904**

DELIVERIES BY MARKET

Number of trucks	**2015**	2014
Europe	86,448	72,458
North America	64,507	57,714
South America	11,069	23,741
Asia	31,979	32,399
Other markets	13,472	16,812
Total	**207,475**	**203,124**
Non-consolidated operations		
VE Commercial Vehicles (Eicher)	35,751	30,375
Dongvo (Hangzhou) Truck Company (UD)	105	107
Dongfeng Commercial Vehicle Company	113,931	–

In March Volvo Trucks in North America introduced a rugged version of the Volvo I-Shift automated manual transmission for severe-duty applications. The new I-Shift version is designed for on- and off-road work in construction and other applications requiring frequent shifting.

Advancing its commitment to maximizing customer uptime, Volvo Trucks in North America also expanded its Volvo Remote Diagnostics service to monitor critical fault codes on the Volvo I-Shift automated manual transmission.

The expansion of the all-new Renault Trucks range continued. Renault Trucks added to its range of distribution vehicles by equipping the D WIDE with an 11 liter engine.

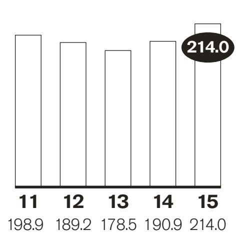
Other new products were the Renault Trucks T Tanker, a specific solution for customers carrying hazardous materials, perishable goods and chemical products.

Restructuring completed

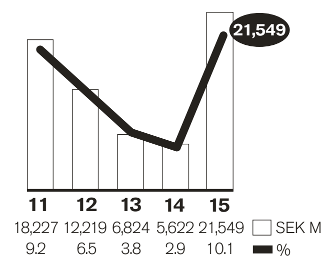
In the truck business a number of activities have been carried out in order to increase efficiency and reduce structural costs in the sales and service organziation as well as within product development and manufacturing.

In 2015, the structural optimization of the truck manufacturing in Europe was completed with the move of the cab assembly operations from Umeå to Gothenburg, Sweden. Among other measures in the industrial system was the implementation of a more streamlined assembly process in the engine plant in Hagerstown, USA.

Net sales, SEK bn



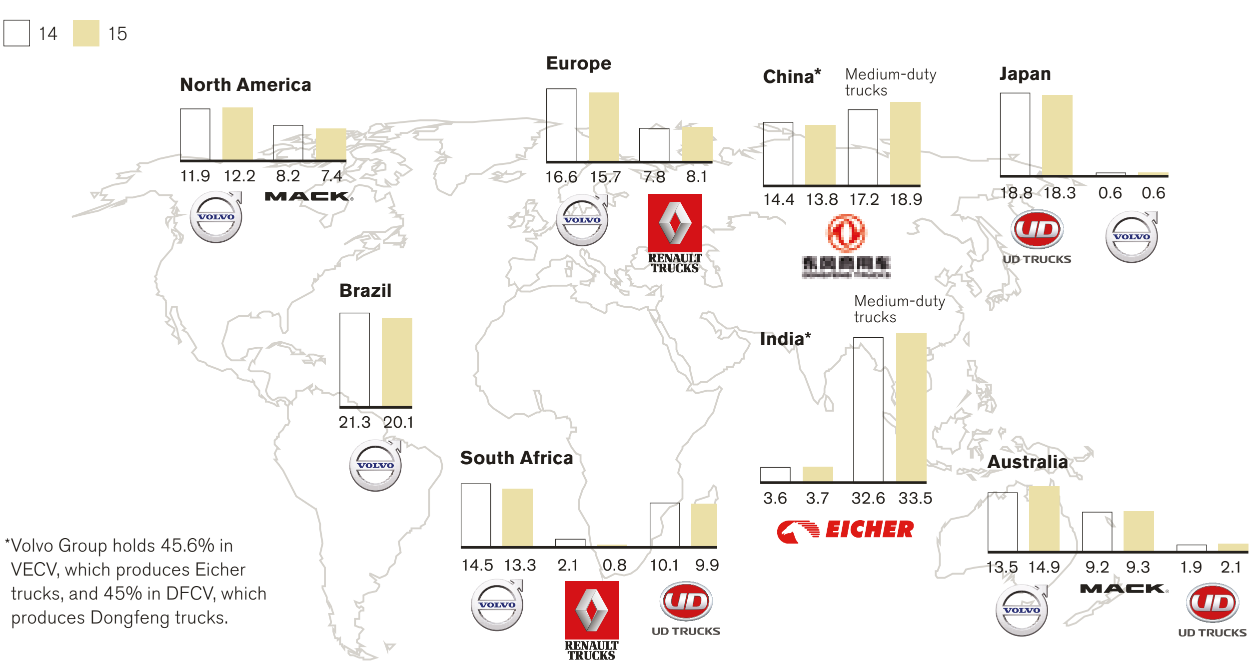
Operating income* and operating margin*



*Excl. restructuring charges

The UD Quon range has one key ambition: to deliver maximum transport efficiency.

MARKET SHARES, HEAVY-DUTY TRUCKS, %



*Volvo Group holds 45.6% in VECV, which produces Eicher trucks, and 45% in DFCV, which produces Dongfeng trucks.

VOLVO FMX AUTOMATIC TRACTION CONTROL

All the traction the driver needs. But only when needed. When driving in challenging terrain, one may need a truck with all-wheel drive, to avoid the risk of getting stuck in the mud. That is why Volvo FMX is available in a range of driven-frontaxle configurations. All of them come with the all-new Automatic Traction Control as standard. It is a revolutionary feature, previously only available for Volvo Construction Equipment, making the truck easier to manoeuvre while saving fuel and unnecessary wear.

CONSTRUCTION EQUIPMENT

SHARE AND MARGIN GAINS DESPITE MARKET UNCERTAINTY

A continued deterioration in Chinese demand was partially offset by growth in European and North American markets. Continued efficiency measures and a focus on more profitable larger machines have helped protect earnings and capture share in important segments.

Share of Group net sales, **16%** (19)

With a history dating back over 180 years Volvo Construction Equipment (Volvo CE) is one of the longest established global producer of products and services for the construction, extraction, waste processing, forestry and materials handling sectors. Principal equipment includes excavators, wheel loaders and haulers, as well as road machinery such as pavers and compactors. A wide range of services are also offered, centred on the three themes of machine uptime, fuel efficiency and increased productivity.

Marketed under the Volvo, SDLG and Terex Trucks brands, the company's products and services are sold and supported via a global network of over 125 Volvo-owned and independent dealers.

Stable performance despite China fall and tough conditions in global markets

2015 was marked by the extreme decline in the Chinese market, which continued its sharp contraction, falling a further 48% compared to 2014. Despite growth in several European markets, the continent as a whole was also down, driven mainly by falls in Russia and France. Similarly, slow economic development in Brazil weighed heavily on South American sales. North America, meanwhile, saw continued growth, albeit at a slowing pace.

This continued weak demand impacted Volvo CE during 2015, with deliveries of machines totalling 44,718 units, a fall of 27% compared to 2014. This reduced production was partly offset by favorable currencies and a favorable product mix and net sales decreased by 3% to SEK 51,008 M, compared to SEK 52,855 M in 2014. Adjusted for changes in exchange rates, net sales decreased by 15%.

Despite the lower volumes, Volvo CE demonstrated stable operating margins and market share gains in the segments for larger machines. Operating income excluding restructuring charges of amounted to SEK 2,090 M (1,231). Restructuring charges were SEK 46 M (579). The operating margin excluding restructuring charges amounted to 4.1%, up from 2.3% in 2014. Changes in currency exchange rates had a positive impact on operating income of SEK 1,188 M compared with 2014.

Order intake during 2015 totalled 45,142 units, a fall of 25% compared to 2014.

Volvo CE manufactures a range of equipment for construction applications and related industries. The offering also includes maintenance and repair services, financing and leasing.
Position on world market Volvo CE is the world's leading manufacturer of rigid and articulated haulers and one of the world's leading manufacturers of wheel loaders, excavators, road development machines and compact construction equipment.
Brands Volvo, SDLG (Lingong) and Terex Trucks.
Number of regular employees 13,889 (14,901)

VOLVO EC250E OFFERS BEST-IN-CLASS EFFICIENCY

The EC250E crawler excavator builds on the strong reputation of the previous D-Series model with reduced emissions and fuel consumption, as well as enhanced power and productivity. Volvo CE's latest 25-ton crawler excavator, the EC250E, is fitted with an advanced Tier 4 Final/Stage IV Volvo D6 engine that meets strict emissions legislation across North America and regulated European markets – without compromising on power. The fully optimized hydraulics system and ECO mode deliver the precise amount of power required to complete the task in hand, while the auto engine shutdown feature helps further reduce fuel consumption and emissions by automatically switching off after the excavator has been inactive for a pre-set amount of time.

ENGINEERED FOR UPTIME

Innovation does not have to mean greater complexity; it also includes making machine maintenance simpler for customers. Volvo CE puts a strong focus on machine reliability – the products are designed and built for reduced wear and long service intervals. Machines will always need service and maintenance and today Volvo CE customers can manage service plans and wear parts via the CareTrack telematics system. Volvo CE's vision for the future is zero unplanned stops: a world without machine breakdowns, where machines predict and plan their own maintenance – making unexpected repairs a thing of the past.

Products and distribution

Volvo CE continued to strengthen its range throughout 2015, with the launch of several important new products and services. Among the new machines introduced were the DD25 and DD105 compactors, the EC18D compact excavator, the EW160E wheeled excavator and the L90H wheel loader. Shipments also began in July of G-Series wheel loaders that feature Z-bar linkages, mid-sized wheel loaders that are tailored to the needs of markets such as Middle East, Africa and Russia. It was no less busy at Terex Trucks and SDLG, with both brands strengthening their global distribution networks throughout 2015.

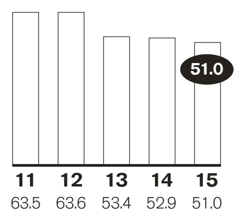
Adjusting the cost base

In a bid to adapt to lower volumes driven by the declining global market a series of cost reducing measures were introduced during 2015. Improved efficiency remained in focus, with the company completing the orderly shutdown of Volvo-branded grader, backhoe and milling lines that was announced at the end of 2014. This was joined by changes to sales and operations planning that reduces the need for dealers to hold large inventories and cuts delivery times to customers, thanks to a pre-build program for popular machines. An accelerated internal efficiency program was also initiated during 2015, focusing on industrial sites and identifying improvement areas that offer the largest financial savings in the short term.

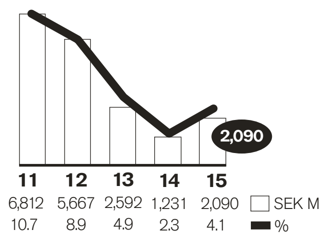
Product and market profitability in focus

Cost savings formed just part of a wider objective of transforming Volvo CE in to a world class, high performing company. A new governance structure was introduced that creates roadmaps that help each product and market excel, while at the same time prioritizing resources. Total profitability was also in focus, with a new sales approach allowing Volvo CE to successfully participate in deals that may have seemed unattractive in the past. This policy led to an additional 2,000 machines and a 1.8 percentage point market share increase in the important large machine segment.

Net sales, SEK bn



Operating income* and operating margin*



*Excl. restructuring charges

REACHING FURTHER
Lift higher and reach further with Volvo CE's purpose-built, high-lift L180H HL wheel loader designed for log handling.

NET SALES BY MARKET

SEK M	2015	2014
Europe	17,732	17,215
North America	11,843	10,784
South America	2,207	3,234
Asia	16,424	18,458
Other markets	2,802	3,164
Total	**51,008**	**52,855**

DELIVERIES BY MARKET

Number of machines	2015	2014
Europe	12,539	14,174
North America	5,710	7,127
South America	2,036	3,669
Asia	22,339	33,648
Other markets	2,094	2,699
Total deliveries	**44,718**	**61,317**
Of which:		
Volvo	30,296	36,755
SDLG	14,267	24,445
Of which in China	11,311	19,964

BUSES

IMPROVED PROFITABILITY

Volvo Buses is spearheading innovative vehicles systems that accelerate the transition towards sustainable public transport solutions. A global leader, its product range includes city buses, intercity buses and coaches, as well as complete transport systems, financing, fleet and traffic management services.

Share of Group net sales, **7%** (6)

The first Volvo bus rolled out of the factory in Sweden in 1928. Today production facilities are situated globally in Europe, North America, South America and Asia. Volvo Buses' safe and efficient transport solutions are sold and supported in 85 countries by over 1,500 dealerships and workshops worldwide.

Electrification powers up

With the introduction of the Volvo 7900 Electric in 2015, Volvo Buses now offers a complete range of electrified buses. With hybrid, electric hybrid and electric buses available, customers can now cover all aspects of sustainable city mobility. The product portfolio is one of three cornerstones in Volvo Buses' electromobility strategy. This strategy also includes offering of complete systems with batteries and charging infrastructure, together with partners ABB and Siemens, that can be paid per kilometer, along with open charging interfaces that enable customers to run buses from other manufacturers as well in their transport system.

Operating extremely quietly, the exhaust-free Volvo 7900 Electric is about 80% more energy-efficient than a corresponding diesel bus. The passenger-friendly electric concept buses run in regular traffic in Gothenburg, Sweden along with the Volvo 7900 Electric hybrids (diesel-electric hybrids), as part of the ElectriCity partnership. This is the third start of the 7900 Electric hybrid in commercial service following Hamburg in 2014 and Stockholm in 2015. In the first half of 2016 six Volvo 7900 Electric Hybrids will start in regular traffic in Luxembourg. Using Group technology, Nova Bus will introduce an electric bus in the Montreal public transportation system early 2017.

Sales of Volvo hybrid buses passed another milestone in 2015. Volvo Buses has sold over 2,300 units in over 20 countries since their introduction in 2010. Among the newly added markets are Denmark, France and Poland. Also, 28 articulated hybrid buses are now transporting passengers in Budapest – the largest order ever for the Volvo 7900 Articulated Hybrid. During 2015 Volvo Buses also took the first steps in preparation for the forthcoming introduction of the Volvo Hybrid City Bus in India. The buses are being produced in India and will be introduced in traffic in Mumbai.

Steering in a more sustainable direction

In 2015 Volvo Buses introduced Volvo Dynamic Steering in several coach models. This breakthrough in driver working environment compensates automatically for uneven road surfaces, eliminates vibrations and 'steering kick', making driving easier. Fewer manual steering wheel movements and less vibration reduce stress on muscles and joints, meaning drivers feel more relaxed and able to remain focused and drive more safely.

The product range includes complete buses and bus chassis for city, intercity and coach traffic. The company has a total offering that, in addition to buses, includes a global service network, efficient spare parts handling, service and repair contracts, financial services and traffic information systems. The offer also comprises complete transport systems for electromobility including charging infrastructure.
Position on world market Volvo Buses is one of the world's largest producers of buses.
Brands Volvo, Prevost, Nova Bus, Sunwin Bus and UD Bus.
Number of regular employees 7,270 (6,900)

The year also saw Volvo Buses' five and eight liter Euro 6 engines for city buses and intercity buses certified to run on Hydrogenated Vegetable Oils (HVO), a renewable fuel that replaces regular diesel and reduces CO_2 emissions by up to 90%. HVO is also approved for use in all Volvo Buses with Euro 5 engines, with no reduction in service interval.

Serving customers

Volvo Buses enjoyed a number of sales successes during 2015, including Singapore's SBS Transit taking delivery of its 1,000th double decker bus and a breakthrough entry order for 150 high floor city buses to Egypt's Alexandria Public Transport Authority (APTA).

Volvo Buses also broke its record for the single biggest sales order in Sweden during 2015, with an order for 276 Volvo 8900 buses. Added to this were 191 Volvo buses for Mexico City and the unveiling of the new Volvo 9800 coach model for the Mexican market. Further north, Volvo celebrated the groundbreaking of its new customer delivery center in Plattsburgh, New York, which will serve its Nova Bus and Prevost brands.

A profitable year

In the global bus market Europe and Asia both showed signs of gradual recovery, and in North America the city, coach and commuter segments all showed growth. The development was not uniformly positive, however, with sales in Brazil and China negatively affected due to their slowing economies.

Despite market uncertainty in important markets Volvo Buses presented a positive result for 2015. Buses reported an operating income excluding restructuring charges of SEK 882 M, compared to SEK 98 the previous year. Restructuring charges amounted to SEK 23 M (6). Operating margin excluding restructuring charges was 3.7% (0.5). Deliveries of buses numbered 8,825, compared

NEW BUS ROUTE WINS SUSTAIN-ABILITY PRIZE

The 55 electric bus route (ElectriCity) in Gothenburg has been awarded the European Solar Prize 2015 for being the best example of sustainable public transport operated using renewable energy. The Prize is awarded by the European Association for Renewable Energy, EUROSOLAR, to projects which aim, in an exemplary way, to raise public awareness about one of the most important challenges of our time: energy transition to a sustainable society.

to 8,759 in 2014. Net sales amounted to 23,580 in 2015, an increase by 26% compared to previous year. Adjusted for currency effect the increase in net sales was 15%.

Earnings for the full year were impacted by a favorable currency development, a good product and market mix and improved industrial efficiency. Changes in currency exchange rates had a positive impact of SEK 547 M on operating income compared with 2014.

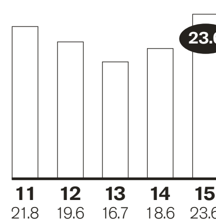
Order intake for 2015 ended at 8,640 orders, an improvement of 10% on 2014.

Strategic focus delivers in 2015

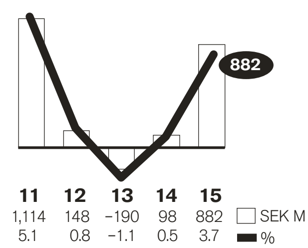
Volvo Buses is delivering on its strategy. Despite a somewhat challenging bus market globally, Buses has secured its share in key markets and increased its coverage in Asia. With the launch of the Volvo 9700 Electric the company also reinforced its position as the industry leader in the field of electromobility.

Volvo Buses shows improved efficiency in its operations, with reduced product cost and also a substantially improved parts and service penetration. The period was also mirrored by improvements in employee engagement.

Net sales, SEK bn



Operating income* and operating margin*



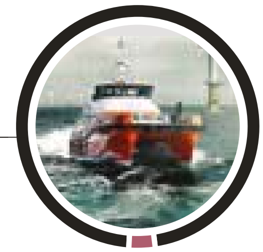
* Excl. restructuring charges

NET SALES BY MARKET		
SEK M	**2015**	2014
Europe	7,284	6,139
North America	10,635	6,721
South America	1,425	2,559
Asia	2,557	1,892
Other markets	1,678	1,334
Total	**23,580**	**18,645**

DELIVERIES BY MARKET		
Number of buses	**2015**	2014
Europe	2,431	2,221
North America	2,398	1,590
South America	1,415	2,985
Asia	1,656	1,242
Other markets	925	721
Total	**8,825**	**8,759**
Non-consolidated operations		
VE Commercial Vehicles	11,717	9,480
Shanghai Sunwin Bus Corporation	2,103	3,731
Dongfeng Commercial Vehicle Company	4,618	–

VOLVO PENTA

STRONG PROFITABILITY AND INCREASED SALES



Volvo Penta generates significant synergies for the Volvo Group's total volumes of diesel engines.

Share of Group net sales, **3%** (3)

Approximately 10% of total production in the Group's European diesel engine plants and more than half of the Group's global volumes of 16-liter engines are delivered to Volvo Penta's customers.

Volvo Penta provides engines and power systems for leisure and commercial boats, as well as for industrial applications such as power generation and container trucks.
Position on world market Volvo Penta is the world's largest producer of diesel engines for leisure boats and a leading, independent producer of industrial engines.
Brands Volvo Penta
Number of regular employees 1,470 (1,422)

Industrial

The Industrial business segment, accounting for about half of sales, is the part of Volvo Penta's operation that generates the largest strategic engine volumes for the Volvo Group. Featuring unique performance, installation benefits and minimized environmental footprint, Volvo Penta's engines strengthen the competitiveness of a growing number of global customers. By leveraging the strength of the Volvo Group's combined service offering, Volvo Penta is able to offer efficient support in the form of global service and aftermarket services.

A big advantage of our off-road engine range to OEMs is that all engines share the same physical footprint – making designing global product ranges much easier for OEMs. In 2015, Volvo Penta has continued to gain new customers based on the 5, 8, 11, 13, and 16 liter off-road engines released throughout 2014. The latest engine range has helped to maintain a strong position in the materials handling segment, as well as increase market shares in new segments, such as agriculture and forestry.

Partnerships with OEMs in 2015 resulted in the delivery of power solutions for market-leading applications, such as a new 12 ton log stacker machine with hybrid hydraulics, which benefits from Volvo Penta's power density and fuel efficiency. Within the materials handling area, Volvo Penta, together with two partners implemented an industry-leading transmission, using a combination of hydrostatic and mechanical drives. The drivetrain can reduce fuel consumption by 40% and, with lower rpm and maximum revs, lower noise by up to six decibels.

The latest engine range is compliant with several stages of emission legislation, including the most stringent Tier 4 Final.

Marine Leisure

To the greater public, Volvo Penta is best known for its leading marine drive systems – for both leisure and commercial boats. Over the decades, products such as the Aquamatic sterndrive, Duoprop and IPS have given Volvo Penta a global reputation as an innovative engine supplier to most of the strongest brands in the leisure boat industry.

In 2015, Volvo Penta IPS (Inboard Performance System) celebrated its ten-year anniversary in the market. Since its launch in 2005, the popularity of IPS has grown considerably, and so too has the size of the yacht that the system can power – from 30 to 100 feet. During this year, IPS was installed in of the largest boats to date – an Italian built yacht, measuring 94 feet. IPS has helped to progressively strengthen Volvo Penta's market leading position in Marine Leisure.

NET SALES BY MARKET

SEK M	**2015**	2014
Europe	4,462	3,779
North America	2,161	1,584
South America	365	386
Asia	1,855	1,615
Other markets	562	425
Total	**9,406**	**7,790**

DELIVERIES PER SEGMENT

Number of units	**2015**	2014
Marine engines[1]	19,503	17,413
Industrial engines	18,635	15,295
Total	**38,138**	**32,677**

1 Excluding outboard engines.

VERSATILITY FOR WORLD-LEADING APPLICATIONS

Volvo Penta diesel engines are built to be versatile. They are characterised by high performance, reliability, fuel efficiency, and low emission levels. The engines are developed to satisfy the equipment builders' demands. Low weight, compact designs, and easy installation make them perfect for numerous machine and equipment applications in several different industries.

Forward Drive was launched during 2015 with strong market interest in North America and global recognition as a revolutionary innovation in the marine industry. Forward Drive's patented design – combining a traditional sterndrive with forward-facing, dual counter-rotation propellers and adjustable-trim drive – pulls the boat through the water rather than pushing it. Additionally, new gasoline engines were also launched – a 5.3 liter V8 line and a new 4.3 liter V6 – both with significantly improved fuel economy and lower emissions. The winning combination of the Forward Drive and the new gasoline engines has been a key differentiator for Volvo Penta in 2015.

As electronics make inroads into the marine industry, Volvo Penta is developing integrated features beyond the engine and propulsion components alone. Under an Easy Boating concept, Volvo Penta is working toward "helm-to-prop" solutions with a strong focus on comfort and user-friendliness.

Marine Commercial

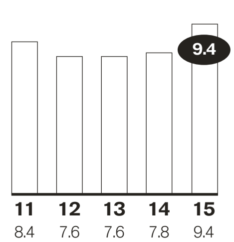
In the Marine Commercial segment, Volvo Penta focuses on optimizing uptime and total cost of ownership for the professional marine market, supplying power and propulsion systems from 50 – 600 kw. The engines can be used for a wide variety of applications, with a specific focus on high speed transportation of people and goods. Examples of applications include pilots, sea-rescue, ferries, coast guard and off-shore wind farm supply vessels. In the Marine Commercial segment, Volvo Penta leverages its IPS concept, which provides unique environmental and maneuverability features as well as significantly reduced fuel consumption.

In 2015, the first quadruple installation of IPS was successfully implemented in commercial boats – seven, 26 meter crew transfer catamarans used for offshore wind farming.

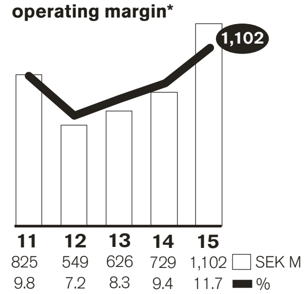
An updated version of the D16 marine diesel was released with features that offer customers greater benefits and increased versatility. This includes the new generation of Volvo Penta's proprietary monitoring and control system, Electronic Vessel Control (EVC).

The Marine Commercial business is project based and Volvo Penta works in close cooperation with ship yards, designers and operators to ensure that the propulsion system in each case satisfies the demands of the operator. Developing our total offer is the focus, with the ambition to exceed our customers' expectations. Recent examples of this include providing extended coverage and the ability to deliver replacement engines with speed to customers that experience a break-down. Volvo Penta's marine customers have access to one of the world's strongest service support organizations comprising approximately 4,000 dealerships worldwide.

Net sales, SEK bn



Operating income* and operating margin*



*Excl. restructuring charges

Market Development

The marine leisure market remained unchanged compared to previous years, but Volvo Penta's market shares increased slightly. The marine commercial market lingered on low levels, but showed positive signs in certain sub-segments, such as offshore supply and wind farming vessels.

The fragmented market for industrial off-road engines showed mixed signs with certain sub-segments, such as mining and construction, showing growth in Europe and North America. The markets in Brazil, Russia, and China continued to decline. Especially for China, the outlook is negative due to general economic development.

The market for industrial power generation engines showed a positive growth rate with a stable development in North America and the export-oriented European market.

Positive sales and earnings trend

Volvo Penta's net sales increased by 21% to SEK 9,406 M compared with SEK 7,790 M in 2014. Adjusted for changes in exchange rates, net sales increased by 13%. Operating income excluding restructuring charges amounted to SEK 1,102 M (729). Restructuring charges amounted to SEK 16 M (5). The operating margin excluding restructuring charges was 11.7% (9.4). Earnings were positively impacted primarily by a good volume development and positive product mix. Changes in currency exchange rates also had a positive impact on operating income in an amount of SEK 319 M.

VOLVO FINANCIAL SERVICES

STRONG GROWTH, PROFITABILITY AND PORTFOLIO PERFORMANCE

Share of Group net sales, **3%** (3)

Volvo Financial Services (VFS) offers competitive financial solutions which strengthen long-term relationships with Volvo Group customers and dealers. As the number one provider of financial solutions for Volvo Group product sales, VFS consistently delivers value to customers and builds loyalty to the Volvo Group brands through our ease of doing business and our knowledge and expertise of the industry.

VFS financial solutions are offered with the sales of Volvo Group vehicles and equipment, and are available with other service and aftermarket products such as service contracts, repair and maintenance contracts, and insurance, etc. through seamless integration at the point-of-sale with Volvo Group dealers. This approach delivers a convenient one stop-shopping experience for the customer.

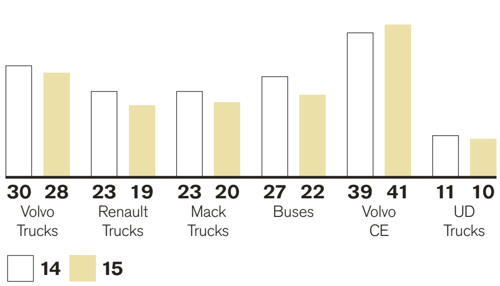
To ensure successful business execution, VFS continued its focus on 1) Strengthening customer and dealer partnerships throughout the product lifecycle, 2) Capturing profitable growth opportunities, 3) Driving operational excellence in support of integrated point-of-sale customer offerings, 4) Attracting, developing and retaining high-performing employees, and 5) Optimizing shareholder return on equity.

VFS' mission is to be the best captive in industry. To achieve this mission, VFS aims to be the provider of choice, the employer of choice, and to deliver strong shareholder value. In 2016, a continued focus will be on delivering dealer and customer value by working with our product companies to deliver superior products. Ease of doing business, outstanding service levels, building relationships, and unsurpassed expertise in our industries are at the forefront of achieving this value.

Strong profitability

Despite growing competition and liquidity in our markets, execution of our commercial strategy resulted in record new business volume levels and strong portfolio growth. This growth, along with pricing controls, cost controls and risk management contributed to record profitability levels for customer finance. During 2015, VFS achieved its best operational efficiency in its history. Scalable business platforms and higher service levels delivered significant operating leverage for VFS by enabling growth without commensurate cost increases.

PENETRATION RATE*, %



* Share of unit sales financed by Volvo Financial Services in relation to total number of units sold by the Volvo Group in markets where financial services are offered.

VFS conducts customer financing in 44 countries in the world.
Position on world market Volvo Financial Services operates exclusively to support the sales of vehicles and equipment which are produced by the Volvo Group. In doing so, VFS enhances the competitiveness of Volvo Group products and helps secure loyalty to the Volvo Group brands.
Number of regular employees 1,340 (1,339)

Strong portfolio performance

During 2015, managed assets in VFS grew to record levels. Overall, customer overdues, repossessions, inventories, and write off levels remained low and supported strong profitability.

North America continued to perform extremely well while the majority of our European markets also returned to good levels during 2015. Downturns in Brazil, China and Russia negatively impacted portfolio performance during the year, but activities to drive sales and deliver profitability were executed very well.

Customer finance operations

The Customer Finance operations recorded strong levels of new business volume during the year despite weak demand in Brazil and the other BRIC markets. Total new financing volume in 2015 amounted to SEK 54.8 billion (54.7). Excluding the BRIC markets, the new business volume increased by 3.9% compared to 2014, adjusted for changes in exchange rates, driven primarily by strong performance in North America.

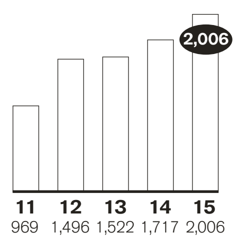
Financing penetration was stable in served markets, but overall penetration was lower than the prior year mainly due to changes in market delivery mix. In total, 49,038 new Volvo Group vehicles and machines (54,819) were financed during the year. In the markets where financing is offered, the average penetration rate was 25% (28).

The net credit portfolio of SEK 122,606 M (117,101) increased by 6.5% on a currency adjusted basis when compared to 2014 and reached a new year-end high. The funding of the credit portfolio is matched in terms of maturity, interest rates and currencies in accordance with Volvo Group policy. For further information, see note 4 to the Consolidated financial statements.

Operating income excluding restructuring charges amounted to SEK 2,006 M compared to SEK 1,717 M in the previous year and the return on shareholders' equity was 13.4% (12.5). The equity ratio at the end of the year was 8.0% (8.0). Improvements in gross income and lower credit provisions along with good cost control are the drivers of the overall increase in profitability.

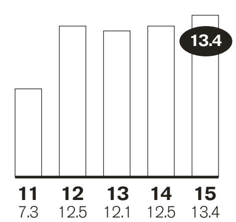
During the year, credit provision expenses amounted to SEK 817 M (858) while write-offs of SEK 491 M (715) were recorded. The write-off ratio for 2015 was 0.39% (0.66). At the end of December 31, 2015, credit reserves were 1.41% (1.33) of the credit portfolio.

Operating income*, SEK M

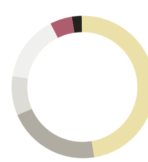


*Excl. restructuring charges

Return on shareholders' equity, %



Distribution of credit portfolio



- Volvo Trucks, 48%
- Volvo CE, 21%
- Renault Trucks, 9%
- Mack Trucks, 15%
- Buses, 5%
- UD Trucks, 2%

KEY RATIOS, CUSTOMER FINANCE[1]	**2015**	2014
Number of financed units	49,038	54,819
New financing volume, SEK billion	54,8	54,7
Credit portfolio net, SEK billion	123	117
Credit provisions expenses SEK M	817	858
Operating income, excl. restructuring charges SEK M	2,006	1,717
Credit reserves, % of credit portfolio	1.41	1.33
Return on shareholders' equity, %	13.4	12.5
Total penetration rate, %	25	28

INCOME STATEMENT CUSTOMER FINANCE, SEK M	**2015**	2014
Finance and lease income	11,199	10,111
Finance and lease expenses	–6,607	–5,923
Gross income	**4,591**	**4,188**
Selling and administrative expenses	–1,878	–1,711
Credit provision expenses	–817	–858
Other operating income and expenses	109	98
Operating income	**2,006**	**1,717***
Income taxes	–633	–568
Income for the period	**1,373**	**1,149**
Return on Equity, %	13.4	12.5

* Excl. restructuring charges.

FINANCIAL TARGETS

IMPROVEMENTS FROM LAST YEAR

Since 2012 the financial targets for the Volvo Group comprises growth and profitability of the Group's various operations measured and benchmarked annually against competitors. This creates a clear picture of how the operations are developing compared to the industry. Information on how the comparison with competitors is made is available under the heading Investors on www.volvogroup.com.

INDUSTRIAL OPERATIONS

TRUCKS AND BUSES

Target	Comparison group	Preliminary outcome*
The annual organic **sales growth** for the truck and bus operations shall be equal to or exceed a weighted-average for comparable competitors. Each year, **the operating margin** for the truck and bus operations shall be ranked among the top two companies when benchmarked against relevant competitors.	Daimler, Iveco, MAN, Navistar, Paccar, Scania and Sinotruk.* ** Daimler's, Iveco's, MAN's and Navistar's figures are based on rolling four quarters as of the third quarter of 2015 and Sinotruk's figures are based on rolling four quarters as of the second quarter of 2015.*	The organic **sales** increased by 3.4% for the Volvo Group's truck and bus operations and was above the weighted average of 1.7% for the competitors. **The operating** margin of 7.7% for the Group's truck and bus operations was ranked number three in comparison with the competitors.

CONSTRUCTION EQUIPMENT AND VOLVO PENTA

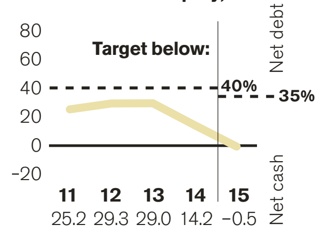
Target	Comparison group	Preliminary outcome*
The annual organic **sales growth** for the construction equipment operations and Volvo Penta, shall be equal to or exceed a weighted-average for comparable competitors. Each year, **the operating margin** for the construction equipment operations and Volvo Penta, shall be ranked among the top two companies when benchmarked against relevant competitors.	Brunswick, Caterpillar, CNH Industrial, Cummins, Deere, Hitachi, Komatsu and Terex.* ** Deere's and Terex's figures are based on rolling four quarters as of the third quarter of 2015.*	The organic **sales** decreased by 11.8% for the Volvo Group's construction equipment operations and Volvo Penta which was more than the weighted average of a decrease of 3.8% for the competitors. **The operating margin** of 4.4% for the Volvo Group's construction equipment operations and Volvo Penta was ranked number five in comparison with the competitors.

INDUSTRIAL OPERATIONS

Target and outcome
The Industrial Operations' **net financial debt,** excluding pension obligations, shall be below 35% of shareholders' equity under normal conditions. At the end of 2015, the Volvo Group had a financial net cash position of 0.5% of shareholders' equity compared with a financial net debt position of 14.2% at the end of 2014.

On January 1, 2013, new accounting rules for employee benefits came into effect. As a consequence, AB Volvo's Board of Directors decided to exclude pension obligations from the target. The new target of 35% corresponds to the previous financial target of 40% in which pension obligations were included.

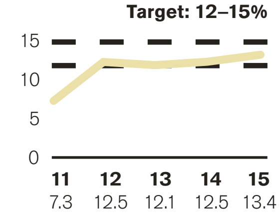
Net financial debt as a percentage of shareholders' equity, %



CUSTOMER FINANCE OPERATIONS

Target and outcome
The target for Customer Finance is a return on shareholders' equity of 12–15% and an equity ratio not less than 8%. The return on shareholders' equity for 2015 amounted to 13.4% (12.5). At year end 2015 the equity ratio was 8.0% (8.0).

Return on shareholders' equity, %

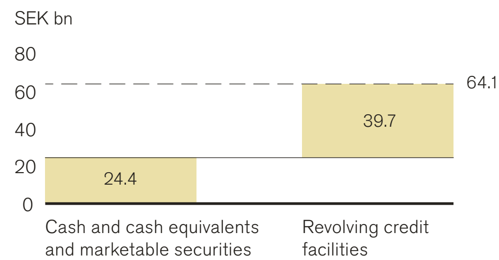


BALANCING THE REQUIREMENTS OF DIFFERENT STAKEHOLDERS

The objectives of the financial management in the Volvo Group is to assure shareholders long-term attractive and stable total return, and debt providers the financial strength and flexibility to secure proceeds and repayment.

A long-term competitive business requires access to capital to be able to invest. The financial management secures that the capital is used in the best possible way through well-defined ratios and objectives for the Industrial Operations as well as for the Customer Finance Operations. The objectives on net sales growth and operating margins for the Industrial Operations and return on equity for the Customer Finance Operations are intended to secure the return requirements from shareholders. The restrictions on net debt to equity for the Industrial Operations and equity ratio for the Customer Finance Operations are to secure financial stability and flexibility for debt providers.

Volvo Group liquidity position, December 31, 2015



Steering principles to ensure financial flexibility over the business cycle

To ensure financial stability and flexibility throughout the business cycle the Volvo Group holds a strong liquidity position. Besides cash and marketable securities the liquidity position is built up of committed credit facilities. The funding and lending is in local currency and the customer finance portfolio is matched both from an interest and a liquidity risk perspective, in accordance with the Volvo Group policy. For further information, please see note 4 to the Consolidated financial statements.

Diversified funding sources give flexibility and support the global presence

The Volvo Group has centralized the portfolio management of all financial assets and liabilities, funding operations and cash management through the internal bank, Volvo Treasury. The liability portfolio is separated into two portfolios, one for Industrial Operations and one for Customer Finance, to correspond to the needs in the different operations.

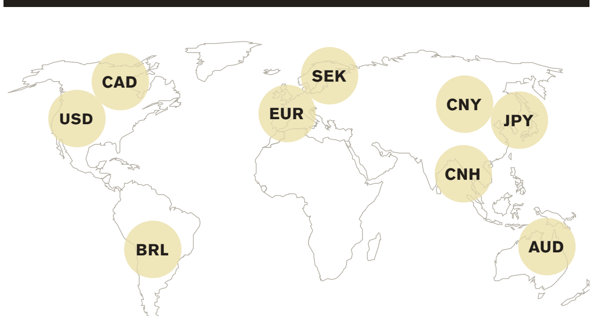
Volvo Treasury is increasing the possibility to access capital markets at all times through diversified funding sources. Furthermore, the Volvo Group's global presence is supported by bond programs on all major debt capital markets in the world. Besides the access to capital markets around the world, the Volvo Group uses different instruments, such as bilateral bank funding, corporate bonds and certificates, hybrid bonds, agency funding as well as securitization of assets in the Customer Finance portfolio. An increasingly important part of the treasury work is also to manage increased funding needs in new growth markets for the Group.

A strong and stable credit rating is important

Being a large issuer with a growing customer financing business, it is critical to have a strong and stable credit rating. The level of the credit rating is not only important for debt investors but also for a number of other stakeholders when it comes to creating long-term relationships. A strong credit rating has a positive effect on the ability to attract and finance customers' purchases of the Group's products and on the trust from suppliers. It also gives access to more funding sources and lower cost of funds.

The Volvo Group has contractual relations with two global Credit Rating Agencies (CRA's) for solicited credit ratings; Standard & Poors' Rating Services (S&P) and Moody's Investors Service (Moody's). Both S&P and Moody's changed their negative outlook to stable during 2015. S&P's long-term credit rating is BBB, stable and Moody's rating is Baa2, stable.

GEOGRAPHICALLY DIVERSIFIED MARKET PROGRAMS



CREDIT RATING, FEBRUARY 22, 2016

	Short-term	Long-term
Moody's (Corporate Rating)	P-2	Baa2, stable
S&P (Corporate Rating)	A2	BBB, stable
DBRS (Canada)	–	BBB, (high)
R&I (Japan)	a-1	A, stable

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK M		Share capital	Other reserves[1]	Translation reserve	Retained earnings	Total	Minority interests	Total equity
		Shareholders' equity attributable to equity holders of the Parent Company						
Balance at December 31, 2013		**2,554**	**1,037**	**-4,440**	**76,881**	**76,032**	**1,333**	**77,365**
Income for the period		–	–	–	2,099	2,099	136	2,235
Other comprehensive income								
Translation differences on foreign operations		–	–	5,746	–	5,746	252	5,998
Share of OCI related to Joint Ventures and associated companies		–	–	198	–	198	–	198
Accumulated translation differences reversed to income		–	–	33	–	33	–	33
Available-for-sale investments:	Note 5, 19							
Gains/losses at valuation to fair value		–	3,067	–	–	3,067	–	3,067
Change in cash flow hedge reserve	Note 19	–	24	–	–	24	–	24
Remeasurements of defined benefit plans	Note 20	–	–	–	−2,833	−2,833	–	−2,833
Other comprehensive income for the period		–	3,091	5,977	−2,833	6,235	252	6,487
Total income for the period		**–**	**3,091**	**5,977**	**-734**	**8,334**	**388**	**8,722**
Transactions with shareholders								
Dividends to shareholders		–	–	–	−6,084	−6,084	–	−6,084
Transactions with minority interests		–	–	–	–	–	–	–
Share based payments	Note 27	–	–	–	60	60	–	60
Changes in minority interests		–	–	–	–	–	–	–
Other changes		–	–	–	−17	−17	2	−15
Transactions with shareholders		–	–	–	−6,041	−6,041	2	−6,039
Balance at December 31, 2014		**2,554**	**4,128**	**1,537**	**70,106**	**78,325**	**1,723**	**80,048**
Income for the period		–	–	–	15,058	15,058	41	15,099
Other comprehensive income								
Translation differences on foreign operations		–	–	−2,515	–	−2,515	33	−2,481
Share of OCI related to Joint Ventures and associated companies		–	–	–	24	24	–	24
Accumulated translation differences reversed to income		–	–	45	–	45	–	45
Available-for-sale investments:	Note 5, 19							
Gains/losses at valuation to fair value		–	−3,837	–	–	−3,837	–	−3,837
Change in cash flow hedge reserve	Note 19	–	−32	–	–	−32	–	−32
Remeasurements of defined benefit plans	Note 20	–	–	–	2,783	2,783	–	2,783
Other comprehensive income for the period		–	−3,869	−2,470	2,807	−3,533	33	−3,498
Total income for the period		**–**	**-3,869**	**-2,470**	**17,865**	**11,527**	**74**	**11,601**
Transactions with shareholders								
Dividends to shareholders		–	–	–	−6,090	−6,090	–	−6,090
Transactions with minority interests		–	–	–	–	–	–	–
Share based payments	Note 27	–	–	–	65	65	–	65
Changes in minority interests		–	–	–	–	–	–	–
Other changes		–	–	–	−17	−17	4	−14
Transactions with shareholders		–	–	–	−6,041	−6,041	4	−6,037
Balance at December 31, 2015		**2,554**	**259**	**-933**	**81,930**	**83,810**	**1,801**	**85,610**

1 For specification of other reserves, refer to Note 19.

ONE OF THE MOST TRADED SHARES IN STOCKHOLM

Many of the world's leading stock markets had a volatile development in 2015 and ended the year lower than they started. The price of the Volvo B share decreased by 7% during the year.

The Volvo share is listed on the stock exchange Nasdaq Stockholm, Sweden. One A share carries one vote at Annual General Meetings and one B share carries one tenth of a vote. Dividends are the same for both classes of shares. The A share is traded under the ticker code Volvo A and the B share under Volvo B.

The Volvo share is included in a large number of indexes that are compiled by Dow Jones, FTSE, S&P and Nasdaq Nordic.

The Volvo share price declined

In general, the leading stock exchanges fell back during 2015. However, on Nasdaq Stockholm, the broad OMXSPI index rose by 7% (12) during the year.

On Nasdaq Stockholm the share price for the Volvo A share decreased by 5%, and at year-end the price for the Volvo A share was SEK 80.95 (85.40). The lowest price paid was SEK 76.35 on September 29, and the highest price paid was SEK 120.50 on April 27.

The share price for the Volvo B share decreased by 7% and at year-end the price was SEK 79.10 (84.70). The lowest price paid was SEK 75.90 on December 14 and the highest price paid was SEK 120.50 on April 27.

In 2015, a total of 2.1 billion (2.1) Volvo shares at a value of SEK 203 billion (192) were traded on Nasdaq Stockholm, corresponding to a daily average of 8.4 million shares (8.7). The Volvo share was the fourth most traded share on Nasdaq Stockholm in 2015. At year-end, Volvo's market capitalization totalled SEK 169 billion (181).

According to Fidessa, the trading on Nasdaq Stockholm accounted for 49% (48) of the turnover in the Volvo B share, Bats Chi-X Europe accounted for 36%, Boat for 6% and LSE Group for 5%.

Share conversion option

In accordance with a resolution on the AGM on April 6, 2011, the Articles of Association have been amended to include a conversion clause, stipulating that series A shares may be converted into series B shares, after a request sent to the Board.

During 2015 a total of 7,633,140 A shares were converted to B shares, representing 1.5% of the outstanding A shares at the end of 2014.

Further information on the procedure is available on the Volvo Group's web site: www.volvogroup.com

Ownership changes

During the year Industrivärden decreased its holding of B shares and increased the holding of A shares. Cevian Capital increased its holding of both A and B shares. At year end, Industrivärden was the largest owner followed by Cevian Capital, Norges Bank Investment Management, SHB and Alecta, when measured as share of voting rights.

Dividend

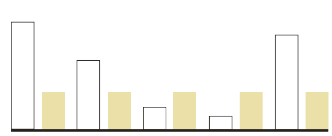
The Board proposes a dividend of SEK 3.00 per share for the financial year of 2015, which would mean that a total of SEK 6.093 M would be transferred to AB Volvo's shareholders. For the preceding year a dividend of SEK 3.00 per share was paid out.

Communication with shareholders

Dialogue with the shareholders is important for Volvo. In addition to the Annual General Meeting and a number of larger activities aimed at professional investors, private shareholders and stock market analysts, the relationship between Volvo and the stock market is maintained through such events as press and telephone conferences in conjunction with the publication of interim reports, meetings with retail shareholders' associations, investor meetings and visits, as well as road shows in Europe, North America and Asia.

On the website www.volvogroup.com it is possible to access financial reports, search for information concerning the share, insider trading in Volvo shares and statistics for truck deliveries. It is also possible to access information concerning the Group's governance, including information about the Annual General Meeting, the Board of Directors, Group Management and other areas that are regulated in the "Swedish Code of Corporate Governance." The website also offers the possibility to subscribe to information from Volvo.

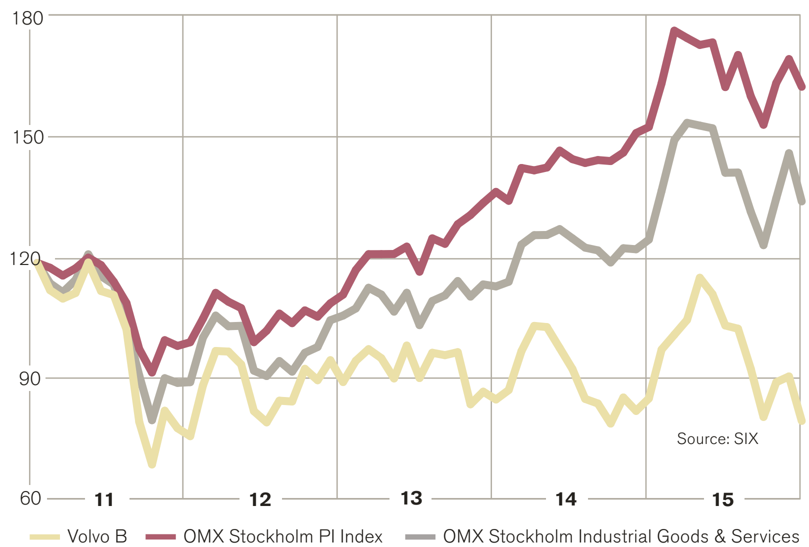
EARNINGS AND DIVIDEND PER SHARE, SEK



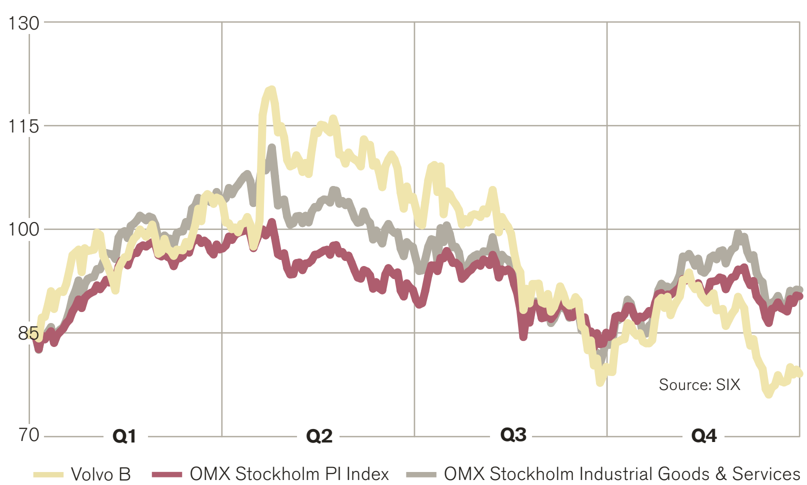
	11	12	13	14	15
Diluted earnings per share	8.75	5.61	1.76	1.03	7.41
Dividend per share	3.00	3.00	3.00	3.00	3.00[1]

1 Proposed by the Board of Directors.

PRICE TREND, VOLVO SERIES B SHARES, 2010–2015, SEK



PRICE TREND, VOLVO SERIES B SHARES, 2015, SEK



The largest shareholders in AB Volvo, December 31, 2015[1]	Voting rights, %	Capital, %
Industrivärden	22.3	7.1
Cevian Capital	14.8	8.4
Norges Bank Investment Management	6.1	5.6
SHB[2]	5.8	1.9
Alecta	4.5	3.9

1 Adjusted for shares owned by AB Volvo, which carry no voting rights at the AGM. AB Volvo held 20,728,135 class A shares and 76,975,610 class B shares comprising in total 4.6% of the number of registered shares on December 31, 2015.

2 Comprises shares held by SHB, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

Share capital, December 31, 2015	
Registered number of shares[1]	2,128,420,220
of which, Series A shares[2]	505,481,960
of which, Series B shares[3]	1,622,938,260
Quota value, SEK	1.20
Share capital, SEK M	2,554
Number of shareholders	234,989
Private persons	221,050
Legal entities	13,939

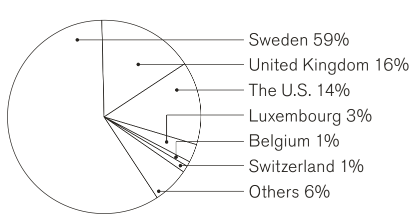
For further details on the Volvo share, see note 19.

1 The number of outstanding shares was 2,030,716,475 on December 31, 2015.

2 Series A shares carry one vote each.

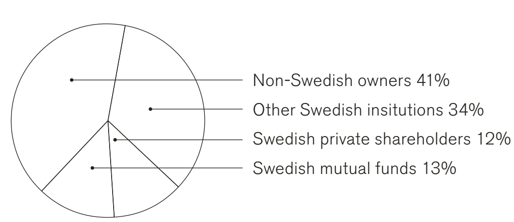
3 Series B shares carry one tenth of a vote each.

OWNERSHIP BY COUNTRY[1]



1 Share of capital, registered shares.

OWNERSHIP CATEGORIES[1]



1 Share of capital, registered shares.

The employees' ownership of shares in Volvo through pension foundations is insignificant.

» More details on the Volvo share and Volvo's holding of treasury shares are provided in note 19 to the financial statements and in the Eleven-year summary.

DOW JONES SUSTAINABILITY INDEX

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

The Volvo Group is among the top 300 companies included in the DJSI World. Volvo Group received particularly good ratings for antitrust policy, climate strategy and corporate citizenship program. The Index ranks the world's leading companies in terms of their sustainability efforts. The included companies across all industries have a common denominator; they outperform their peers in numerous sustainability metrics.

The Volvo Group was also acknowledged for improvements related to human capital development, social reporting and tax strategy. Other important areas are the positive trend in product stewardship and customer relationship management. Approximately 3,400 of the largest companies in the world are invited to participate in the assessment for qualification in the DJSI indices. The annual review is based on analysis of the various companies' business ethics, environmental achievements and social performance which impact the companies' long-term financial performance.

Shareholder value – Long-term value creation

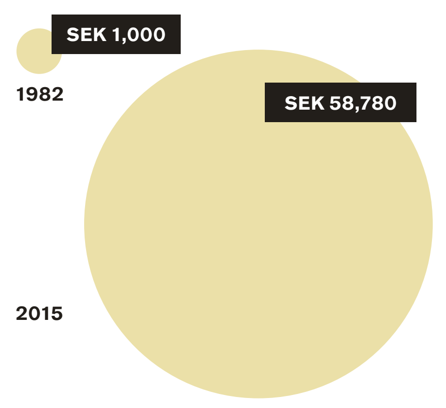
The Volvo Group strives to create long-term value for its shareholders.

The Volvo Group's origins can be traced to 1927, when the first serial produced Volvo car rolled out of the factory in Göteborg, Sweden. The first serial produced truck saw the light of day in 1928 and was an immediate success. In 1935, AB Volvo was listed on the Stockholm Stock Exchange.

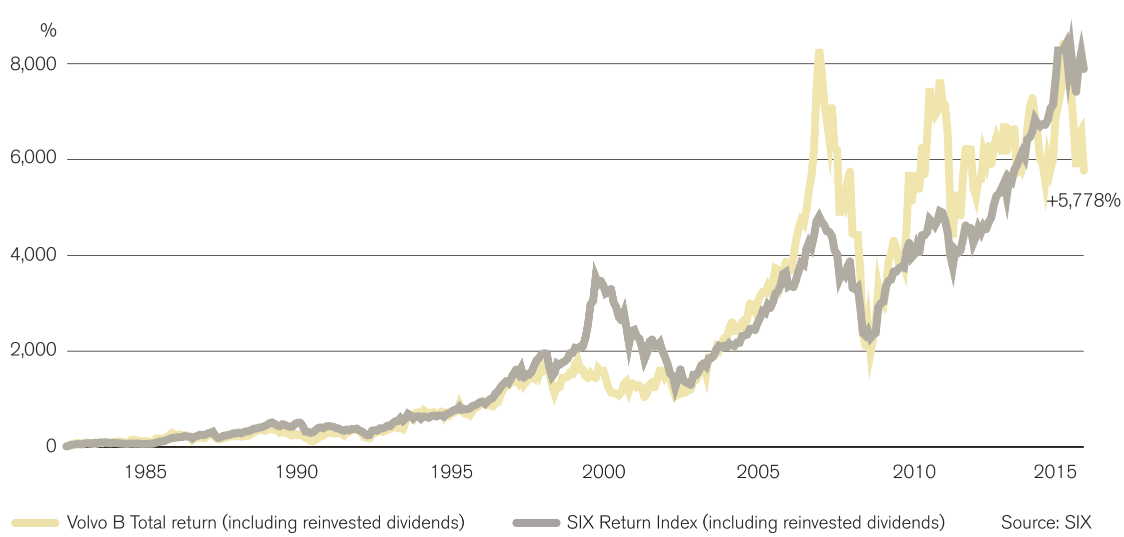
The graph shows the total return for the Volvo B share, measured as the share price development with all dividends re-invested, since December 30, 1982, which is as far back as the comparison index, SIX Return Index, stretches. SIX Return Index measures the total return for the Stockholm Stock Exchange as whole.

The graph shows that SEK 1,000 invested in the Volvo B-share in 1982 had grown to SEK 58,780 at the end of 2015, under the condition that all dividends have been reinvested in Volvo B shares.

SEK 1,000 invested in Volvo B shares on December 30, 1982, was worth SEK 58,780 at the end of 2015.



ACCUMULATED TOTAL RETURN OF THE VOLVO B SHARE



RISKS AND UNCERTAINTIES

MANAGED RISK-TAKING

All business operations involve risks – managed risk-taking is a condition of maintaining a sustained favorable profitability.

Risks may be due to events in the world and can affect a given industry or market and can have an impact on the Volvo Group's objectives.

At the Volvo Group, work is carried out daily to identify, assess and respond to risks – in some cases the Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Group's control, the Group strives to minimize the consequences.

AB Volvo has, for a number of years, worked with enterprise risk management (ERM), which is a systematic and structured process to identify, understand, aggregate, report and mitigate the risks that might threaten the Group's objectives.

The goal of ERM is to improve business performance and optimize the costs of managing risk; i.e. protecting and enhancing the Volvo Group's enterprise value. ERM contributes to meeting the high standards of corporate governance expected from the Group's stakeholders and is looked upon as an integral part of good corporate governance as reflected in the Swedish Corporate Governance Code.

The risks to which the Volvo Group are exposed are classified into four main categories:

- **Strategic risks** – such as the cyclical nature of the commercial vehicles business, intense competition, political risks, also connected to the internal events on the long term horizon like strategies and long term planning.
- **Operational risks** – such as product related events, market reception of new products, reliance on suppliers, supply chain management, operation of production sites and risks related to human capital.
- **Compliance risks** – such as government regulations, complaints and legal actions by customers and other third parties.
- **Financial risks** – such as financial reporting, currency fluctuations, interest rate fluctuations, market value of shares or similar instruments, credit risk and liquidity risk.

STRATEGIC RISKS

For a large global company such as Volvo Group, navigating through the political, economic and societal trends is important and crucial to define our place in the global context of markets and competitors.

From a Volvo Group perspective, there are a number of trends and challenges driving our work to develop and deliver sustainable transport and infrastructure solutions today and tomorrow.

The commercial vehicles industry is cyclical

The Volvo Group's markets undergo significant changes in demand as the general economic environment fluctuates. Investments in infrastructure, major industrial projects, mining and housing construction all impact the Group's operations as its products are central to these sectors. Adverse changes in the economic conditions for the Volvo Group's customers may also impact existing order books through cancellations of previously placed orders. The cyclical demand for the Group's products makes the financial result of the operations dependable on the Group's ability to react quickly to changes in demand, in particular to the ability to adapt production levels and operating expenses.

Intense competition

Continued consolidation in the industry is expected to create fewer but stronger competitors. The major competitors are Daimler, Iveco, MAN, Navistar, Paccar, Scania, Sinotruk, Brunswick, Caterpillar, CNH, Cummins, Deere, Hitachi, Komatsu and Terex. In recent years, new competitors have emerged in Asia, particularly in China. These new competitors are mainly active in their domestic markets, but are expected to increase their presence in other parts of the world.

Extensive government regulation

Regulations regarding exhaust emission levels, noise, safety and levels of pollutants from production plants are extensive within the industry.

Most of the regulatory challenges regarding products relate to reduced engine emissions. The Volvo Group is a leading company in the commercial vehicle industry and one of the world's largest producers of heavy-duty diesel engines. The product development capacity within the Volvo Group is well consolidated to be able to focus resources for research and development to meet tougher emission regulations. Future product regulations are well known, and the product development strategy is well tuned to the introduction of new regulations.

Local protectionism leading to changes to local content requirements can put the Volvo Group at a disadvantage compared to local competitors, cause increased sourcing costs or require Volvo to make significant investments not necessary from an operational point of view.

Geopolitical uncertainty

Volvo is active in more than 190 countries and political instability, armed conflicts and civil unrest may impact Volvo's ability to trade in affected areas. Rapid change in inflation, devaluations or regulations can sustain Volvo significant losses, impairment of assets or costs due to underutilized assets.

OPERATIONAL RISKS

Operational risks are risks found in Volvo Group's everyday business activities.

Product development
The Volvo Group's long-term profitability depends on its ability to successfully launch and market its new products. Product life cycles continue to shorten, putting increased focus on the success of the Group's product development.

Prices may change
The prices of commercial vehicles have, at times, changed considerably in certain markets over a short period. This instability is caused by several factors, such as short-term variations in demand, shortages of certain components, uncertainty regarding underlying economic conditions, changes in import regulations, excess inventory and increased competition. Overcapacity within the industry can occur if there is a lack of demand, potentially leading to increased price pressure.

Residual value commitments
When selling products the Volvo Group at times enters into residual value commitments. At the time of the sale the evolution of the used commercial vehicle market and equipment market may be uncertain, potentially leading to too high commitments, impacting the future profitability.

Reliance on suppliers
The Volvo Group purchases raw materials, parts and components from numerous external suppliers. A significant part of the Group's requirements for raw materials and supplies is filled by single-source suppliers. The effects of delivery interruptions vary depending on the item or component. Certain items and components are standard throughout the industry, whereas others are internally developed and require unique tools that are time-consuming to replace. The Volvo Group's costs for raw materials and components can vary significantly over a business cycle. Cost variations may be caused by changes in world market prices for raw materials or by an inability of our suppliers to deliver.

An increase in demand could potentially result in delivery disturbances due to suppliers' financial instability or shortage of resources. Uncertainty regarding customers' access to the financing of products in emerging markets might have a negative impact on demand.

Operation of plants
For Volvo Group the industrial system is crucial in providing customers with the right products at the right time. It is a large operation with tools and human beings having to interact in an efficient and timely manner and also handle flexibility. Interruptions or inefficiencies in the system can negatively impact the Group's profitability. Here risk management is crucial to foresee and prevent possible stops in production, injuries on personnel, right handling of materials and chemicals, etc. There are a large number of instructions on how to do different tasks to avoid implications, as well as audits and assessments performed to secure that the instructions are followed.

Risk related to human capital
A decisive factor for the realization of the Volvo Group's vision is our employees and their knowledge and competence. Future development depends on the company's ability to maintain its position as an attractive employer. Every year a Group-wide survey is conducted, and according to the survey the share of satisfied employees has been on a high level in recent years, although it declined in 2014 and 2015.

COMPLIANCE RISKS

In its operations Volvo Group is obliged to follow a number of laws and regulations and has made the conscious decision to comply with a number of global standards. Also the corporate reputation for being a company that has legal compliance, business ethics, integrity and corporate social responsibility is high on the agenda, combined with the core values of quality, environment and safety set as internal demands on the business. These requirements are implemented by Group-wide policies.

Intangible assets
AB Volvo owns or otherwise has rights to patents and brands that refer to the products the company manufactures and markets. These have been acquired over a number of years and are valuable to the operations of the Volvo Group. AB Volvo does not consider that any of the Group's operations are heavily dependent on any single patent or group of patents. AB Volvo and Volvo Car Corporation jointly own the Volvo brand through Volvo Trademark Holding AB. AB Volvo has the exclusive right to use the Volvo name and trademark for its products and services. Similarly, Volvo Car Corporation has the exclusive right to use the Volvo name and trademark for its products and services.

The Volvo Group's rights to use the Renault brand are restricted to the truck operations only and are regulated by a license from Renault s.a.s., which owns the Renault brand. The amount paid during 2015 to Renault s.a.s. for license fees amounted to SEK 6.4 M (6.0).

Complaints and legal actions
The Volvo Group could be the target of complaints and legal actions initiated by customers, employees and other third parties alleging health, environmental, safety or business related issues, or failure to comply with applicable legislation and regulations. Information about legal proceedings involving entities within the Volvo Group are found in note 21 Other Provisions and in note 24 Contingent Liabilities. Even if such disputes are resolved successfully, without having adverse financial consequences, they could negatively impact the Group's reputation and take up resources that could be used for other purposes.

Contractual conditions related to takeover bids
Some of AB Volvo's long term loan agreements contain conditions stipulating the right for a bondholder to request repayment in advance under certain conditions following a change of the control of the company. In AB Volvo's opinion it has been necessary to accept those conditions in order to receive financing on otherwise acceptable terms. Provisions stipulating that an agreement can be changed or terminated if the control of the company is changed are also included in some of the agreements whereby Renault Trucks' has been given the right to sell Renault s.a.s.' and Nissan Motor Co. Ltd's light-duty trucks as well as in some of the Group's purchasing agreements.

Environmental

The Volvo Group takes pride in being a leader in the area of environmental care. The Volvo Group could be at risk for complaints and legal actions initiated by customers, employees and other third parties alleging environmental related issues. Environmental legislation is fast changing and there are increased demands in many areas, for instance chemical management as well as on emission standards for the vehicles themselves. The Group invests a great deal of resources to adhere to different legislation throughout the entire value chain. Recent developments in international standards in environmental and quality management are further emphasizing the need for risk management in these areas. Even if potential issues in these areas are resolved and handled without adverse financial impacts they could have a negative impact on Group reputation and diverting resources that would have come to better use in the Group's development.

FINANCIAL RISKS

The Volvo Group is exposed to various types of financial risks. Group-wide policies, which are updated and decided upon annually, form the basis of each Group company's management of these risks. The objectives of the Group's policies for management of financial risks are to optimize the Group's capital costs by utilizing economies of scale, to minimize negative effects on income as a result of changes in currency or interest rates, to optimize risk exposure and to clarify areas of responsibility. Monitoring and control that established policies are adhered to is continuously conducted. Information about key aspects of the Group's system for internal controls in conjunction with the financial reporting is provided in the Corporate Governance Report on page 168. Most of the Volvo Group's financial transactions are carried out through the in-house bank, Volvo Treasury, which conducts its operations within established risk mandates and limits. Customer credit risks are mainly managed by the different business areas. The nature of the various financial risks and objectives and the policies for the management of these risks are described in detail in notes 4 and 30. Various aspects of financial risk are described briefly in the following paragraphs.

Interest-related risk

Interest-related risk includes risks that changes in interest rates will impact the Group's income and cash flow (cash-flow risks) or the fair value of financial assets and liabilities (price risks).

Currency-related risk

More than 90% of the net sales of the Volvo Group are generated in countries other than Sweden. A majority of the Group's costs also stems from other countries than Sweden. To reduce currency exposure, the Volvo Group strives to have manufacturing located in the major markets. However, changes in exchange rates have a direct impact on the Volvo Group's operating income, balance sheet and cash flow, as well as an indirect impact on Volvo's competitiveness, which over time affects the Group's earnings.

Credit-related risk

There are three main areas of credit risks for the Volvo Group. Firstly, within its Industrial Operations the Group sells products with open credits to customers and issues credit guarantees for customers' commercial vehicles and equipment. The majority of the outstanding credit guarantees at year-end relates to Chinese retail customers within Construction Equipment. Secondly, the customer finance activity in Volvo Financial Services manages a significant credit portfolio, equivalent to SEK 123 billion at year-end 2015. The portfolio is largely secured by the title to the financed commercial vehicles and equipment. However, in the case of customer default, the value of the repossessed commercial vehicles and equipment may not necessarily cover the outstanding financed amount. Lastly, a part of the Group's credit risk is related to the investment of the financial assets of the Group. The majority has been invested in interest-bearing securities issued by Swedish real estate financing institutions or deposited with the Group's core banks.

Liquidity risk

The Volvo Group strives to have a sound preparedness by always having liquid funds and committed facilities to cover the Group's expected liquidity needs for a period of 12–18 months in a scenario with no access to capital markets.

Market risk from investments in shares or similar instruments

The Volvo Group has invested in listed shares with a direct exposure to the capital markets. The majority of this exposure is relating to the investments in Deutz AG and Inner Mongolia North Hauler Joint Stock Co., Ltd. Please see note 5 for further information. Furthermore, the Volvo Group is indirectly exposed to market risks from shares and other similar instruments as a result of capital in independent pension plans with asset management with exposure to these types of instruments. Please see note 20 for further information.

Impairment

The Volvo Group verifies annually, or more frequently if necessary, the goodwill value and other intangible assets upon indication for possible impairment. The size of the overvalue differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment. For further information on intangible assets, see note 12.

›› Further information

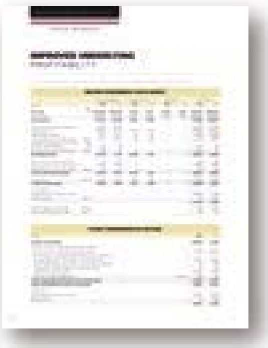
Note 27 Personnel contains information concerning rules on severance payments applicable for the Group Executive Team and certain other senior executives.

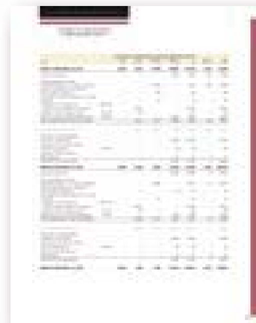
Note 4 and 30 contain information regarding financial risks as well as goals and policies in financial risk management.

Further risk information is provided in note 24.

Information about licensable facilities in Sweden is provided on page 33.

FINANCIAL STATEMENTS





NOTES

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the preceding year, 2014.

Notes to Financial Statements

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the preceding year, 2014.

NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements for AB Volvo and its subsidiaries have been prepared in accordance with 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 with the Swedish Annual Accounts Act. In addition, RFR 1 Supplementary Rules for Groups, has been applied, which is issued by the Swedish Financial Reporting Board.

How should the Volvo Group's accounting policies be read?
The Volvo Group describes the accounting policies in conjunction with each note in the aim of providing enhanced understanding of each accounting area. The Volvo Group focuses on describing the accounting choices made within the framework of the prevailing IFRS policy and avoids repeating the actual text of the standard, unless the Volvo Group considers it particularly important to the understanding of the note's content. The following symbols I/S and B/S show which amounts in the notes that can be found in the income statement or balance sheet. The total amount in tables and statements might not always summarize as there are rounding differences. The aim is to have each line item corresponding to the source and it might therefore be rounding differences in the total. Refer to the table below to see the note in which each accounting policy is listed and for the relevant and material IFRS standard.

Accounting principle	Note	IFRS-standard
Non-current assets held for sale and discontinued operations	3, Acquisitions and divestments of shares in subsidiaries	IFRS 5, IFRS 13
Business combinations	3, Acquisitions and divestments of shares in subsidiaries	IFRS 3
Joint ventures	5, Investments in joint ventures, associated companies and other shares and participations	IFRS 11, IAS 28, IFRS 12
Associated companies	5, Investments in joint ventures, associated companies and other shares and participations	IAS 28, IFRS 12
Operating segments	6, Segment reporting	IFRS 8
Revenue	7, Revenue	IAS 17, IAS 18
Shares and participations	5, Investments in joint ventures, associated companies and other shares and participations	IAS 28, IAS 32, IAS 36, IAS 39, IFRS 7, IFRS 13
Financial income and expenses	9, Other financial income and expenses	IAS 39
Income taxes	10, Income taxes	IAS 12
Minority interests	11, Minority interests	IFRS 10, IFRS 12
Research and development expenses	12, Intangible assets	IAS 36, IAS 38, IAS 23
Goodwill	12, Intangible assets	IAS 36, IAS 38
Tangible assets	13, Tangible assets	IAS 16, IAS 36, IAS 40, IFRS 13, IAS 23
Leasing	14, Leasing	IAS 17
Customer-financing receivables	15, Customer-financing receivables	IAS 17, IAS 18, IAS 32, IAS 39, IFRS 7, IFRS 13
Inventories	17, Inventories	IAS 2
Earnings per share	19, Equity and number of shares	IAS 33
Pensions and similar obligations	20, Provisions for post-employment benefits	IAS 19
Provisions for residual value risks	21, Other provisions	IAS 17, IAS 18, IAS 37
Warranty expenses	21, Other provisions	IAS 37
Restructuring costs	21, Other provisions	IAS 37, IAS 19
Liabilities	22, Liabilities	IAS 32, IAS 37, IAS 39, IFRS 7, IFRS 13
Contingent liabilities	24, Contingent liabilities	IAS 37
Transactions with related parties	25, Transactions with related parties	IAS 24
Government grants	26, Government grants	IAS 20
Share-based payments	27, Personnel	IFRS 2
Cash-flow statement	29, Cash flow	IAS 7
Financial instruments	4, Goals and policies in financial risk management	IAS 32, IAS 39, IFRS 7, IFRS 13
	16, Receivables	
	18, Marketable securities and liquid funds	
	30, Financial instruments	

» Consolidated financial statements

Principles for consolidation

The consolidated financial statements comprise the parent company, subsidiaries, joint ventures and associated companies. Intra-group transactions as well as gains on transactions with joint ventures and associated companies are eliminated in the consolidated financial statements.

» **Read more in note 5** about definitions of subsidiaries, joint ventures, and associated companies.

Translation to Swedish kronor when consolidating companies have other functional currencies

The functional currency of each Volvo Group company is determined based on the currency in which the company primarily generates and expends cash, normally the currency of the country where the company is located. AB Volvo's and the Volvo Group's presentation currency is SEK. In preparing the consolidated financial statements, items in the income statements of foreign subsidiaries (except for subsidiaries in hyperinflationary economies) are translated to SEK using monthly average exchange rates. Balance-sheet items are translated into SEK using exchange rates at year-end (closing rate). Exchange differences are recognized in other comprehensive income and accumulated in equity.

The accumulated translation differences related to a certain subsidiary, joint venture or associated company are reversed to the income statement as a part of the gain/loss arising from disposal of such a company or repayment of capital contribution from such a company.

Receivables and liabilities in foreign currency

Receivables and liabilities in currencies other than the functional currency of the reporting entity (foreign currencies) are translated to the functional currency using the closing rate. Translation differences on operating assets and liabilities are recognized in operating income, while translation differences arising in financial assets and liabilities are recognized in financial income and expenses. Interest-bearing financial assets and liabilities are defined as items included in the net financial position of the Volvo Group (see Definitions at the end of this report). Exchange rate differences on loans and other financial instruments in foreign currency, which are used to hedge net assets in foreign subsidiaries and associated companies, are offset against translation differences in the shareholders' equity of the respective companies. Exchange-rate gains and losses on assets and liabilities in foreign currencies, both on payments during the year and on measurements at year-end, impact profit or loss in the year in which they are incurred.

» **Read more in note 4** about currency exposure and currency risk management.

The most important exchange rates applied in the consolidated financial statements are shown in the table.

Exchange rates		Average rate		Closing rate as of Dec 31	
Country	Currency	2015	2014	2015	2014
Australia	AUD	6.3377	6.1801	6.0861	6.3746
Brazil	BRL	2.5643	2.9202	2.1596	2.8903
Euro Zone	EUR	9.3638	9.1059	9.1443	9.5248
Japan	JPY	0.0697	0.0649	0.0694	0.0654
Canada	CAD	6.6054	6.2122	6.0293	6.7231
China	CNY	1.3424	1.1134	1.2868	1.2595
Norway	NOK	1.0469	1.0904	0.9567	1.0526
Great Britain	GBP	12.9042	11.2976	12.3848	12.1451
South Africa	ZAR	0.6641	0.6320	0.5433	0.6722
South Korea	KRW	0.0075	0.0065	0.0071	0.0071
United States	USD	8.4370	6.8582	8.3537	7.8130

New accounting policies for 2015

There are no new accounting principles and interpretations that came into effect as of January 1, 2015 that significantly effects the Volvo Group's financial statements.

New accounting policies for 2016 and later

A number of accounting standards and interpretations have been published, but have not yet become effective.

IFRS 9 Financial instruments

IFRS 9 is divided in three parts: Classification and Measurement, Impairment and Hedge Accounting, and will replace the current IAS 39 Financial instruments: recognition and measurement. The Volvo Group is currently assessing the effect of IFRS 9 and are expecting the greatest impact from the transition to the new expected credit loss model, however the impact is not yet quantifiable. The mandatory effective date is January 1, 2018, with earlier application allowed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 represent a new framework for recognising revenue with additional disclosure requirements. The framework establishes principles about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity's contracts with customers. IFRS 15 will replace current IAS 11 Construction contracts and IAS 18 Revenue. The Volvo Group is assessing the impact of the IFRS 15 and monitors any statements from the IASB and FASB Joint transition resource group for revenue recognition as well as amendments to the standard. Areas in focus for the Volvo Group are for example accounting for repurchase commitments and service contracts, where the guidance in IFRS 15 is more explicit than under IAS 18. The mandatory effective date is January 1, 2018, with earlier application allowed.

IFRS 16 Leases

IFRS 16 Leases was published in January 2016 and are replacing the former IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The accounting for lessors will in all material aspects be unchanged, however the accounting for lessees will change. There will no longer be a distinction between operating and finance lease, all leases will be recognized on the balance sheet except for short-term leases and those of minor value. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. Volvo Group will assess the impact of IFRS 16, however it can already now be concluded that the balance sheet for Volvo Group will increase.

IFRS 9, IFRS 15 and IFRS 16 has not yet been adopted by the EU when this Annual Report is published.

Other new or revised accounting standards are not considered to have a material impact on the Volvo Group's financial statements.

NOTE 2 KEY SOURCES OF ESTIMATION UNCERTAINTY

The Volvo Group's most significant accounting policies are described together with the applicable note. Read more in Note 1, Accounting Policies for a specification. The preparation of AB Volvo's Consolidated Financial Statements requires the use of estimates and assumptions that may affect the recognized amounts of assets and liabilities at the date of the financial statements. In addition, the recognized amounts of net sales and expenses during the periods presented are affected. In preparing these financial statements, management has made its best judgments of certain amounts included in the financial statements, materiality taken into account. Actual results may differ from previously made estimates. In accordance with IAS 1, the company is required to disclose the assumptions and other major sources of estimation uncertainties that, if actual results differ, may have a material impact on the financial statements.

! The sources of uncertainty which has been identified by the Volvo Group and which are considered to fulfill these criteria are presented in connection to the items considered to be affected. The table discloses where to find these descriptions.

Source of estimation uncertainty	Note	
Buy-back agreements and residual value guarantees	7,	Revenue
Deferred taxes	10,	Income taxes
Impairment of goodwill and other intangible assets	12,	Intangible assets
Impairment of tangible assets	13,	Tangible assets
Credit loss reserves	15, 16,	Customer-financing receivables Receivables
Inventory obsolescence	17,	Inventories
Assumptions when calculating pensions and other post-employment benefits	20,	Provisions for post-employment benefits
Product warranty costs	21,	Other provisions
Legal proceedings	21,	Other provisions
Residual value risks	21,	Other provisions

NOTE 3 ACQUISITIONS AND DIVESTMENTS OF SHARES IN SUBSIDIARIES

ACCOUNTING POLICY

Recognition of business combinations

All business combinations are recognized in accordance with the purchase method. Volvo Group measures acquired identifiable assets, tangible and intangible, and liabilities at fair value. Any surplus amount from the purchase price, possible minority interests and fair value of previously held equity interests at the acquisition date compared to the Volvo Group's share of acquired net assets is recognized as goodwill. Any deficit amount, known as negative goodwill, is recognized in the income statement.

In step acquisitions, a business combination occurs only on the date control is achieved, which is also the time when goodwill is calculated. Transactions with the minority are recognized as equity as long as control of the subsidiary is retained. For each business combination, the Volvo Group decides whether the minority interest shall be valued at fair value or at the minority interest's proportionate share of the net assets of the acquiree. All acquisition-related costs are expensed. Companies acquired during the year are consolidated as of the date of acquisition. Companies that have been divested are included in the consolidated financial statements up to and including the date of the divestment.

Non-current assets held for sale and discontinued operations

In a global group like the Volvo Group, processes are continuously ongoing regarding the sale of assets or groups of assets at minor values. When the criteria for being classified as a non-current asset held for sale are fulfilled and the asset or group of assets are of significant value, the asset or group of assets, both current and non-current, and the related liabilities are recognized on a separate line in the balance sheet. The asset or group of assets are measured at the lower of it's carrying amount and fair value after deductions for selling expenses. The balance sheet items and the potential income effect resulting from the revaluation to fair value less selling expenses are normally recognized in the segment Corporate functions, Group functions and Other, until the sale is completed and the result is distributed to the relevant segments.

AB Volvo's holding of shares in subsidiaries as of December 31, 2015 is disclosed in note 13 for the Parent Company. Significant acquisitions, formations and divestments within the Group are listed below.

Business combinations during the period

The Volvo Group has not made any acquisitions of subsidiaries during 2015.

Comparative figures for 2014 include the acquisition of the hauler manufacturing business from Terex Inc. On May 30 2014, Volvo Group acquired 100% of Terex Equipment LTD. The purchase price adjustment did not lead to any significant impact on the Volvo Group's financial statements in 2015.

The impact on the Volvo Group's balance sheet and cash-flow statement in connection with the acquisitions of subsidiaries and other business units are specified in the following table:

Acquisitions	2015	2014
Intangible assets	–	280
Property, plant and equipment	–	124
Assets under operating lease	–	–
Shares and participations	–	233
Inventories	–	385
Current receivables	–	436
Cash and cash equivalents	–	67
Other assets	–	7
Provisions	–	–84
Loans	–	–55
Current liabilities	–	–368
Acquired net assets	–	1,025
Goodwill	–	75
Total	–	**1,100**
Cash and cash equivalents paid	–	–1,170
Cash and cash equivalents according to acquisition analysis	–	67
Effect on Volvo Group cash and cash equivalents	–	**–1,103**
Cash to be paid	–	**68**
Effect on Volvo Group net financial position	–	**–1,158**

Divestments

The Volvo Group has not made any divestments during 2015, which solely or jointly have had a significant impact on the Volvo Group's financial statements. Divestments in 2015 mainly pertained to planned divestments of activities within the efficiency program. This also includes divestments of operations with the main purpose to dispose fixed assets. As of January 2016 this is treated as disposal of fixed assets. For clarification of effect in the cash flow read more in Note 29 Cash flow.

Comparative figures for 2014 include the divestiture of Volvo Rents and the divestment of commercial real estate. The adjusted purchase price related to Volvo Rents divestment did not have any significant impact on the Volvo Group in 2015. The Volvo Group did not make any other divestments during 2014, which solely or jointly had a significant impact on the Volvo Group's financial statements.

The impact on the Volvo Group's balance sheet and cash flow statement in connection with the divestment of subsidiaries and other business units are specified in the following table:

Divestments	2015	2014
Property, plant and equipment	–219	–1,584
Assets under operating lease	–	–5,475
Inventories	–209	–221
Other receivables	–156	–340
Cash and cash equivalents	–187	–
Other provisions	13	–65
Other liabilities	479	206
Divested net assets	–279	–7,479
Goodwill	–23	–
Total	**–302**	**–7,479**
Additional purchase price	**–**	**–**
Cash and cash equivalents received	595	8,501
Cash and cash equivalents, divested companies	–187	–
Effect on Volvo Group cash and cash equivalents	**408**	**8,501**
Effect on Volvo Group net financial position	**498**	**8,868**

Assets and liabilities held for sale

As of December 31, 2015, the Volvo Group recognized assets amounting to SEK 3,314 M and liabilities amounting to SEK 573 M as assets and liabilities held for sale. Those mainly pertain to the planned divestment of the North American used truck business, Arrow Truck Sales. The assets and liabilities held for sale also include the planned divestment of the external IT business and outsourcing of Volvo Group's own IT infrastructure. Translation differences on foreign operations of SEK 11 M were recognized in other comprehensive income.

For the comparative year 2014, the Volvo Group recognized assets amounting to SEK 288 M and liabilities amounting to SEK 130 M as assets and liabilities held for sale. Those mainly pertained to a planned dealer divestment and divestment activities within the efficiency program which have been completed during 2015. Translation differences on foreign operations of SEK 10 M were also recognized in other comprehensive income.

Assets and liabilities held for sale	Dec 31, 2015	Dec 31, 2014
Tangible assets	815	173
Inventories	519	21
Other current receivables	778	94
Other assets	1,202	–
B/S **Total assets**	**3,314**	**288**
Trade payables	86	87
Provisions	14	5
Other current liabilities	391	23
Other liabilities	82	15
B/S **Total liabilities**	**573**	**130**

Acquisitions and divestments after the end of the period

Volvo Group has not made any acquisitions or divestments after the end of the period that have had any significant impact on the Volvo Group.

NOTE 4 GOALS AND POLICIES IN FINANCIAL RISK MANAGEMENT

The Volvo Group's global operations expose the Group to financial risks in the form of interest rate risks, currency risks, credit risks, liquidity risks and other price risks. Work on financial risks comprises an integrated element of the Volvo Group's business. The Volvo Group strive to minimize these risks by optimizing the Group's capital costs by utilizing economies of scale, minimize negative effects on income as a result of changes in currency or interest rates and to minimize risk exposure. All risks are managed pursuant to the Volvo Group's established policies in these areas.

» **Read more** about accounting principles for financial instruments in **Note 30**, Financial Instruments.

» **Read more** about management of capital on **page 101** and **page 102.**

FINANCIAL RISKS

- **INTEREST-RATE RISKS**
  - CASH-FLOW RISKS
  - PRICE RISKS
- **CURRENCY RISKS**
  - COMMERCIAL CURRENCY EXPOSURE
  - FINANCIAL CURRENCY EXPOSURE
  - CURRENCY EXPOSURE OF EQUITY
- **CREDIT RISKS**
  - COMMERCIAL CREDIT RISK
  - FINANCIAL CREDIT RISK
  - FINANCIAL COUNTERPARTY RISK
- **LIQUIDITY RISKS**
- **OTHER PRICE RISKS**
  - COMMODITY RISK

INTEREST-RATE RISKS

INTEREST-RATE RISKS A

Interest-rate risk refers to the risk that changed interest-rate will affect the Volvo Group's consolidated earnings and cash flow (cash-flow risks) or the fair value of financial assets and liabilities (price risks).

POLICY

Matching the interest-fixing terms of financial assets and liabilities reduces the exposure. Interest-rate swaps are used to change/influence the interest-fixing term for the Volvo Group's financial assets and liabilities. Currency interest-rate swaps enable borrowing in foreign currencies from different markets without introducing currency risk. The Volvo Group has also standardized interest-rate forward contracts (futures) and FRAs (forward-rate agreements). Most of these contracts are used to hedge interest-rate levels for short-term borrowing or investments.

Cash-flow risks

The effect of changed interest rate levels on future currency and interest-rate flows primarily pertains to the Volvo Group's Customer Finance Operations and net financial items. Customer Finance Operations measure the degree of matching interest rate fixing on borrowing and lending. The calculation of the matching degree excludes equity, which amounted to between 8 and 9% in the Customer Finance Operations. At year-end 2015, the degree of such matching was 99% (101) for the segment Customer Finance, which was in line with the Volvo Group's policy. The centralized Treasury function has, for practical as well as business reasons, the mandate to mismatch the Customer Finance portfolio down to a matching ratio of 80%. At year-end 2015, the matching ratio was 91% (110). Any gains or losses from the mismatch impact the segment Group functions and other within Industrial Operations. At year-end 2015, in addition to the assets in its Customer Finance Operations, the Volvo Group's interest-bearing assets consisted primarily of cash, cash equivalents and liquid assets invested in short-term interest-bearing securities. The objective for the Volvo Group's short-term interest-bearing securities is to achieve a return on these assets equivalent to a three-month fixed term security. On December 31, 2015, the average interest on Industrial Operations financial assets was 0.6% (0.9). After taking derivatives into account, outstanding loans had interest terms corresponding to a short term interest-rate fixing term, between one to three months. The average interest on Industrial Operations financial liabilities at year-end amounted to 4.3% (3.8), including the Volvo Group's credit costs.

Price risks C

Exposure to price risks as a result of changed interest-rate refers to financial assets and liabilities with a longer interest-rate fixing term (fixed interest).

The following table 4:1 shows the effect on earnings before taxes in Industrial Operations net financial position, excluding pensions and similar obligations, if interest rates were to increase by 1 percentage point, (100 basis points) assuming an average interest-rate fixed term of three months.* The impact on equity is earnings after tax.

* The sensitivity analysis on interest rate risks is based on simplified assumptions. It is not improbable for market interest rates to change by one percentage point (100 basis points) on an annual basis. However, in reality, these rates often rise or decline at different points in time. The sensitivity analysis also assumes a parallel deferment of the return curve, and that the interest rates on assets and liabilities will be equally impacted by changes in market interest rates. Accordingly, the impact of real interest-rate changes may differ from the analysis presented in table 4:1.

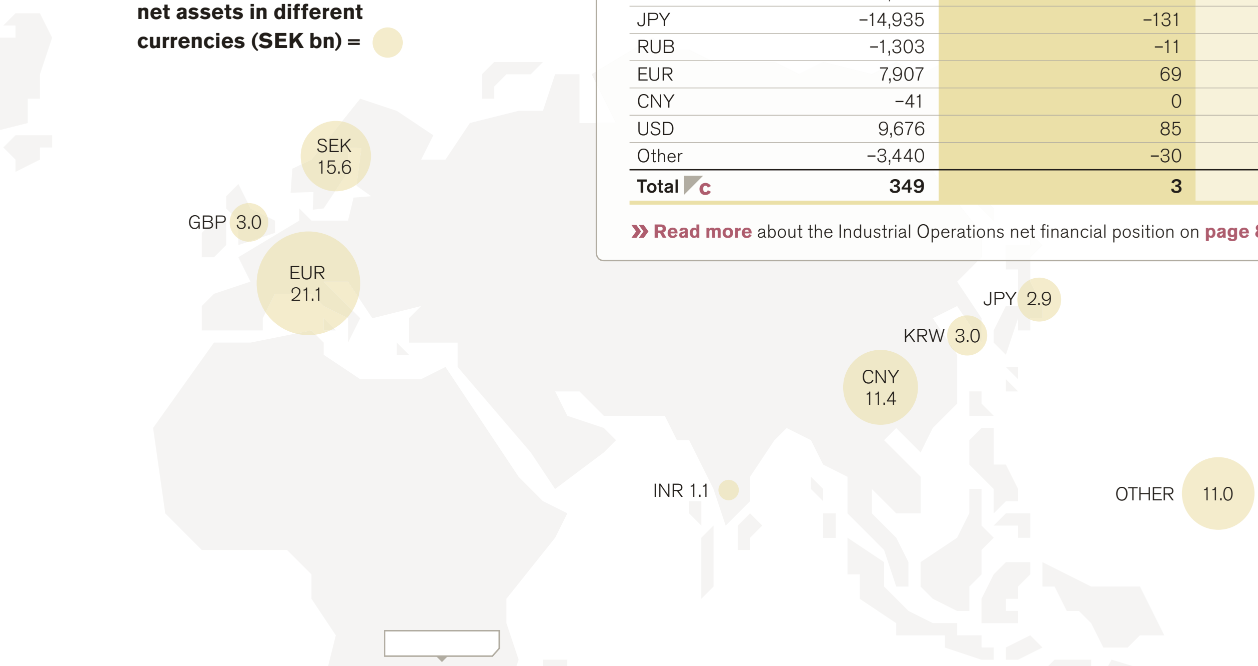
» **Read more in Note 20** Provisions for post-employment benefits regarding sensitivity analysis on the defined benefit obligations when changes in the applied assumptions for discount rate and inflations are made.

Risk net financial position Dec 31, 2015 SEK M	Net financial position excl. pensions	Impact on earnings before tax if interest rate rises 1% A (Interest-rate risks)	Impact on Net financial position if SEK appreciates against other currencies 10% B (Currency risks)
SEK	2,485	22	–
JPY	–14,935	–131	1,494
RUB	–1,303	–11	130
EUR	7,907	69	–791
CNY	–41	0	4
USD	9,676	85	–968
Other	–3,440	–30	344
Total C	**349**	**3**	**214**

» **Read more** about the Industrial Operations net financial position on **page 83.**

4:1

The Volvo Group's net assets in different currencies (SEK bn) =



CURRENCY RISKS

CURRENCY RISKS B

The balance sheet may be affected by changes in different exchange rates. Currency risks in the Volvo Group's operations are related to changes in the value of contracted and expected future payment flows (commercial currency exposure), 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 equity).

POLICY

The aim of the Volvo Group's currency risk management is to secure cash flow from firm flows through currency hedges pursuant to the established currency policy, and to minimize the exposure of financial items in the Volvo Group's balance sheet. Below is a presentation on how this work is conducted for commercial and financial currency exposure, and for currency exposure of equity.

Volvo Group's outstanding derivatives hedging commercial currency risks Dec 31, 2015

Millions	USD/SEK	USD/KRW	USD/CNY	AUD/SEK	GBP/SEK	Market value
Due date 2016	477	124	9	17	126	
Due date 2017	–	–	–	9	10	
Total local currency	**477**	**124**	**9**	**25**	**136**	
Average contract rate	8.48	1.17	6.41	5.84	12.57	
Market value of outstanding forward contracts, SEK M	**74**	**–6**	**–1**	**–3**	**31**	**95**

4:2

Goals and policies in financial risk management (cont.)

Sensitivity analysis*

Risk currency exposure 2015 SEK bn	Transaction exposure from operating net flows	Impact on operating income if currency rate appreciates against all other currencies by 10% B (Currency risks)
SEK	–39.1	-3.9
KRW	–8.0	–0.8
EUR	–2.4	–0.2
GBP	9.3	0.9
USD	18.9	1.9

4:3

Commercial currency exposure

Transaction exposure from commercial flows

The Volvo Group conducts manufacturing in 18 countries around the globe and more than 90% of net sales are generated in countries other than Sweden. Transaction exposure from commercial flows in foreign currency is generated from internal purchases and sales between manufacturing units and market companies and external sales and purchases in foreign currency around the globe. As the predominant parts of the operations in the Volvo Group are situated outside Sweden, the fluctuations in currency rates affecting the transaction flows in foreign currency are in many cases not against SEK. Industrial Operations transaction exposure in key currencies is presented in table 4:5. The graph represents the transaction exposure from commercial operating net cash flows in foreign currency, expressed as net surpluses or deficits in key currencies. The deficit in SEK and KRW is mainly an effect of expenses for manufacturing plants in Sweden and Korea, but limited external revenues in those currencies. The EUR deficit on the other hand, is the net of significant gross volumes of sales and purchases made by many entities around the globe in EUR. The surplus in USD is mainly generated from external sales to entities within the US and emerging markets.

The hedging of the Volvo Group's commercial currency exposure is decided centrally. The Volvo Group's consolidated currency portfolio exposure is the value of forecasted flows in foreign currency. The Volvo Group only hedge the part of the forecasted portfolio that is considered highly probable to occur, i.e. firm flows, where the main parts will be realized within six months. The Volvo Group uses forward contracts and currency options to hedge the portion of the value of forecasted future payment flows in foreign currency. The hedged amount of firm flows for all periods fall within the framework of the Volvo Group's currency policy. The table 4:2 shows outstanding forward and option contracts for the hedging of commercial currency risks.

Translation exposure from the consolidation of operating income in foreign subsidiaries

In conjunction with the translation of operating income in foreign subsidiaries, the Volvo Group's earnings are impacted if currency rates change. The Volvo Group does not hedge this risk. The table 4:7 shows the translation effect when consolidating operating income for 2015 in foreign subsidiaries in key currencies for Industrial Operations.

» **Read more** in section currency exposure of equity below regarding currency hedging of equity.

*Sensitivity analysis- transactional exposure**

The table 4:3 illustrates the impact on operating income if key currencies for Industrial Operations appreciate by 10% against all other currencies. Hedge accounting is not applied on derivatives hedging cash flows in foreign currency. As a consequence the impact on equity equals the impact on operating income before tax.

The deficit in transaction exposure in SEK is mainly generated from flows in USD, GBP, CAD and EUR against SEK.

Industrial Operations currency review

The tables 4:4 4:5 4:6 4:7 and 4:8 on the next page illustrate the currency impact on sales and operating income in key currencies. The effect arises from translation during the consolidation of foreign currencies and from commercial net flows in foreign currency.

» **Read more** about Industrial Operations transactional exposure in section Commercial currency exposure above.

Financial currency exposure

Loans and investments in the Volvo Group's subsidiaries are performed mainly in local currencies through Volvo Treasury, which minimizes individual companies' financial currency exposure. Volvo Treasury uses various derivatives to facilitate lending and borrowing in different currencies without increasing the risk for the Volvo Group. The net financial position of the Volvo Group is affected by currency fluctuations since financial assets and liabilities are distributed among the Volvo Group companies that conduct their operations using different currencies.

Table 4:1 discloses the impact on earnings before tax on Industrial Operations net financial position, excluding pensions and similar net obligations, if SEK were to strengthen by 10%.

Currency exposure of equity

The carrying amount of assets and liabilities in foreign subsidiaries are affected by current exchange rates in conjunction with the translation of assets and liabilities to SEK. To minimize currency exposure of equity, the size of equity in foreign subsidiaries is continuously optimized with respect to commercial and legal conditions. Currency hedging of equity may occur in cases where a foreign subsidiary is considered overcapitalized. Net assets in foreign subsidiaries, associated companies and joint ventures amounted at year-end 2015 to SEK 68 billion (70). The need to undertake currency hedging relating to investments in associated companies, joint ventures and other companies is assessed on a case-by-case basis.

On the map on page 116–117 the Volvo Group's net assets in different currencies (SEK bn) are displayed.

» **Read more** in Note 30 Financial Instruments about Volvo Group's policy choice on hedge accounting.

* The sensitivity analysis on currency rate risks is based on simplified assumptions. It is not improbable for the value in a currency rate to appreciate by 10% in relation to other currencies. In reality however, currencies usually do not change in the same direction at any given time, so the actual effect of exchange-rate changes may differ from the sensitivity analysis. **Please refer** to tables 4:1 4:3

The Volvo Group's currency review

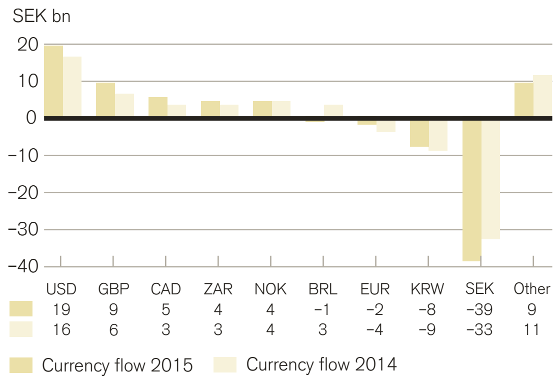
When the Volvo Group communicates the currency impact on operating income for Industrial operations, the following factors are included:

Currency impact on operating income, Industrial Operations, SEK billion	2015	2014	Change
Net flows in foreign currency			4.3
Gains and losses on hedging contracts	–0.0	–0.0	0.0
Unrealized gains and losses on receivables and liabilities in foreign currency	–0.4	–0.2	–0.3
Currency effect from devaluation in Argentina and Venezuela	–0.3	0.0	–0.3
Translation effect on operating income in foreign subsidiaries			1.3
Total currency impact on operating income			**5.1**

Currency impact on Net flows in foreign currency is detailed in table 4:6 and Translation effect on operating income in foreign subsidiaries is detailed in table 4:7 in key currencies.

4:4

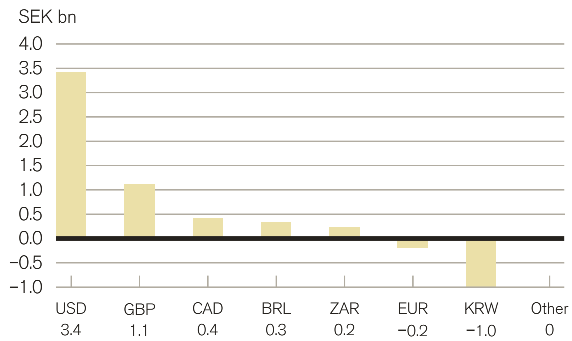
Transaction exposure from operating net flows in 2015 and 2014



The graph above represents the transaction exposure from commercial operating net cash flows in foreign currency, expressed as net surpluses or deficits in key currencies. For further information read more in the section Commercial currency exposure.

4:5

Currency effect from Net flows in foreign currency 2015 versus 2014

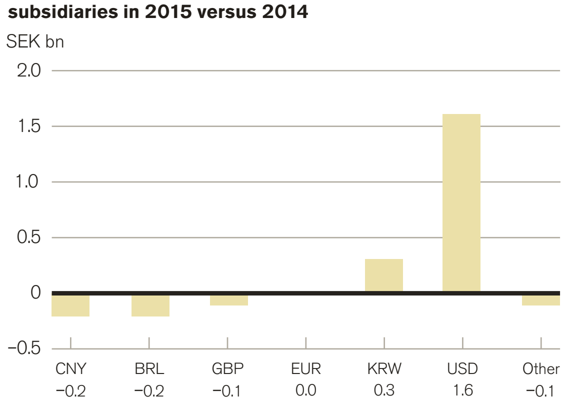


Changes in currency rates compared to 2014 (Total SEK 4.3 bn).

Currency effect on operating income from Net flows in foreign currency in Industrial Operations is presented in the graph above.

4:6

Translation effect on operating income in foreign subsidiaries in 2015 versus 2014

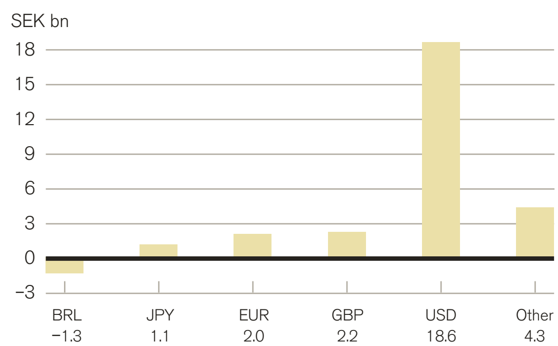


Changes in currency rates compared to 2014 (Total SEK 1.3 bn).

Translation effect when consolidating operating income in foreign subsidiaries for Industrial Operations is presented in the graph above.

4:7

Currency effect on Net sales in 2015 versus 2014



Changes in currency rates compared to 2014 (Total SEK 27.0 bn).

Currency effect on Net sales from inflows in foreign currency and translation effect when consolidating Net sales in foreign subsidiaries for Industrial Operations is presented in the graph above.

4:8

» *Goals and policies in financial risk management (cont.)*

CREDIT RISKS

CREDIT RISKS

Credit risks are defined as the risk that the Volvo Group does not receive payment for recognized accounts receivable and customer-financing receivables (commercial credit risk), that the Volvo Group's investments are unable to be realized (financial credit risk) and that potential profit is not realized due to the counterparty not fulfilling its part of the contract when using derivative instruments (financial counterparty risk).

POLICY

The objective of the Volvo Group Credit Policy is to define and measure the credit exposure and control the risk of losses deriving from credits to customers, credits to suppliers, counterparty risks and Customer Dealer Financing activities.

Commercial credit risk

The Volvo Group's credit granting is steered by Group-wide policies and customer-classification rules. The credit portfolio should contain a distribution among different customer categories and industries. The credit risks are managed through active credit monitoring, follow-up routines and, where applicable, product repossession. Moreover, regular monitoring ensures that the necessary allowances are made for incurred losses on doubtful receivables. In Notes 15 and 16, ageing analysis are presented of customer-financing receivables overdue and accounts receivables overdue in relation to the reserves made.

The customer-financing receivables in the Volvo Group's Customer Finance Operations amounted at December 31, 2015 to approximately net SEK 103 billion (99). The credit risk of this portfolio is distributed over a large number of retail customers and dealers. Collaterals are provided in the form of the financed products. In the credit granting the Volvo Group strives for a balance between risk exposure and expected return.

» **Read more** about Volvo's credit risk in **Note 15** Customer-financing receivables.

The Volvo Group's accounts receivables amounted as of December 31, 2015 to approximately net SEK 29 billion (31).

Financial credit risk

The Volvo Group's financial assets are largely managed by Volvo Treasury and invested in the money and capital markets. All investments must meet the requirements of low credit risk and high liquidity. According to the Volvo Group's credit policy, counterparties for investments and derivative transactions should have a rating better or equivalent to A from one of the well-established credit rating institutions.

Liquid funds and marketable securities amounted as of December 31, 2015 to approximately SEK 24 billion (34).

» **Read more in Note 18** about Marketable securities and liquid funds within the Volvo Group.

Financial counterparty risk

The use of derivatives involves a counterparty risk, in that a potential gain will not be realized if the counterparty fails to fulfill its part of the contract. To reduce the exposure, the Volvo Group enters into master netting agreements (primarily so called ISDA agreements) with all counterparts eligible for derivative transactions. The netting agreements provide the possibility for assets and liabilities to be set off under certain circumstances, such as in the case of the counterpart's insolvency. These netting agreements have no effect on profit, loss or the position of the Volvo Group, since derivative transactions are accounted for on a gross basis, with the exception of derivatives with positive value amounting to SEK 0.6 billion, netted against a fair value of a loan negative 0.6 billion, related to hedge accounting. Read more in Note 30, Financial Instrument in footnote 2, under the table on page 155. Counterparty risk exposure for derivatives is also limited through weekly cash transfers corresponding to the value change of open contracts. The Volvo Group's gross exposure from positive derivatives, amounting to SEK 3,238 M (3,909) is reduced by 53% (60%) to SEK 1,531 M (1,582) by netting agreements and cash deposits, so called CSA agreements. The Volvo Group is actively working with limits per counterpart in order to reduce risk for high net amounts towards individual counterparts.

» **Read more** about the Volvo Group's gross exposure from positive derivatives per type of instrument in **Note 30.**

LIQUIDITY RISKS

LIQUIDITY RISKS

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

POLICY

The Volvo Group assures itself of sound financial preparedness by always having liquid funds and committed facilities to cover the Volvo Group's expected liquidity needs for a period of 12–18 months in a scenario with no access to capital markets.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined, amounted to SEK 24.4 billion on December 31, 2015. In addition to this, granted but unutilized credit facilities amounted to SEK 39.7 billion. The liquidity preparedness is therefore sufficient to cover the expected liquidity needs for the Volvo Group for more than 18 months in a scenario with no access to capital markets.

The adjacent graph 4:9 discloses expected future cash flows including derivatives related to financial liabilities. Capital flow refers to expected payments of loans and derivatives, see note 22. Expected interest flow refers to the future interest payments on loans and derivatives based on interest rates expected by the market. The interest flow is recognized within cash flow from operating activities.

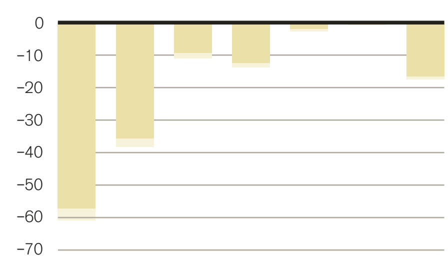
In addition to derivatives included in capital flow in the adjacent graph 4:9 there are also derivatives related to financial liabilities recognized as assets, which are expected to give a future capital flow of SEK 1.4 billion and a future interest flow of SEK 1.6 billion.

The predominant part of expected future cash-flows that expires within 2016 and 2017 is an effect of the Volvo Group's normal business cycle, with shorter duration in the Customer Finance portfolio compared to Industrial Operations.

A hybrid bond was issued in 2014 amounting to EUR 1.5 billion in order to further strengthen the Volvo Group's balance sheet and prolong the maturity structure of the debt portfolio. The hybrid bond is classified as a loan with duration of 61.6 years, subordinated to all other financial liabilities currently outstanding.

» **Read more** about contractual term analysis of the Volvo Group's future payments from non-annullable financial and operational lease contracts in **Note 14.**

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



	2016	2017	2018	2019	2020	2021	2022 or later
Capital flow, SEK bn	–57.3	–35.6	–9.2	–12.4	–1.6	–0.1	–16.4
Interest flow, SEK bn	–3.7	–2.6	–1.6	–1.2	–0.8	–0.4	–0.9

4:9

OTHER PRICE RISKS

OTHER PRICE RISKS

Commodity risks

Commodity risks refer to the risk that changed commodity prices will affect the consolidated earnings within the Volvo Group. Procurement of commodities such as steel, precious metals and electricity are made on a regular basis where prices are set in the global markets.

POLICY

Changes in commodity prices are included in the product cost calculation. Increased commodity prices are therefore reflected in the sales price of the Volvo Group's final products. Purchasing agreements with commodity suppliers may also be long-term in nature or structured in a way that short term volatility in commodity prices have less direct effect on Volvo Group's cost base. Financial hedging is performed in order to reduce short-term volatility of electricity cost in Sweden.

NOTE 5 INVESTMENTS IN JOINT VENTURES, ASSOCIATED COMPANIES AND OTHER SHARES AND PARTICIPATIONS

ACCOUNTING POLICY

Subsidiaries

The Volvo Group has production facilities in 18 countries and sales of products in more than 190 markets which means that the Volvo Group has subsidiaries in many parts of the world. A subsidiary is defined as an entity that is controlled by the Volvo Group. A subsidiary is controlled by a parent company when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's return. Most of the Volvo Group's subsidiaries are owned to 100% by the Volvo Group and are therefore considered to be controlled by the Volvo Group. For some subsidiaries there are restrictions on the Volvo Group's ability to access or use cash from these subsidiaries.

» **Read more** in **Note 18** Marketable securities and liquid funds about cash that is not available for use, or where other limitations exists, in **Note 11** Minority interests, in **Note 13** Investments in shares and participations for the parent company about composition of the Volvo Group.

Joint ventures

Joint ventures are companies over which the Volvo Group has controlling influence together with one or more external parties. Joint ventures are recognized by applying equity method accounting. The investment in VE Commercial Vehicles Ltd., (VECV) is of a business related nature and aims at strengthening the Volvo Group's position in India. The other two joint ventures owned by the Volvo Group are also of business related nature.

Associated companies

Associated companies are companies in which the Volvo Group has a significant influence. A strong indication of such influence is when the Group's holdings equal at least 20% but less than 50% of the voting rights. Holdings in associated companies are recognized in accordance with the equity method. Deutz AG is a German manufacturer and is a strategic supplier to the Volvo Group of medium-duty engines. The investment in Deutz AG is of a business related nature and aims at expanding our commercial co-operation in medium-duty engines.

In the beginning of January 2015 Volvo Group completed the acquisition of 45% of the Chinese automotive manufacturer Dongfeng Commercial Vehicles Co., Ltd (DFCV). The purchase consideration amounted to SEK 7.0 billion. The ownership is classified as an associated company and consolidated with the equity method. It is included in the Trucks segment. The acquisition significantly strengthens the Volvo Group's position in medium-duty and heavy-duty trucks.

Equity method

The Volvo Group's share of income in companies recognized according to the equity method is included in the consolidated income statement under Income/loss from investments in joint ventures and associated companies, less, where appropriate, depreciation of surplus values and the effect of applying different accounting policies. Income from companies recognized in accordance with the equity method is included in operating income since the Volvo Group's investments are of business related nature. For practical reasons, some of the associated companies are included in the consolidated financial statements with a certain time lag, normally one quarter. Dividends from joint ventures and associated companies are not included in the consolidated income. In the consolidated balance sheet, investments in joint ventures and associated companies are affected by the Volvo Group's share of the company's net income, less depreciation of surplus values and dividends received. Investments in joint ventures and associated companies are also affected by Volvo Group's share of the company's other comprehensive income and by the translation difference from translating the company's equity in the Volvo Group.

When applying the equity method, including recognizing the associate's or joint venture's losses, additional impairment losses might be recognized given any indication of impairment. A significant or prolonged decline in the fair value of the shares is an indication of impairment. Investments accounted for in accordance with the equity method cannot be of a negative carrying value and therefore losses are not provided for if the holding is of a negative amount. Additional losses are provided for to the extent that the Volvo Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or of the associated company.

Other shares and participations

Holding of shares that do not provide the Volvo Group with significant influence, which generally means that Volvo Group's holding of shares corresponds to less than 20% of the votes, are recognized as other shares and participations. For listed shares, the carrying amount is equivalent to the market value. Unlisted shares and participations, for which a fair value cannot reasonably be determined, are measured at acquisition cost less any impairment.

Any change in value is recognized directly in other comprehensive income, unless the decline is significant or prolonged. Then the impairment is recognized in the income statement. The cumulative gain or loss recognized in other comprehensive income is recycled in the income statement on the sale of the asset.

Earned or paid interest attributable to these assets is recognized in the income statement as part of net financial items in accordance with the effective interest method. Dividends received attributable to these assets are recognized in the income statement as Income from other investments.

Joint ventures

The Volvo Group's investments in joint ventures are listed below.

Shares in joint ventures	Dec 31, 2015	Dec 31, 2014
	Holding percentage	Holding percentage
Shanghai Sunwin Bus Corp., China	50.0	50.0
DONGVO Truck Co., Ltd. (DVT) China	50.0	50.0
VE Commercial Vehicles, Ltd., India[1]	45.6	45.6

1 VE Commercial Vehicles Ltd., is considered to be a joint venture as Volvo Group and Eicher Motors Ltd have signed an agreement which states that common agreement is needed for important matters related to the governance of VECV.

The following tables present summarized financial information for the Volvo Group's joint ventures:

Summarized income statements	2015			2014		
	VE Commercial Vehicles, Ltd.	Other joint ventures	Total	VE Commercial Vehicles, Ltd.	Other joint ventures	Total
Net sales	9,212	1,586	10,798	6,208	2,622	8,830
Operating income[1]	311	–577	–266	82	–134	–52
Interest income and similar credits	22	3	25	26	2	28
Interest expense and similar charges	–13	–88	–101	–13	–71	–84
Other financial income and expenses	6	–2	4	–1	–3	–4
Income taxes	–81	–34	–116	4	23	27
Income for the period[2]	**243**	**–698**	**–454**	**98**	**–183**	**–85**
Other comprehensive income[3]	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**243**	**–698**	**–454**	**98**	**–183**	**–85**

1 Depreciation and amortization of SEK 372 M (303) are included within operating income whereof VECV SEK 338 M (273).
2 Income for the period in joint ventures includes depreciation of surplus values.
3 Including the Volvo Group's share of OCI related to joint ventures. Translation differences from translating joint ventures equity in the Volvo Group are excluded as of 2015. Comparative figures are restated accordingly.

Summarized balance sheets	Dec 31, 2015			Dec 31, 2014		
	VE Commercial Vehicles, Ltd.	Other joint ventures	Total	VE Commercial Vehicles, Ltd.	Other joint ventures	Total
Non-current assets	4,556	483	5,039	5,083	553	5,636
Marketable securities, cash and cash equivalents	727	382	1,108	519	189	708
Other current assets	2,842	1,898	4,740	2,245	2,264	4,509
Total assets	**8,124**	**2,762**	**10,887**	**7,847**	**3,006**	**10,853**
Equity[1]	4,848	–402[2]	4,446	4,754	266	5,020
Non-current financial liabilities	8	2	10	7	0	7
Other non-current liabilities	272	128	400	721	30	751
Current financial liabilities	1,695	2,845	4,540	1,115	1,445	2,560
Other current liabilities	1,302	189	1,491	1,250	1,265	2,515
Total equity and liabilities	**8,124**	**2,762**	**10,887**	**7,847**	**3,006**	**10,853**

1 Including the translation differences from translating joint ventures equity in the Volvo Group.
2 In compliance with the accounting policy additional provisions have been accounted for during the financial year to the extent that the Volvo Group has incurred legal or constructive obligations.

Investments in joint ventures	Percentage holding	Dec 31, 2015 Carrying value	Dec 31, 2014 Carrying value
VE Commercial Vehicles., Ltd., India	45.6	2,211	2,377
Other holdings in joint ventures	–	0	100
B/S Investments in joint ventures		**2,211**	**2,477**

Net financial position for the joint ventures (excluding post-employment benefits) amounted to negative SEK 514 M (negative 744) as of December 31, 2015.

As of December 31, 2015, Volvo Group's share of contingent liabilities in its joint ventures amounted to SEK 157 M (106). Dividend received from VE Commercial Vehicles., Ltd, amounted to SEK 46 M (36).

Associated companies

The following tables present summarized financial information for the Volvo Group's associated companies:

Summarized income statements	2015				2014			
	DFCV	Deutz AG	Other associated companies	Total	DFCV	Deutz AG	Other associated companies	Total
Net sales	33,606	12,089	5,630	51,324	–	10,411	4,038	14,450
Operating income	–930	84	181	–664	–	220	207	427
Income for the period[1]	**–613**	**179**	**97**	**–338**	**–**	**110**	**156**	**266**
Other comprehensive income[2]	**–**	**24**	**–**	**24**	**–**	**–34**	**–**	**–34**
Total comprehensive income	**–613**	**203**	**97**	**–313**	**–**	**76**	**156**	**232**

1 Income for the period in associated companies include depreciation of surplus values.
2 Including the Volvo Group's share of OCI related to associated companies. Translation differences from translating associated companies' equity in the Volvo Group are excluded.

Summarized balance sheets	Dec 31, 2015				Dec 31, 2014			
	DFCV[1]	Deutz AG[2]	Other associated companies	Total	DFCV[1]	Deutz AG[2]	Other associated companies	Total
Non-current assets	18,107	7,002	2,264	27,373	–	6,847	1,707	8,554
Current assets	20,131	4,435	4,960	29,527	–	5,305	2,027	7,332
Total assets	**38,238**	**11,437**	**7,225**	**56,900**	**–**	**12,152**	**3,734**	**15,886**
Equity	15,265	5,902	2,767[3]	23,934	–	5,446	1,035	6,481
Non-current liabilities	2,264	2,865	738	5,867	–	3,325	1,146	4,471
Current liabilities	20,709	2,670	3,720	27,099	–	3,381	1,553	4,934
Total equity and liabilities	**38,238**	**11,437**	**7,225**	**56,900**	**–**	**12,152**	**3,734**	**15,886**

1 DFCV was acquired during 2015. No dividend was received during financial year 2015.
2 Deutz AG's equity share is recognized in the Volvo Group with a time lag of one quarter. Dividends of SEK 20 M (0) was received from Deutz AG.
3 Financial statements of Inner Mongolia North Hauler Jont Stock Co, Ltd., China has been included for the first time in 2015.

Investments in associated companies	Percentage holding	Dec 31, 2015 Carrying value	Dec 31, 2014 Carrying value
Dongfeng Commercial Vehicles Co., Ltd (DFCV) China	45.0	6,581	–
Deutz AG, Germany[1]	25.0	1,475	1,393
Other holdings in associated companies[2]		883	951
B/S Investments in associated companies		**8,939**	**2,344**

1 The market value of investments in Deutz AG amounted to SEK 1,021 M (1,236) as of December 31, 2015. The market value has fluctuated throughout the year, even above carrying value. There was no significant or prolonged decline in market value and therefore no indication of impairment during 2015 according to the accounting principle applied.
2 Other holdings include the investment of Inner Mongolia North Hauler Jont Stock Co, Ltd., China.

Income/loss from investments in joint ventures and associated companies	2015	2014
Income/loss joint ventures		
VECV	115	45
Other joint ventures	–87	–64
Subtotal	**28**	**–19**
Income/loss associated companies		
DFCV	–276	–
Deutz AG	45	32
Other companies	48	50
Subtotal	**–183**	**82**
Revaluation, write-down and gain on divestment of shares associated companies		
Other companies	12	–17
Subtotal	**12**	**–17**
I/S Income/loss from investments in joint ventures and associated companies[1]	**–143**	**46**

1 Income/loss from investments in joint ventures include Volvo Group's share of depreciation of surplus values of SEK 35 M (29) and associated companies include depreciation of surplus values of SEK 71 M (9).

Other shares and participations

During the year the Volvo Group sold the total holding in the listed Indian automotive manufacturer, Eicher Motors limited. The sale generated a capital gain of SEK 4.6 billion. The carrying amount of the Volvo Group's holding of shares and participations in other companies as of December 31, 2015, is disclosed in the table below.

>> **Read more in Note 30** Financial Instruments regarding financial assets classified as available for sale.

Holding of shares in listed companies	Percentage holding	Dec 31, 2015 Carrying value	Dec 31, 2014 Carrying value
Eicher Motors Ltd., India	–	–	4,228
Holdings in Japanese companies	–	348	290
Holdings in other listed companies	–	160	25
Holding of shares in listed companies		**507**	**4,543**
Holding of shares in non-listed companies		394	474
B/S Other shares and participations		**902**	**5,017**

NOTE 6 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Team that makes strategic decisions. The internal reporting is provided based on the Group's different business areas which are Trucks, Construction Equipment, Buses, Volvo Penta, Governmental Sales and Customer Finance. Volvo Rents, which was a separate business area, was divested on January 31, 2014. The Volvo Group is per 31 December 2015 thereby organized in six business areas.

Each business area, except for Governmental Sales, is seen as a separate segment. Governmental Sales is part of the Corporate functions, Group functions and Other incl. eliminations segment.

As from January 1, 2015 the Trucks operations is structured according to a functional approach, whereby the entire Trucks business is managed as one single business area consisting of 3 different functional organizations: Group Trucks Sales, Group Trucks Operations and Group Trucks Technology.

The Volvo Group has shared operations in both Trucks and Corporate functions, Group functions and Other incl. eliminations. Purchasing, powertrain, logistics and parts operations are part of the Trucks segment. Volvo IT and Volvo Real Estate are treated as business support functions and included in Corporate functions, Group functions and Other incl. eliminations. The cost of these operations is shared between the different business areas based on utilization according to the principles of the financial framework set by the Volvo Group.

As from March 1, 2016, the Volvo Group has a new organizational structure (see page 79 in this report and page 181 in the Corporate Governance report). The business will continue to be divided in six segments under the new organization during 2016.

2015	Trucks	Construction Equipment	Buses	Volvo Penta	Corporate functions, Group functions & Other incl. elim.	Industrial Operations	Customer Finance	Eliminations	Volvo Group
Net sales, external customers	212,060	50,717	22,818	9,137	7,145	301,878	10,636	–	312,515
Net sales, internal	1,918	291	762	269	–1,535	1,704	562	–2,265	–
I/S **Net sales**	**213,978**	**51,008**	**23,580**	**9,406**	**5,610**	**303,582**	**11,199**	**–2,265**	**312,515**
Expenses	–194,320	–48,957	–22,643	–8,320	–7,886	–282,127	–9,193	2,265	–289,054
I/S Income from investments in joint ventures and associated companies	–141	–7	–77	0	82	–143	–	–	–143
I/S **Operating income**	**19,517**	**2,044**	**860**	**1,086**	**–2,194**	**21,312**	**2,006**	**–**	**23,318**
I/S Interest income and similar credits						257	–	–	257
I/S Interest expense and similar charges						–2,366	0	–	–2,366
I/S Other financial income and expense						–792	0	–	–792
I/S **Income after financial items**						**18,411**	**2,006**	**–**	**20,418**
Other segment information									
Depreciation, amortization and impairment	–10,441	–1,986	–360	–281	494	–12,574	–4,233	–	–16,807
Restructuring costs	–2,034	–52	–23	–21	–216	–2,346	–	–	–2,346
Gains/losses from divestments	61	2	–	–	278	341	–	–	341
Investments in fixed assets	6,707	1,112	259	277	817	9,173	10,239	–	19,412
B/S Investments in joint ventures and associated companies (the equity method)	9,024	277	122	30	1,695	11,148	–	–	11,148
B/S Assets held for sale						3,314	–	–	3,314
B/S Liabilities held for sale						–573	–	–	–573

»

2014	Trucks	Construction Equipment	Buses	Volvo Penta	Corporate functions, Group functions & Other incl. elim.	Industrial Operations	Customer Finance	Elimina-tions	Volvo Group
Net sales, external customers	188,079	52,641	18,159	7,541	6,906	273,327	9,623	–	282,948
Net sales, internal	2,825	215	486	249	–1,101	2,674	488	–3,162	–
I/S **Net sales**	**190,904**	**52,855**	**18,645**	**7,790**	**5,805**	**275,999**	**10,111**	**–3,162**	**282,948**
Expenses	–186,777	–52,211	–18,544	–7,067	–7,333	–271,934	–8,399	3,162	–277,170
I/S Income from investments in joint ventures and associated companies	31	7	–8	2	14	46	–	–	46
I/S **Operating income**	**4,157**	**652**	**92**	**724**	**–1,514**	**4,111**	**1,712**	**–**	**5,824**
I/S Interest income and similar credits						328	–	–	328
I/S Interest expense and similar charges						–1,994	–	–	–1,994
I/S Other financial income and expense						931	–	–	931
I/S **Income after financial items**						**3,377**	**1,712**	**–**	**5,089**
Other segment information									
Depreciation, amortization and impairment	–10,499	–2,017	–343	–267	453	–12,673	–3,257	–	–15,930
Restructuring costs	–1,465	–582	–9	–5	–504	–2,564	–7	–	–2,571
Gains/losses from divestments	23	8	15	–	956	1,002	21	–	1,023
Investments in fixed assets	6,500	1,335	290	308	1,084	9,518	9,677	–	19,195
B/S Investments in joint ventures and associated companies (the equity method)	2,583	250	220	30	1,739	4,821	–	–	4,821
B/S Assets held for sale						288	–	–	288
B/S Liabilities held for sale						–130	–	–	–130

Internal sales between segments are generally made at standard cost of sales, including calculated interest and product improvement expenses.

Reporting by market	**Net sales**		**Non-current assets[1]**	
	2015	2014	2015	2014
Europe	120,413	106,176	72,738	76,016
of which Sweden	*9,142*	*8,042*	*22,998*	*25,452*
of which France	*23,114*	*20,733*	*18,195*	*19,885*
North America	101,952	76,258	23,379	21,317
of which USA	*84,035*	*60,810*	*20,562*	*18,034*
South America	16,725	26,958	2,319	2,896
of which Brazil	*8,608*	*19,260*	*1,909*	*2,434*
Asia	53,470	52,076	23,155	22,198
of which China	*8,574*	*12,374*	*2,460*	*2,678*
of which Japan	*15,119*	*14,382*	*15,041*	*13,876*
Other markets	19,955	21,481	974	1,087
I/S B/S **Total**	**312,515**	**282,948**	**122,565**	**123,515**

1 Non-current assets include intangible and tangible assets.

The reporting of net sales by market is based on where the delivery of the goods or services took place.

NOTE 7 REVENUE

ACCOUNTING POLICY

The Volvo Group's recognized net sales pertain mainly to revenues from sales of goods and services. Net sales are, if the occasion arises, reduced by the value of rebates granted and by returns.

Revenue from the sale of goods is recognized when significant risks and rewards of ownership have been transferred to external parties, normally when the goods are delivered to the customer.

However, if the sale of goods is combined with a buy-back agreement or a residual value guarantee, the transaction is recognized as an operating lease transaction if significant risks in regard to the goods are retained in Volvo Group. Revenue is then recognized over the period of the residual value commitment. If the residual value risk commitment is not significant or the sale was made to an independent party before Volvo Group is committed to the residual value risk the revenue is recognized at the time of sale and a provision is made to reflect the estimated residual value risk.

» **Read more in Note 21** Other provisions, for a description of residual value risks.

If sale is in combination with a commitment from the customer to buy a new Volvo product in connection to a buy-back option, revenue is recognized at the time of the sale.

Revenue from the sale of workshop services is recognized when the service is provided.

Interest income in conjunction with finance leasing or instalment contracts are recognized during the underlying contract period.

Revenue for maintenance contracts are recognized in line with the allocation of associated costs over the contract period.

Interest income is recognized on a continuous basis and dividend income when the right to receive dividend is obtained.

SOURCES OF ESTIMATION UNCERTAINTY

Buy-back agreements and residual value guarantees

In certain cases, Volvo Group enters into a buy-back agreement or residual value guarantee after having sold the product to an independent party or in combination with an undertaking from the customer to purchase a new product in the event of a buy-back. In such cases, there may be a question of judgement regarding whether or not significant risks and rewards of ownership have been transferred to the customer. If it is determined that such an assessment is incorrect, the Volvo Group's recognized revenue and income for the period will decline and instead be distributed over several reporting periods.

» **Read more in Note 21,** Other provisions, for a description of residual value risks.

Vehicle and Service & Aftermarket

The Volvo Group's product range is divided into Vehicle and Service & Aftermarket. The sale of new vehicles, machinery and engines comprise Vehicle as well as the sale of used vehicles and machines, trailers, superstructures and special vehicles. Service & Aftermarket are defined as the sale of maintenance service and other aftermarket products.

During 2015, the Services & Aftermarket business represented approximately 25% (26) of the Volvo Group's net sales.

» **Read more in Note 6** regarding net sales by product and market.

NOTE 8 OTHER OPERATING INCOME AND EXPENSES

Changes in provisions for doubtful accounts receivable and customer-financing receivables are recognized in Other operating income and expenses.

Other operating income and expense	2015	2014
Gains/losses on divestment of Group companies[1]	341	1,023
Change in allowances and write-offs for doubtful customer-financing receivables	–817	–858
Change in allowances and write-offs for other doubtful receivables	–549	–355
Damages and litigations[2]	471	–4,420
Restructuring costs[3]	–2,346	–2,571
Volvo profit sharing program	–455	–
Other income and expenses[4]	–824	–516
I/S **Total**	**–4,179**	**–7,697**

1 2014 included the result from divestment of commercial real estate and the Volvo Rents closure of accounts.

2 Including SEK 809 M from the favorable outcome in an arbitration case. 2014 including provision related to the EU antitrust investigation of SEK 3,790 M and the provision related to the engine emission case in the U.S of SEK 422 M.

3 Restructuring costs related mainly to the Volvo Group wide efficiency program which impacted the Group with an amount of SEK 2,333 M (2,569).

4 Including SEK 376 M (523) of the provision for expected credit losses for Volvo CE in China of SEK 747 M (660). SEK 349 M (83) was reported as change in allowance for doubtful receivables, and SEK 22 M (54) was reported within gross income.

» **Read more** about gains/losses on divestment of Group companies in **Note 3** Acquisitions and divestments of shares in subsidiaries.

» **Read more** regarding the company's management of credit risk and credit reserves in **Note 4** Goals and policies in financial risk management.

» **Read more** about damages and litigations in **Note 21** Other provisions and **Note 24** Contingent liabilities.

» **Read more** about the efficiency program on **page 23.**

NOTE 9 OTHER FINANCIAL INCOME AND EXPENSES

ACCOUNTING POLICY

Unrealized gains and losses on derivatives used to hedge interest rate exposure and unrealized and realized gains and losses used to hedge future cash flow exposure in foreign currency are recognized in other financial income and expenses. Hedge accounting is not applied on those derivatives.

» **Read more in Note 1** about the accounting policy for receivables and liabilities in foreign currency.

» **Read more in Note 30** Financial Instruments regarding the accounting policy for financial assets at fair value through the income statement.

Other financial income and expense	2015	2014
Gains and losses on derivatives used to hedge interest rate exposure	–28	447
Gains and losses on derivatives used to hedge foreign cash flow exposure	–426	640
Financial instruments at fair value through profit or loss	**–454**	**1,087**
Exchange rate gains and losses on financial assets and liabilities	–89	89
Financial income and expenses related to taxes	1	63
Costs for Treasury function, credit facilities, etc	–250	–308
I/S **Total**[1]	**–792**	**931**

The unrealized loss from derivatives used to hedge interest rate exposure were mainly related to the Customer Finance portfolio and Industrial Operations debt portfolio. The unrealized and realized losses from derivatives used to hedge future cash flow exposure in foreign currency were mainly related to derivatives used to hedge future firm cash flows of SEK 545 M (neg 438), offset by a gain related to the hedging of the cash flow of the acquisition of Dongfeng Commercial vehicles by SEK 119 M (1,078).

1 Other financial income and expense attributable to financial instruments amounted to neg SEK 543 M (1,176) and is included in the table presenting gains, losses interest income and expenses related to financial instruments in note 30 Financial Instruments.

NOTE 10 INCOME TAXES

ACCOUNTING POLICY

Income tax for the period includes current and deferred taxes. Current taxes are calculated on the basis of the tax regulations prevailing in the countries where the Group companies have operations.

Deferred taxes are recognized on differences that arise between the taxable value and carrying value of assets and liabilities as well as on tax-loss carryforwards. Furthermore deferred taxes are recognized to the extent it is probable that they will be utilized against taxable income.

Deferred tax liabilities on temporary differences on participations in subsidiaries and associated companies are recognized in the balance sheet except when the Volvo Group control the timing of the reversal of the temporary difference related to accumulated undistributed earnings and it is probable that a reversal will not be done in the foreseeable future.

Tax laws in Sweden and certain other countries allow companies to defer payment of taxes through allocations to untaxed reserves. However, in the consolidated financial statements untaxed reserves are reclassified to deferred tax liability and equity. In the consolidated income statements a provision to, or reversal of, untaxed reserves is split between deferred taxes and net income for the year.

Provisions have been made for estimated tax charges that are probable as a result of identified tax risks. Tax processes are evaluated on a regular basis and provisions are made for possible outcome when it is probable that the Volvo Group will have to pay more taxes and when it is possible to make a reasonably assessment of the possible outcome. Tax claims for which no provision is deemed necessary are generally recognized as contingent liabilities.

» **Read more** about contingent liabilities in **Note 24.**

SOURCES OF ESTIMATION UNCERTAINTY

The Volvo Group recognizes valuation allowances for deferred tax assets where management does not expect such assets to be realized based upon current forecasts. In the event that actual results differ from these estimates or adjustments are made to future periods in these estimates, changes in the valuation allowance may be required. This could have significant impact on the financial position and the income for the period.

The Volvo Group has substantial tax-loss carryforwards that are assessed as being probable to be utilized due to sufficient income generated in the coming years. The base for this assessment is possibilities to offset tax assets and tax liabilities and that a significant part of tax-loss carryforwards is related to countries with long or indefinite periods of utilization. Ensuring the probability of utilization is based upon business plans when relevant.

Income taxes were distributed as follows:

Distribution of Income taxes	2015	2014
Current taxes relating to the period	–3,207	–3,383
Adjustment of current taxes for prior periods	197	198
Deferred taxes originated or reversed during the period	–965	362
Remeasurements of deferred tax assets	–1,345	–31
I/S **Total income taxes**	**–5,320**	**–2,854**

The Swedish corporate income tax rate amounted to 22% in 2015. The table at the top of the next column discloses the principal reasons for the difference between this rate and the Volvo Group's income tax rate, based on income after financial items.

Specification of income tax rate	2015, %	2014, %
Swedish corporate income tax rate	**22**	**22**
Difference in tax rate in various countries	3	8
Other non-taxable income	–6	–12
Other non-deductible expenses	1	27
Current taxes attributable to prior years	–1	–4
Remeasurement of deferred tax assets	6	10
Other differences	1	5
Income tax rate for the Volvo Group[1]	**26**	**56**

1 The income tax rate for the Volvo Group, as of December 31 2015, was mainly a result of the non-taxable capital gain from the divestment of shares in Eicher Motors Ltd of SEK 4,608 M which gave rise to a permanent tax difference of SEK 1,014 M. The positive effect from the capital gain was partly offset by the impact of the valuation allowance and the revaluation of deferred tax assets in Japan of SEK –1,107 M as a result of changed corporate tax rate, stricter conditions for utilization of tax-loss carryforwards and review of business performance.

Specification of deferred tax assets and tax liabilities	Dec 31, 2015	Dec 31, 2014
Deferred tax assets:		
Unused tax-loss carryforwards	3,724	5,911
Other unused tax credits	192	152
Intercompany profit in inventories	1,339	1,299
Allowance for inventory obsolescence	639	615
Valuation allowance for doubtful receivables	1,211	802
Provisions for warranties	4,111	3,726
Provisions for residual value risks	247	249
Provisions for post-employment benefits	4,408	4,974
Provisions for restructuring measures	262	223
Market value of derivative instruments	25	27
Land	1,160	1,226
Other deductible temporary differences	4,930	4,936
Deferred tax assets before deduction for valuation allowance	**22,248**	**24,140**
Valuation allowance	–1,181	–336
Deferred tax assets after deduction for valuation allowance	**21,067**	**23,804**
Netting of deferred tax assets/liabilities	–7,617	–7,973
B/S **Deferred tax assets, net**	**13,450**	**15,831**
Deferred tax liabilities:		
Accelerated depreciation on property, plant and equipment	2,163	2,156
Accelerated depreciation on leasing assets	3,174	2,836
LIFO valuation of inventories	557	558
Capitalized product and software development	2,384	2,472
Adjustment to fair value at corporate acquisitions/divestitures	30	34
Untaxed reserves	87	84
Provisions for post-employment benefits	69	39
Other taxable temporary differences	2,648	2,590
Deferred tax liabilities	**11,112**	**10,769**
Netting of deferred tax assets/liabilities	–7,617	–7,973
B/S **Deferred tax liabilities, net**	**3,495**	**2,796**
Deferred tax assets/liabilities, net[1]	**9,955**	**13,035**

1 The deferred tax assets and liabilities above are partially recognized in the balance sheet on a net basis after taking into account offsetting possibilities. Deferred tax assets and liabilities have been measured at the tax rates that are 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 resolved or enacted at the balance-sheet date.

As of December 31, 2015, net of the total valuation allowance, deferred tax assets of SEK 21,067 M (23,804) were recognized in the Volvo Group's balance sheet.

The Volvo Group's gross unused tax-loss carryforwards amounted to SEK 11,979 M (21,310) pertaining to a deferred tax asset of SEK 3,724 M (5,911) recognized in the balance sheet. After deduction for valuation allowance deferred tax assets attributable to unused tax-loss carryforwards amounted to SEK 2,673 M (5,638) of which SEK 5 M (2,081) pertains to Sweden, SEK 1,346 M (1,568) to France and SEK 405 M (1,115) to Japan.

As of December 31, 2015 the total valuation allowance amounted to SEK 1,181 M (336). Most of the reserve, SEK 1,051 M (273), consists of unused tax-loss carryforwards mainly related to Japan.

The gross unused tax-loss carryforwards expire according to the table below:

Due date, unused tax-loss carryforwards gross	Dec 31, 2015	Dec 31, 2014
after 1 year	68	45
after 2 years	584	173
after 3 years	857	479
after 4 years	335	1,013
after 5 years	2,206	305
after 6 years or more[1]	7,929	19,295
Total	**11,979**	**21,310**

1 Tax-loss carryforwards with long or indefinite periods of utilization were mainly related to Japan and France. Tax-loss carryforwards with indefinite periods of utilization amounted to SEK 4,994 M (16,364) which corresponds to 42% (77) of the total tax-losses carryforward.

Changes in deferred tax assets/liabilities, net	2015	2014
Opening balance	13,035	10,760
Deferred taxes recognised in the year's income	–2,310	331
Recognised in Other comprehensive income, changes attributable to:		
Remeasurements of defined-benefit plans	–725	853
Cash flow hedge reserve	9	6
Available-for-sale reserve	–17	4
Translation differences and other changes	–37	1,081
Deferred tax assets/liabilities, net, as of December 31	**9,955**	**13,035**

The cumulative amount of undistributed earnings in foreign subsidiaries, which the Volvo Group currently intends to indefinitely reinvest outside of Sweden and which no deferred income tax have been accounted for, amounted to SEK 23 billion (24) at year end. As of 2015 undistributed earnings pertaining to countries where the dividends are not taxable are excluded.

» **Read more in Note 4** for Goals and policies in financial risk management about how the Volvo Group handles equity currency risk.

NOTE 11 MINORITY INTERESTS

ACCOUNTING POLICY

Minority interests are interest attributable to non-controlling shareholders. Minority interests are presented in the equity, separately from the equity of the owners of the parent company. At business combinations minority interests are valued either at fair value or at the minority's proportionate share of the acquiree's net assets. Minority interests are assigned the minority shareholder's portion of the equity of the subsidiary. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The Volvo Group has a few non-wholly owned subsidiaries of which one of the subsidiaries is considered to have a significant minority interest. Shandong Lingong Construction Machinery Co., (Lingong), in China has a minority interest holding amounting to 30% share and voting rights in the company. During the year, the profit allocated to the minority interest of Lingong amounted to 34 (139) and the accumulated minority interest at the end of December 31, 2015, amounted to 1,752 (1,683).

The following table presents summarized financial information for Shandong Lingong Construction Machinery Co., Lingong:

Summarized income statement	2015	2014
Net sales	5,297	7,324
Operating income	116	559
Income for the period	113	464
Other comprehensive income[1]	115	829
Total comprehensive income	229	1,293
Dividends paid to minority interest	–	–

Summarized balance sheet	Dec 31, 2015	Dec 31, 2014
Non-current assets	1,693	1,633
Marketable securities, cash and cash equivalents	2,236	2,584
Current assets	5,636	7,117
Total assets	**9,565**	**11,334**
Non-current liabilities	167	187
Current liabilities	3,558	5,536
Total liabilities	**3,725**	**5,723**
Equity attributable to the Volvo Group's shareholders	4,088	3,928
Minority interests	1,752	1,683

1 Includes translation differences from translating company equity in the Volvo Group.

NOTE 12 INTANGIBLE ASSETS

ACCOUNTING POLICY

Volvo Group applies the cost method for recognition of intangible assets. Borrowing costs are included in the cost of assets that are expected to take more than twelve months to complete for their intended use or sale.

When participating in industrial projects in partnership with other companies the Volvo Group in certain cases pays an entrance fee to participate. These entrance fees are capitalized as intangible assets.

Research and development expenses

Expenditures for the development of new products, production systems and software are recognized as intangible assets if such expenditures, with a high degree of certainty, will result in future financial benefits for the company. The cost for such intangible assets is amortized over the estimated useful life of the assets.

The rules require stringent criteria to be met for these development expenditures to be recognized as assets. For example, it must be possible to prove the technical functionality of a new product or software prior to its development being recognized as an asset. In normal cases, this means that expenditures are capitalized only during the industrialization phase of a product development project. Other research and development expenses are recognized in the income statement as incurred.

The Volvo Group has developed a process for conducting product development projects named the DVP Project Handbook (DVP-PH). The DVP-PH has six phases focused on separate parts of the project. Every phase starts and ends with a reconciliation point, known as a gate, for which the criteria must be met for the project's decision-making committee to open the gate and allow the project to progress to the next phase. During the industrialization phase, the industrial system is prepared for serial production and the product is launched.

Goodwill

Goodwill is recognized as an intangible asset with indefinite useful life. For non-depreciable assets such as goodwill, impairment tests are performed annually, as well as if there are indications of impairments during the year, by calculating the asset's recovery value. If the calculated recovery value is less than the carrying value, the asset is written down to its recovery value.

The Volvo Group's valuation model is based on a discounted cash-flow model, with a forecast period of four years. Valuation is performed on cash-generating units, identified as the Volvo Group's business areas. Each business area is fully integrated ensuring maximum synergy, hence no independent cash-flows exists on a lower level.

Goodwill is allocated to these cash-generating units based on expected future benefit from the combination. The valuation is based on a business plan which is an integral part of the Volvo Group's financial planning process and represents management's best estimate of the development of the Group's operations. Assumption of 2% (2) long-term market growth beyond the forecast period and the Group's expected performance in this environment is a basis for the valuation. In the model, the Volvo Group is expected to maintain stable capital efficiency over time. Other parameters considered in the calculation are operating income, mix of products and services, expenses and level of capital expenditures. Measurements are based on nominal values and applies a general rate of inflation applicable for the main markets where the Volvo Group operates. The Volvo Group uses a discounting factor measured at 12% (12) before tax for 2015.

In 2015, the value of Volvo Group's operations exceeded the carrying amount of goodwill for all business areas, thus no impairment was recognized. The Volvo Group has also tested whether a negative adjustment of one percentage point to the aforementioned parameters would result in impairment for any goodwill value however none of the business areas would be impaired as a result of this test. The operating parameters applied in the valuation are based on management's strategy and could indicate higher value than historical performance for individual Business Areas. Furthermore the Volvo Group is operating in a cyclical industry where performance could vary over time.

The surplus values differ between the business areas and are to a varying degree sensitive to changes in the assumptions described above. Therefore, the Volvo Group continuously follows the performance of the business areas whose surplus value is dependent on the fulfillment of the Volvo Group's assessments. Instability in the recovery of the market and volatility in interest and currency rates may lead to indications of a need for impairment. The most important factors for the future operations of the Volvo Group are described in the Volvo Group business area section, as well as in the Risk management section.

Amortization and impairment

Amortization is made on a straight-line basis based on the cost of the assets, adjusted in appropriate cases by impairments, and estimated useful lives. Amortization is recognized in the respective function to which it belongs, meaning that amortization of product development is part of the research and development expenses in the income statement. Impairment tests for amortizable assets are performed if there are indications of impairment at the balance sheet date.

Amortization periods

Trademarks	20 years
Distribution networks	10 years
Product and software development	3 to 8 years

SOURCES OF ESTIMATION UNCERTAINTY

Impairment of goodwill and other intangible assets

Intangible assets other than goodwill are amortized and depreciated over their useful lives. Useful lives are based on estimates of the period in which the assets will generate revenue. If, at the date of the financial statements, any indication exists that an intangible non-current asset has been impaired, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the asset's net selling price and its value in use, estimated with reference to management's projections of future cash flows. If the recoverable amount of the asset is less than the carrying amount, an impairment is recognized and the carrying amount of the asset is reduced to the recoverable amount. Determination of the recoverable amount is based upon management's projections of future cash flows, which are generally based on internal business plans or forecasts. While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect valuations. The need for impairment of goodwill is determined on an annual basis, or more frequently if required through calculation of the value of the asset. Such an impairment review will require management to determine the fair value of the Volvo Group's cash generating units, on the basis of projected cash flows and internal business plans and forecasts. Surplus values differ between the business areas and they are, to a varying degree, sensitive to changes in assumptions and the business environment. The Volvo Group has performed similar impairment reviews since 2002. No need for impairment losses was required for the period 2002 until 2015.

Intangible assets, acquisition costs	Goodwill	Capitalized product and software development	Other intangible assets[1]	Total intangible assets
Opening balance 2014	21,412	34,535	5,628	**61,575**
Investments	–	1,390	151	**1,541**
Sales/scrapping	–	–81	–28	**–109**
Acquired and divested operations[4]	–1,382	79	200	**–1,103**
Translation differences	1,488	1,790	411	**3,689**
Reclassifications and others	–24	–5	6	**–23**
Acquisition cost as of Dec 31, 2014	**21,494**	**37,708**	**6,368**	**65,570**
Investments	–	2,247	10	**2,257**
Sales/scrapping	–	–47	–89	**–136**
Acquired and divested operations[4]	–24	–3	0	**–27**
Translation differences	170	266	105	**541**
Reclassification at divestment	–	–	–47	**–47**
Reclassifications and other	448	–38	1,184	**1,594**
Acquisition cost as of Dec 31, 2015	**22,088**	**40,133**	**7,531**	**69,752**

Accumulated amortization and impairment	Goodwill	Capitalized product and software development	Other intangible assets[1]	Total intangible assets
Opening balance 2014	1,458	20,754	2,775	**24,987**
Amortization	–	3,138	335	**3,473**
Impairment[3]	–	60	0	**60**
Sales/scrapping	–	–53	–20	**–73**
Acquired and divested operations[4]	–1,458	–	–2	**–1,460**
Translation differences	–	1,299	186	**1,485**
Reclassifications and other	–	–17	–	**–17**
Accumulated amortization and impairment as of Dec 31, 2014	**–**	**25,181**	**3,274**	**28,455**
Amortization	–	2,954	366	**3,320**
Impairment[3]	–	24	0	**24**
Sales/scrapping	–	–48	–86	**–134**
Acquired and divested operations[4]	–	–2	–	**–2**
Translation differences	–	362	31	**393**
Reclassification at divestment	–	–	–46	**–46**
Reclassifications and other	–	–40	1,366	**1,326**
Accumulated amortization and impairment as of Dec 31, 2015	**–**	**28,431**	**4,905**	**33,336**
B/S **Net value in balance sheet as of December 31, 2014[2]**	**21,494**	**12,527**	**3,094**	**37,115**
B/S **Net value in balance sheet as of December 31, 2015[2]**	**22,088**	**11,702**	**2,626**	**36,416**

1 Other intangible assets mainly consist of entrance fees, trademarks and distribution networks.
2 Costs less accumulated amortization and impairments.
3 Impairment 2014 of SEK 36 M in product development relates to restructuring activities.
4 » **Read more in Note 3**, Acquisitions and divestments of shares in subsidiaries, for a description of acquired and divested operations.

Goodwill per Business Area	Dec 31, 2015	Dec 31, 2014
Trucks	12,101	11,515
Construction Equipment	8,475	8,392
Buses	992	1,053
Other business areas	519	534
Total goodwill value	**22,088**	**21,494**

NOTE 13 TANGIBLE ASSETS

ACCOUNTING POLICY

The Volvo Group applies the cost method for measurement of tangible assets. Borrowing costs are included in the acquisition value of assets that are expected to take more than 12 months to complete for their intended use or sale.

Investment properties are properties owned for the purpose of obtaining rental income and appreciation in value. Investment properties are recognized at cost. For disclosure purposes, information regarding the estimated fair value of investment properties is based on an internal discounted cash flow projection. The required return is based on current property market conditions for comparable properties in comparable locations. The applied valuation method is classified as level 3 as per the fair value hierarchy in IFRS 13 and there have not been any changes in valuation method during the year.

Investment properties are classified as buildings. Land contain land and land improvements. Machinery is machinery, type-bound tools and other equipment. Ongoing projects are assets under construction and advanced payments. Operating leases are assets under operating leases that do not occur from rental business or sales with residual value commitments. Rental fleet is assets under operating lease used in a fleet for rental business. Sales with residual value commitment is sales that are applying the operating lease model.

Depreciation and impairment

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on estimates of the period over which the assets will generate revenue. Land is not depreciated.

Depreciation is recognized on a straight-line basis based on the cost of the assets, adjusted in appropriate cases by impairments, and estimated useful lives. Depreciation is recognized in the respective function to which it belongs. Impairment tests for depreciable non-current assets are performed if there are indications of impairment at the balance-sheet date.

Depreciation periods	
Type-specific tools	3 to 8 years
Operating leases, Rental fleet	3 to 5 years
Sales with residual value commitments	3 to 5 years
Machinery	5 to 20 years
Buildings and investment properties	20 to 50 years
Land improvements	20 years

SOURCES OF ESTIMATION UNCERTAINTY

Impairment of tangible assets

If, at the balance-sheet date, there is any indication that a tangible asset has been impaired, the recoverable amount of the asset should be estimated. The recoverable amount is the higher of the asset's net selling price and its value in use, estimated with reference to management's projections of future cash flows. If the recoverable amount of the asset is less than the carrying amount, an impairment loss is recognized and the carrying amount of the asset is reduced to the recoverable amount. Determination of the recoverable amount is based upon management's projections of future cash flows, which are generally made by use of internal business plans or forecasts. While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect valuations.

Tangible assets, Acquisition cost	Buildings	Land	Machinery[3]	Ongoing projects	Operating leases	Rental fleet	Sales w. residual value commit-ments	**Total tangible assets**
Opening balance 2014	30,875	11,164	71,099	4,776	21,366	1,064	13,293	**153,637**
Investments	796	186	1,592	4,966	10,087	29	–1	**17,655**
Sales/scrapping	–954	–232	–4,767	–61	–6,704	–109	–1	**–12,828**
Acquired and divested operations[6]	–1,179	–380	–537	–41	–	–6,781	–	**–8,918**
Translation differences	1,723	786	3,735	108	2,406	137	1,327	**10,222**
Reclassified at divestment	1,088	200	801	46	–	6,781	–18	**8,898**
Reclassifications and other	1,604	–42	4,108	–5,604	–123	441	188	**572**
Acquisition costs as of Dec 31, 2014	**33,953**	**11,682**	**76,031**	**4,190**	**27,031**	**1,562**	**14,789**	**169,238**
Investments	764	57	2,057	3,746	10,435	–	–	**17,060**
Sales/scrapping	–532	–182	–3,699	–20	–9,023	–	–	**–13,456**
Acquired and divested operations[6]	–281	–66	–64	–10	–	–4	–	**–424**
Translation differences	–142	199	–343	31	30	–146	–238	**–608**
Reclassified at divestment	–176	–202	–967	–37	–	–290	18	**–1,653**
Reclassifications and other	1,248	34	1,779	–3,598	–1,897	2,424	347	**337**
Acquisition costs as of Dec 31, 2015	**34,835**	**11,522**	**74,795**	**4,303**	**26,578**	**3,545**	**14,917**	**170,494**

Tangible assets, Accumulated depreciation	Buildings	Land	Machinery[3]	Ongoing projects	Operating leases	Rental fleet	Sales w. residual value commit-ments	**Total tangible assets**
Opening balance 2014	15,428	1,124	49,129	–	6,469	330	3,252	**75,732**
Depreciation	1,168	77	4,804	–	3,478	341	1,988	**11,856**
Impairment[4]	140	318	197	11	3	–	–130	**540**
Sales/scrapping	–689	–49	–4,430	–	–2,666	–43	–	**–7,878**
Acquired and divested operations[6]	–622	–36	–20	–	–	–1,306	–	**–1,984**
Translation differences	928	66	2,795	–	657	28	457	**4,932**
Reclassified at divestment	459	14	219	–	–	1,224	–10	**1,906**
Reclassifications and other	10	–367	0	–	–137	–166	–1,605	**–2,266**
Accumulated depreciation as of Dec 31, 2014	**16,822**	**1,147**	**52,694**	**11**	**7,803**	**409**	**3,952**	**82,839**
Depreciation	1,310	85	5,008	–	4,386	470	2,289	**13,548**
Impairment[4]	25	26	–10	–	–	–	–124	**–84**
Sales/scrapping	–391	–26	–3,523	–	–3,536	–	0	**–7,476**
Acquired and divested operations[6]	–147	–	–56	–	–	–1	–	**–203**
Translation differences	103	6	99	–	–41	–37	–121	**10**
Reclassified at divestment	–133	–21	–717	–	–	–132	10	**–994**
Reclassifications and other	–243	–20	–214	–	–727	113	–2,203	**–3,294**
Accumulated depreciation as of Dec 31, 2015	**17,347**	**1,198**	**53,281**	**11**	**7,884**	**821**	**3,802**	**84,345**
B/S Net value in balance sheet as of Dec 31, 2014[2, 5]	**17,131**	**10,535**	**23,337**	**4,179**	**19,228**	**1,153**	**10,837**	**86,399**
B/S Net value in balance sheet as of Dec 31, 2015[2, 5]	**17,488**	**10,324**	**21,514**	**4,292**	**18,693**	**2,724**	**11,114**	**86,149**

1 Including capitalized borrowing costs of SEK 0 M (160).
2 Acquisition costs less accumulated depreciation, amortization and impairments.
3 Machinery and equipment pertains mainly to production related assets.
4 Impairments 2014 were mainly related to restructuring activities of SEK 459 M, whereof buildings SEK 140 M, land SEK 319 M.
5 Of which investment property SEK 283 M (266) and property, plant and equipment SEK 53,335 M (54,915).
6 » **Read more in Note 3**, Acquisitions and divestments of shares in subsidiaries, for a description of acquired and divested operations.

Reclassifications and other mainly consist of assets within sales with residual value commitments related to legal sales transactions, where revenue is deferred and accounted for as operating lease revenue. Assets classified as inventory will, when the operating lease model is applied for revenue recognition, be reclassified from inventory to sales with residual value commitments, when the legal sales transaction occurs. If the product is returned after the lease period, there will be a reclassification from sales with residual value commitments back to inventory. When a buy-back agreement has expired, but the related product is not returned, the cost and the accumulated depreciation are reversed in reclassification and other, within the line item sales with residual value commitments. Most reclassifications within tangible assets relate to construction in progress, which are reclassified to the respective category within property, plant and equipment. Most reclassifications within rental fleet relate to assets moved from inventory to rental fleet during the time the product is used in the rental business. When the product is de-fleeted it is reclassified back to inventory from rental fleet.

Investment properties

The acquisition value of investment properties at year-end amounted to SEK 692 M (600). Capital expenditures during 2015 amounted to SEK 6 M (3). Accumulated depreciation amounted to SEK 409 M (335) at year-end, of which SEK 26 M (23) refers to 2015. The estimated fair value of investment properties amounted to SEK 1.0 billion (0.7) at year-end. 97% (97) of the area available for lease were leased out during the year. Operating income for the year was affected by SEK 97 M (78) in rental income from investment properties and of SEK 19 M (13) in direct costs.

NOTE 14 LEASING

ACCOUNTING POLICY

Volvo Group as the lessor
Leasing contracts are defined in two categories, operating and finance leases, depending on the contract's financial implications. Operating lease contracts are recognized as non-current assets in Assets under operating leases as Operating leases, Rental fleet and Sales with residual value commitments. Income from operating lease is recognized equally distributed over the leasing period. Straight-line depreciation is applied to these assets in accordance with the terms of the undertaking and the depreciation amount is adjusted to correspond to the estimated realizable value when the undertaking expires. Assessed impairments are charged to the income statement. The product's assessed realizable value at expiration of the undertaking is reviewed continuously on an individual basis.

Finance lease agreements are recognized as either non-current or current receivables in the Customer Finance Operations. Payments from finance lease contracts are distributed between interest income and amortization of the receivable in the Customer Finance Operations.

Volvo Group as the lessee
As for lessors, leases are divided into operating and finance lease. Finance lease are those cases when risks and rewards related to ownership are substantially held by the Volvo Group. Volvo Group recognizes the asset and related obligation in the balance sheet at the lower of the leased asset's fair value or the present value of minimum lease payments. Future lease fee commitments are recognized as obligations. The lease asset is depreciated in accordance with the Volvo Group's policy for the respective non-current asset. The lease payments made are allocated between amortization and interest expenses. If the lease contract is considered to be an operating lease, lease payments are charged to profit or loss over the lease contract period.

Volvo Group as the lessor
As of December 31, 2015, future rental income from non-cancellable finance and operating leases (minimum lease fees excluding sales with residual value commitments) amounted to SEK 56,226 M (58,392).

Future rental income	Finance leases	Operating leases
2016	14,321	7,160
2017–2020	21,920	11,385
2021 or later	1,137	303
Total	**37,378**	**18,848**
Allowance for uncollectible future rental income	−551	
Unearned rental income	−2,554	
Present value of future rental income related to non-cancellable leases	34,273	

» **Read more about** finance lease, in **Note 15** Customer-financing receivables.

Volvo Group as a lessee
As of December 31, 2015, future rental payments (minimum leasing fees) related to non-cancellable leases amounted to SEK 5,140 M (5,524).

Future rental payments	Finance leases	Operating leases
2016	81	1,277
2017–2020	245	2,205
2021 or later	298	1,035
Total	**624**	**4,516**

Rental expenses	2015	2014
Finance leases:		
Contingent rents	−5	−6
Operating leases:		
Contingent rents	−34	−31
Rental payments	−1,447	−1,563
Sublease payments	5	8
Total	**−1,481**	**−1,592**

Carrying amount of assets subject to financial leases	Dec 31, 2015	Dec 31, 2014
Acquisition value		
Buildings	413	419
Land	78	80
Machinery	689	667
Assets under operating lease and rental fleet[1]	545	835
Total	**1,725**	**2,001**
Accumulated depreciation:		
Buildings	−96	−77
Land	−3	−1
Machinery	−353	−292
Assets under operating lease and rental fleet[1]	−213	−329
Total	**−666**	**−700**
Carrying amount in the balance sheet:		
Buildings	317	342
Land	75	79
Machinery	336	375
Assets under operating lease and rental fleet[1]	332	506
Total	**1,059**	**1,301**

1 Refer to assets leased by the Volvo Group as finance lease which are later leased to customers as operating lease.

NOTE 15 CUSTOMER-FINANCING RECEIVABLES

ACCOUNTING POLICY

Interest income on the customer-financing receivables is recognized within Net sales. Changes to the credit loss reserves are recognized in Other operating income and expense.

SOURCES OF ESTIMATION UNCERTAINTY

Credit loss reserves
The assessment of credit loss reserves on customer-financing receivables is dependent on estimates including assumptions regarding past dues, repossession rates and the recovery rate on the underlying collaterals. The impairment requirement is primarily evaluated for each respective asset. If, based on objective grounds, it cannot be determined that one or more assets are subject to an impairment loss, the assets are grouped in units based, for example, on similar credit risks to evaluate the impairment loss requirement collectively. This is in order to cover credit losses incurred but not yet individually identified in a larger population. Individually impaired assets or assets impaired during previous periods are not included when grouping assets for collective assessment. If the conditions that gave rise to the recognition of an impairment loss later prove to no longer be valid the impairment loss is reversed in the income statement as long as the carrying amount does not exceed the amortized cost at the time of the reversal.

As of December 31, 2015, the total credit loss reserves in the Customer Finance segment amounted to 1.41% (1.33) of the total credit portfolio in the segment. This reserve ratio, which is used as an important measure for the Customer Finance segment, includes operating leases and inventory, whereas this note specifies the balance sheet item Customer Finance receivables for the Volvo Group and thereby excludes operating leases and inventory as they are recognized elsewhere in the balance sheet.

» **Read more in Note 4** for a description of the credit risk, interest and currency risks and in **Note 30** for further information regarding customer-financing receivables.

Non-current customer-financing receivables	Dec 31, 2015	Dec 31, 2014
Installment credits	29,580	28,055
Financial leasing	21,325	21,820
Other receivables	57	1,455
B/S Non-current customer-financing receivables	**50,962**	**51,331**

The effective interest rate for non-current customer-financing receivables amounted to 4.65% (4.96) as of December 31, 2015.

15:1

Non-current customer-financing receivables maturities
SEK M

15:2

Current customer-financing receivables	Dec 31, 2015	Dec 31, 2014
Installment credits	16,053	14,611
Financial leasing	12,948	14,617
Dealer financing	21,989	17,562
Other receivables	631	1,046
B/S Current customer financing receivables	**51,621**	**47,836**

The effective interest rate for current customer-financing receivables amounted to 4.74% (5.31) as of December 31, 2015.

15:3

Credit risk in customer-financing receivables	Dec 31, 2015	Dec 31, 2014
Customer-financing receivables gross	104,096	100,616
Valuation allowance for doubtful customer-financing receivables	–1,514	–1,450
Whereof specific reserve	*–365*	*–364*
Whereof other reserve	*–1,149*	*–1,086*
Customer-financing receivables, net of allowance	**102,583**	**99,166**

15:4

Change of valuation allowance for doubtful customer-financing receivables	2015	2014
Opening balance	1,450	1,179
New valuation allowance charged to income	745	1,081
Reversal of valuation allowance charged to income	–56	–161
Utilization of valuation allowance related to actual losses	–549	–752
Translation differences	–76	103
Valuation allowance for doubtful customer-financing receivables as of December 31	**1,514**	**1,450**

15:5

Overdues in relation to specific reserves for customer-financing receivables	Dec 31, 2015					Dec 31, 2014				
	Not due	1–30	31–90	>90	**Total**	Not due	1–30	31–90	>90	**Total**
Overdue amount	–	477	268	292	**1,037**	–	468	323	232	**1,023**
Valuation allowance for doubtful customer-financing receivables, specific reserve	–94	–57	–90	–124	**–365**	–116	–105	–57	–86	**–364**
Customer-financing receivables, net book value	**–94**	**420**	**178**	**168**	**672**	**–116**	**363**	**266**	**146**	**659**

15:6

The table above presents overdue payments within the customer-financing operations in relation to specific reserves. It is not unusual for a receivable to be settled a couple of days after its due date, which impacts the age interval of 1–30 days. Valuation allowance presented within the interval not due, is mainly an effect of recognition of impairment on portions of contracts that have not yet been invoiced.

The total contractual amount to which the overdue payments pertain are presented in the table below. In order to provide for occurred but not yet identified customer-financing receivables overdue, there were additional reserves of 1,149 (1,086), included in table **15:4.** The remaining exposure was secured by liens on the financed equipment and, in certain circumstances, other credit enhancements such as personal guarantees, credit insurance, liens on other property owned by the borrower etc.

Collaterals taken in possession that meet the criteria for recognition in the Balance sheet amounted to SEK 162 M (137) as of December 31, 2015.

Customer-financing receivables total exposure	Dec 31, 2015					Dec 31, 2014				
	Not due	1–30	31–90	>90	**Total**	Not due	1–30	31–90	>90	**Total**
Customer financing receivables	94,126	7,764	1,962	245	**104,096**	89,931	8,012	2,410	263	**100,616**

15:7

Concentration of credit risk

Customer concentration

The ten largest customers in Customer Finance account for 8.5% (7.0) of the total asset portfolio. The rest of the portfolio is pertinent to a large number of customers. Hence the credit risk is spread across many markets and customers.

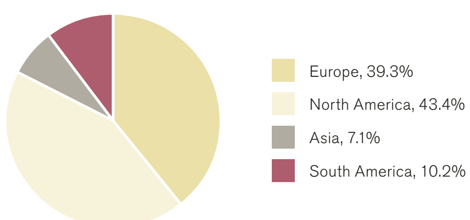
Concentration by geographical market

The adjacent table discloses the concentration of the customer-financing portfolio divided into geographical markets.

» **Read more in Note 4** about goals and policies in financial risk management and description of credit risks.

» **Read more about** Volvo Financial Services' development during the year in the Board of Directors' Report on Volvo Financial Services.

Geographic market, percentage of customer-financing portfolio (%).



15:8

NOTE 16 RECEIVABLES

ACCOUNTING POLICY

Receivables are recognized at amortized cost. Changes to the credit loss reserves as well as any interest and gain or loss upon divestment of receivables are recognized in Other operating income and expense.

» **Refer to Note 30** Financial Instruments in section Derecognition of financial assets, for receivables subject to cash enhancement activities.

SOURCES OF ESTIMATION UNCERTAINTY

Credit loss reserves

An allowance for account receivables is recognized as soon as it is probable that a credit loss has incurred, that is when there has been an event that has triggered the customer's inability to pay. As of December 31, 2015, the total credit loss reserves for account receivables amounted to 4.02% (2.63) of total account receivables.

» **Refer to Note 4** regarding credit risk.

Non-current receivables	Dec 31, 2015	Dec 31, 2014
Other interest-bearing loans to external parties[1]	739	602
Other receivables	2,644	2,826
Outstanding interest and currency risk derivatives[2]	1,034	1,526
Non-current receivables	**4,418**	**4,954**

1 Non-current part of Other interest bearing receivables in table Carrying amounts and fair values in Note 30.
2 Non-current part of Outstanding interest and currency risk derivatives in table Carrying amounts and fair values in Note 30.

Current receivables	Dec 31, 2015	Dec 31, 2014
Other interest-bearing receivables[1]	743	374
Other interest-bearing financial receivables	61	61
Accounts receivable	29,101	30,895
Prepaid expenses and accrued income	2,906	2,854
VAT receivables	3,789	3,676
Outstanding interest and currency risk derivatives[2]	1,588	1,351
Other receivables	6,615	7,463
Outstanding raw materials derivatives	5	3
Current receivables, after deduction of valuation allowances for doubtful accounts receivable	**44,809**	**46,677**

1 Current part of Other interest bearing receivables in table Carrying amounts and fair values in Note 30.
2 Current part of Outstanding interest and currency risk derivatives in table Carrying amounts and fair values in Note 30.

Credit risks in accounts receivable

Change of valuation allowance for doubtful accounts receivable	2015	2014
Opening balance	834	606
New valuation allowance charged to income	695	415
Reversal of valuation allowance charged to income	–250	–123
Utilization of valuation allowance related to actual losses	–34	–65
Acquired and divested operations	0	–23
Translation differences	–34	60
Reclassifications, etc	8	–36
Valuation allowance for doubtful accounts receivables as of December 31	**1,219**	**834**

» **Refer to Note 8** Other operating income and expenses, for information regarding credit provisions for Volvo CE in China.

» **Refer to Note 15** for information regarding credit risk in customer financing receivables.

» **Refer to Note 30** for information regarding goals and policies for financial instruments.

Age analysis of portfolio value – Accounts receivable	Dec 31, 2015					Dec 31, 2014				
	Not Due	1–30	31–90	>90	**Total**	Not Due	1–30	31–90	>90	**Total**
Accounts receivable gross	26,798	1,102	656	1,765	**30,320**	28,572	1,311	578	1,268	**31,728**
Provision for doubtful accounts receivable	–381	–16	–108	–714	**–1,219**	–123	–35	–25	–650	**–834**
Accounts receivable net	**26,417**	**1,086**	**548**	**1,051**	**29,101**	**28,449**	**1,275**	**553**	**617**	**30,895**

NOTE 17 INVENTORIES

ACCOUNTING POLICY

Inventories are recognized at the lower of cost and net realizable value. The cost is established using the first-in, first-out principle (FIFO) and is based on the standard cost method, including costs for all direct manufacturing expenses and the attributable share of capacity and other manufacturing-related costs. The standard costs are tested regularly and adjustments are made based on current conditions. Costs for research and development, selling, administration and financial expenses are not included. Net realizable value is calculated as the selling price less costs attributable to the sale.

SOURCES OF ESTIMATION UNCERTAINTY

Inventory obsolescence
If the net realizable value is lower than cost, a valuation allowance is established for inventory obsolescence. The total inventory value, net of inventory obsolescence allowance, was SEK 44,390 M (45,533) as of December 31, 2015.

Inventory	Dec 31, 2015	Dec 31, 2014
Finished products	27,496	28,368
Production materials, etc.	16,894	17,165
B/S **Inventory**	**44,390**	**45,533**

Inventories recognized as cost of sold products during the period amounted to SEK 216,778 M (199,872).

Increase (decrease) in allowance for inventory obsolescence	2015	2014
Opening balance	**3,394**	**2,641**
Increase in allowance for inventory obsolescence charged to income	675	734
Scrapping	–435	–395
Translation differences	–29	259
Reclassifications etc.	20	154
Allowance for inventory obsolescence as of December 31	**3,624**	**3,394**

NOTE 18 MARKETABLE SECURITIES AND LIQUID FUNDS

ACCOUNTING POLICY

Cash and Cash equivalents include high liquid interest-bearing securities that are considered easily convertible to cash including marketable securities, with a date of maturity within three months at the time for investment. Interest bearing securities that fail to meet this definition are recognized as marketable securities.

Marketable securities	Dec 31, 2015	Dec 31, 2014
Government securities	1,586	789
Banks and financial institutions	1,090	5,037
Real estate financial institutions	668	1,485
B/S Marketable securities	**3,344**	**7,312**

Cash and cash equivalents	Dec 31, 2015	Dec 31, 2014
Cash in banks	18,474	25,627
Bank certificates	674	340
Time deposits in banks	1,900	276
B/S Cash and cash equivalents	**21,048**	**26,242**

Cash and cash equivalents as of December 31, 2015, include SEK 0.8 billion (0.2) that is not available for use by the Volvo Group and SEK 5.4 billion (6.1) where other limitations exist, mainly liquid funds in countries where exchange controls or other legal restrictions apply. Therefore it is not possible to immediately use the liquid funds in other parts of the Volvo Group, however normally there is no limitation for use for the Volvo Group's operation in the respective country.

NOTE 19 EQUITY AND NUMBER OF SHARES

ACCOUNTING POLICY

Earnings per share before dilution is calculated as income for the period, attributable to the Parent Company's shareholders, divided by the Parent Company's average number of shares outstanding for the fiscal year. Diluted earnings per share is calculated as income for the period attributable to the Parent Company's shareholders divided by the average number of shares outstanding plus the average number of shares that would be issued as an effect of ongoing share-based incentive programs. If during the year there were potential shares redeemed or expired during the period, these are also included in the average number of shares used to calculate the earnings per share after dilution.

The share capital of the Parent Company is divided into two series of shares, A and B. Both series carry the same rights, except that each Series A share carries the right to one vote and each Series B share carries the right to one tenth of a vote. The shares' quota value is SEK 1.20.

Cash dividend 2015, decided by the Annual General Meeting 2014, was SEK 3.00 (3.00) per share or totally SEK 6,089.8 M (6,084.4).

During 2015 AB Volvo transferred, free of consideration, 1,377,988 treasury B-shares, with a total quota value of 1,653,585.60 SEK, to participants in the long-term share-based incentive program for Group and senior executives in the Volvo Group, as accelerated allotment. The transferred treasury shares represent an insignificant portion of the share capital of AB Volvo.

During 2015 AB Volvo converted a total of 7,633,140 Series A shares to Series B shares.

Unrestricted equity in the Parent Company as of December 31, 2015 amounted to SEK 31,115 M (28,395).

» **Read more in Note 27** about the Volvo Group share-based incentive program.

Information regarding number of shares	Dec 31, 2015	Dec 31, 2014
Own Series A shares	20,728,135	20,728,135
Own Series B shares	76,975,610	78,353,598
Total own shares	**97,703,745**	**99,081,733**
Own shares in % of total registered shares	4.59	4.66
Outstanding Series A shares	484,753,825	492,386,965
Outstanding Series B shares	1,545,962,650	1,536,951,522
Total outstanding shares	**2,030,716,475**	**2,029,338,487**
Total registered Series A shares	505,481,960	513,115,100
Total registered Series B shares	1,622,938,260	1,615,305,120
Total registered shares	**2,128,420,220**	**2,128,420,220**
Average number of outstanding shares	2,030,116,663	2,028,414,477

Information regarding shares	2015	2014
Number of outstanding shares, December 31, in millions	2,031	2,029
Average number of shares before dilution in millions	2,030	2,028
Average number of shares after dilution in millions	2,032	2,031
Average share price, SEK	96.57	89.54
Net income attributable to Parent Company shareholders	15,058	2,099
Basic earnings per share, SEK	7.42	1.03
Diluted earnings per share, SEK	7.41	1.03

Change in other reserves	Hedge reserve	Available-for-sale reserve	Total
Opening balance 2015	–16	4,144	4,128
Other changes	–32	–	–32
Fair value adjustments regarding holdings in Japanese companies	–	25	25
Fair value adjustments regarding Eicher Motors Ltd.	–	–3,995	–3,995
Fair value adjustments regarding other companies	–	133	133
Balance as of December 31, 2015	**–48**	**307**	**259**

The Volvo Group's accumulated amount of exchange difference recognized in equity relating to assets held for sale amounted to SEK 11 M (10).

NOTE 20 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

The Volvo Group's post-employment benefits, such as pensions, healthcare and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined-contribution plans.

The remaining post-employment benefits are defined-benefit plans; that is, the obligations remain within the Volvo Group or are secured by proprietary pension foundations. The Volvo Group's defined-benefit plans relate mainly to subsidiaries in the U.S. and comprise both pensions and other benefits, such as healthcare. Other large-scale defined-benefit plans apply to white-collar employees in Sweden (mainly through the Swedish ITP pension plan) and employees in France and Great Britain.

ACCOUNTING POLICY

Actuarial calculations shall be made for all defined-benefit plans in order to determine the present value of obligation for benefits vested by its current and former employees. The actuarial calculations are prepared annually and are based upon actuarial assumptions that are determined at the balance-sheet date each year. Changes in the present value of obligations due to revised actuarial assumptions and experience adjustments constitute remeasurements.

Provisions for post-employment benefits in the Volvo Group's balance sheet correspond to the present value of obligations at year-end, less fair value of plan assets. Discount rate is used when calculating the net interest income or expense on the net defined benefit liability (asset). All changes in the net defined liability (asset) are recognized when they occur. Service cost and net interest income or expense are recognized in the income statement, while remeasurements such as actuarial gains and losses are recognized in other comprehensive income. Special payroll tax is included in the pension liability. Special payroll tax is applicable for pension plans in Sweden and Belgium.

For defined contribution plans, premiums are recognized in the income statement as incurred according to function.

SOURCES OF ESTIMATION UNCERTAINTY

Assumptions when calculating pensions and other post-employment benefits

Provisions and costs for post-employment benefits, mainly pensions and health-care benefits, are dependent on assumptions used by actuaries when calculating such amounts. The appropriate assumptions and actuarial calculations are made separately for the respective countries of the Volvo Group's operations which result in obligations for post-employment benefits. The assumptions include discount rates, health care cost trends rates, inflation, salary growth, retirement rates, mortality rates and other factors. Health care cost trend assumptions are based on historical cost data, the near-term outlook and an assessment of likely long-term trends. Inflation assumptions are based on an evaluation of external market indicators. The salary growth assumptions reflect the historical trend, the near-term outlook and assumed inflation. Retirement and mortality rates are based primarily on officially available mortality statistics. The actuarial assumptions are reviewed annually by the Volvo Group and modified when deemed appropriate.

The following tables disclose information about defined-benefit plans. The Volvo Group recognizes the difference between the obligations and the plan assets in the balance sheet. The disclosures refer to assumptions applied for actuarial calculations, recognized costs during the financial year and the value of obligations and plan assets at year-end. The tables also include a reconciliation of obligations and plan assets during the year.

Summary of provision for post-employment benefits	Dec 31, 2015	Dec 31, 2014
Obligations	–49,038	–50,948
Fair value of plan assets	35,400	34,391
Net provision for post-employment benefits	**–13,638**	**–16,557**

Sweden

The main defined benefit plan in Sweden is the ITP2 plan and it is based on final salary. The plan is semi-closed, meaning that only new employees born before 1979 have the possibility to choose the ITP2 solution. The Volvo Group's pension foundation in Sweden was formed in 1996 to secure obligations relating to retirement pensions for white-collar workers in Sweden in accordance with the ITP plan. Plan assets amounting to SEK 2,456 M were contributed to the foundation at its formation, corresponding to the value of the pension obligations at that time. Since its formation, net contributions of SEK 3,167 M, whereof SEK 216 M during 2015, have been made to the foundation. The plan assets in the Volvo Group's Swedish pension foundation are invested in Swedish and foreign stocks and mutual funds, and in interest-bearing securities, in accordance with a distribution that is determined by the foundation's Board of Directors. As of December 31, 2015, the fair value of the foundation's plan assets amounted to SEK 10,249 M (9,490), of which 47% (49) was invested in equity instruments. At the same date, retirement pension obligations attributable to the ITP plan amounted to SEK 12,915 M (15,369).

Swedish companies can secure new pension obligations through balance-sheet provisions or pension-fund contributions. Furthermore, a credit insurance policy must be taken out for the value of the obligations. In addition to benefits relating to retirement pensions, the ITP plan also includes, for example, a collective family pension, which the Volvo Group finances through an insurance policy with the Alecta insurance company. According to an interpretation from the Swedish Financial Reporting Board, this is a multi-employer defined-benefit plan. For fiscal year 2015, the Volvo Group did not have access to information from Alecta that would have enabled this plan to be recognized as a defined-benefit plan. Accordingly, the plan has been recognized as a defined-contribution plan. The Volvo Group estimates it will pay premiums of about SEK 297 M to Alecta in 2016. The collective consolidation level measures the apportionable assets in relation to the insurance commitment. According to Alecta's consolidation policy for defined-benefit pension insurance, the collective consolidation level is normally allowed to vary between 125% and 155%. Alecta's consolidation ratio amounts to 153% (143). If the consolidation level falls short or exceeds the normal interval one measure may be to increase the contract price for new subscription and expanding existing benefits or introduce premium reductions.

The Volvo Group's share of the total saving premiums for ITP2 in Alecta as at December 31, 2015 amounted to 0.29% (0.47) and the share of the total number of active policy holders amounted to 1.82% (1.85).

During 2015 the Volvo Group reviewed all the assumptions regarding the Swedish pension plan where the consequence was a lower pension obligation, excluding any variation in the discount rate, and a future lower service cost in the income statement.

All employees in Sweden benefit from a jubilee awards plan according to which they receive a certain number of shares after they have rendered 25, 35 and 45 years of services. This plan is accounted for as a share-based payments.

Read more in Note 27 Personnel about accounting policy on share-based payments.

USA

In the US, the Volvo Group has tax-qualified pension plans, post-retirement medical plans and non-qualified pension plans. The tax-qualified pension plans are funded while the other plans are generally unfunded. The Volvo Group's subsidiaries in the United States mainly secure their pension obligations through transfer of funds to pension plans. At the end of 2015, the total value of pension obligations secured by pension plans of this type amounted to SEK 17,386 M (16,238). At the same point in time, the total value of the plan assets in these plans amounted to SEK 15,774 M (15,215), of which 48% (54) was invested in equity instruments. The regulations for securing pension obligations stipulate certain minimum levels concerning the ratio between the value of the plan assets and the value of the obligations. During 2015, the Volvo Group contributed SEK 397 M (736) to the American pension plans.

France

In France, the Volvo Group has two types of defined benefit plans, Indemnité de Fin de Carrière (IFC) and jubilee award plan. The plans are unfunded. The retirement indemnities plan is compulsory in France. The benefits are based on the Collective Bargaining Agreement applicable in the company, on the employee's seniority at retirement date and on the final pay. The benefit payment is due only if employees are working for the company when they retire. The jubilee awards plan is an internal agreement. The benefit is based on the employee's seniority career at 20, 30, 35 and 40 years. As of December 31, 2015 the total value of pension obligations amounted to SEK 2,574 M (2,849).

Great Britain

The Volvo Group has five defined benefit pension plans in Great Britain. The plans are funded. The defined benefit pension plans provides benefits which are linked to each member's final pay at the earlier of their date of leaving or retirement. All plans are closed to new entrants and two of the plans are closed to future accrual. Members of the plan also have the option to commute an amount of their pension benefit as cash at retirement as permitted by UK legislation.

The pension funds are set up as separate legal entities, which are governed by trustees who are responsible for the governance of the plan. The trustee boards are composed of representatives from the employer, the employees and independent trustees. The strategic allocation of plan assets must comply with the investment guidelines agreed by the trustees of the respective schemes. If a net surplus is recognized in the balance sheet when the pension scheme runs-off the Volvo Goup has an unconditional right to the surplus of that plan or plans.

At the end of 2015, the total value of pension obligations secured by pension plans amounted to SEK 6,820 M (6,671). The total value of the plan assets in these plans amounted to SEK 6,847 M (6,772).

During 2015, the Volvo Group has made extra contributions to the pension plans in Great Britain in the amount of SEK 107 M (98).

Assumptions applied for actuarial calculations, %	Dec 31, 2015	Dec 31, 2014
Sweden		
Discount rate[1]	3.50	2.75
Expected salary increase	2.90	3.00
Inflation	1.50	1.50
United States		
Discount rate[1 2]	3.00–4.40	2.50–4.30
Expected salary increase	2.70–3.50	2.70–3.50
Inflation	2.20	2.50
France		
Discount rate[1]	1.50–2.20	1.50–2.00
Expected salary increase	2.50–3.00	2.50–3.00
Inflation	1.50	1.50
Great Britain		
Discount rate[1]	3.50–3.80	3.50–3.75
Expected salary increases	3.50–3.60	3.60–3.70
Inflation	3.10	3.00

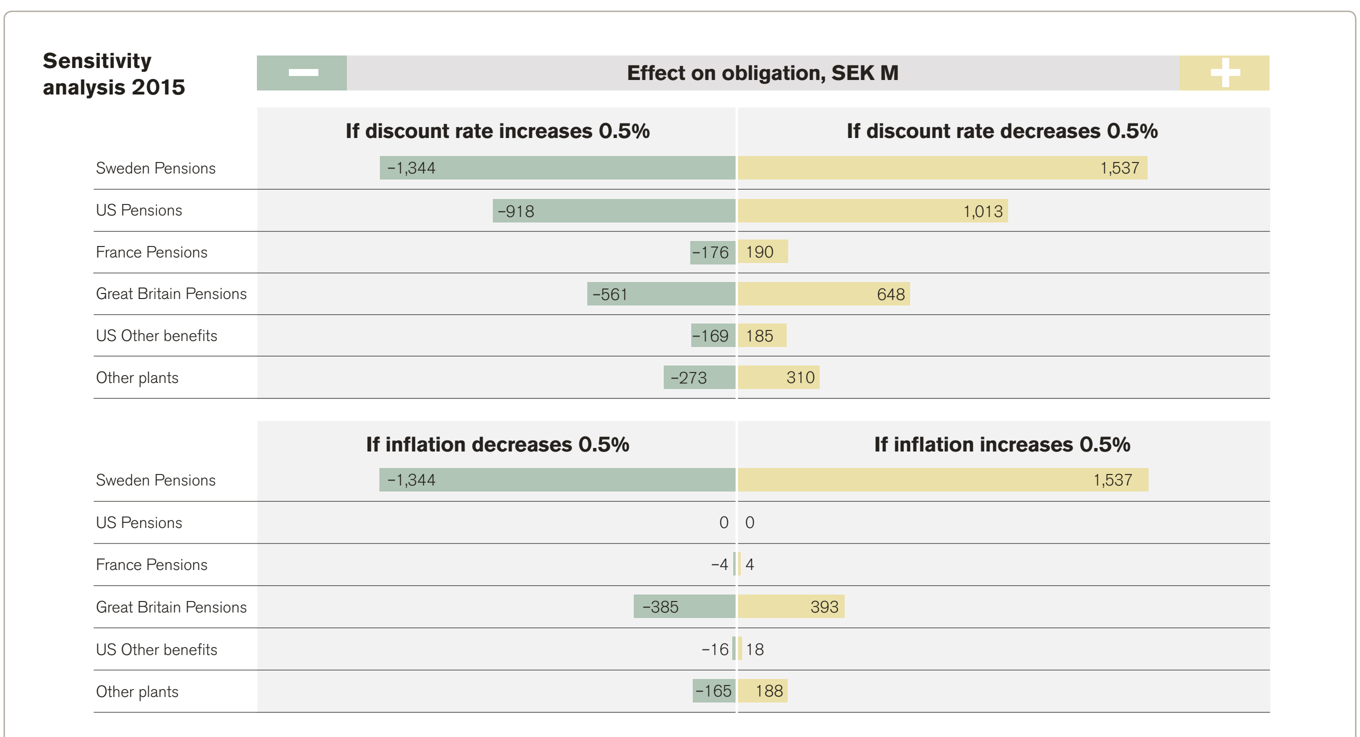
1 The discount rate for each country is determined by reference to market yields on high-quality corporate bonds. In countries where there is no functioning market in such bonds, the market yields on government bonds are used. The discount rate for the Swedish pension obligation is determined by extrapolating current market rates along the yield curve of mortgage bonds.
2 For all plans except two the discount rate used is within the range 3.70–4.40% (3.60–4.30).

Pension costs	2015	2014
Current year service costs	1,681	1,298
Interest costs	1,532	1,479
Interest income	–1,208	–1,180
Past service costs	122	58
Gain/loss on settlements	–129	–54
Pension costs for the period, defined-benefit plans	**1,999**	**1,601**
Pension costs for defined-contribution plans	2,340	2,530
Total pension costs for the period	**4,339**	**4,131**

Costs for the period, post-employment benefits other than pensions	2015	2014
Current year service costs	121	56
Interest costs	147	141
Interest income	–3	–2
Past service costs	–	–37
Gain/loss on settlements	–185	–
Remeasurements	248	–55
Total costs for the period, post-employment benefits other than pensions	**328**	**103**

	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits
Average duration of the obligation, years	21.6	10.5	14.8	17.7	10.2

The analysis below presents the sensitivity on the defined benefit obligations when changes in the applied assumptions for discount rate and inflation are made. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is not probable, and changes in some of the assumptions may be correlated. Depending on local regulations, facts and circumstances in the separate countries the sensitivity effect on the obligation differs for the respective assumptions.

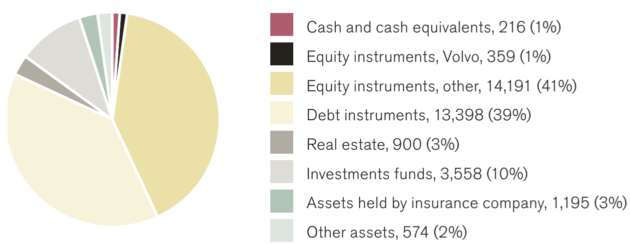


Obligations in defined-benefit plans	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Obligations opening balance 2014	**11,333**	**13,686**	**2,356**	**5,315**	**3,181**	**4,082**	**39,953**
Acquisitions, divestments and other changes	1	1	–	–	44	151	**197**
Current year service costs	500	344	89	52	47	322	**1,354**
Interest costs	446	589	81	239	134	130	**1,619**
Past service costs	85	3	–	–	–32	–35	**21**
Settlements	–	–	–54	–	–	–37	**–91**
Employee contributions	–	–	–	12	–	4	**16**
Remeasurements:							
– Effect of changes in demographic assumptions	–	–257	–	–23	–176	–59	**–515**
– Effect of changes in financial assumptions	3,781	597	372	586	35	462	**5,833**
– Effect of experience adjustments	62	114	19	–3	–125	111	**178**
Exchange rate translation	–	2,846	156	724	633	307	**4,666**
Benefits paid	–377	–1,082	–170	–231	–225	–198	**–2,283**
Obligations as of December 31, 2014	**15,831**	**16,841**	**2,849**	**6,671**	**3,516**	**5,241**	**50,948**
of which							
Funded defined-benefit plans	15,396	16,238	10	6,671	26	3,683	**42,024**
Acquisitions, divestments and other changes	–	–	–	–	–	–59	**–59**
Current year service costs	772	402	92	57	109	370	**1,802**
Interest costs	430	681	55	257	137	120	**1,680**
Past service costs	84	19	–	–	–	20	**124**
Settlements	160	–	–20	–	–184	–416	**–461**
Employee contributions	–2	–	–	14	–	4	**16**
Remeasurements:							
– Effect of changes in demographic assumptions	–166	335	–	11	39	–43	**176**
– Effect of changes in financial assumptions	–2,707	–265	–79	–36	–111	11	**–3,186**
– Effect of experience adjustments	–663	59	–87	–8	229	–27	**–496**
Exchange rate translation	–	1,174	–112	128	241	–112	**1,319**
Benefits paid	–436	–1,199	–122	–273	–304	–488	**–2,824**
Obligations as of December 31, 2015	**13,302**	**18,048**	**2,574**	**6,820**	**3,673**	**4,621**	**49,038**
of which							
Funded defined-benefit plans	12,938	17,386	10	6,820	24	3,190	**40,367**

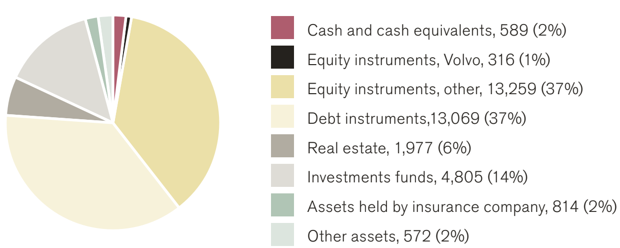
Fair value of plan assets in funded plans	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Plan assets opening balance 2014	**8,229**	**11,916**	**7**	**5,274**	**23**	**2,204**	**27,653**
Acquisitions, divestments and other changes	–	–	–	–	–2	164	**162**
Interest income	329	527	–	240	1	85	**1,182**
Remeasurements	636	512	–	656	–3	67	**1,868**
Employer contributions	318	736	2	98	–	258	**1,412**
Employee contributions	–	–	–	12	–	3	**15**
Exchange rate translation	–	2,549	–	723	7	167	**3,446**
Benefits paid	–1	–1,025	–1	–231	–	–89	**–1,347**
Plan assets as of December 31, 2014	**9,511**	**15,215**	**8**	**6,772**	**26**	**2,859**	**34,391**
Acquisitions, divestments and other changes	–2	–	–	–	–	–105	**–107**
Interest income	261	621	–	263	1	65	**1,211**
Settlements	–	–	–		–	–309	**–309**
Remeasurements	285	–391	–	–167	–5	30	**–247**
Employer contributions	216	397	1	107	–	230	**950**
Employee contributions	–	–	–	14	–	4	**18**
Exchange rate translation	–	1,071	–	132	2	–96	**1,110**
Benefits paid	–1	–1,139	–	–273	–	–202	**–1,615**
Plan assets as of December 31, 2015	**10,270**	**15,774**	**9**	**6,847**	**23**	**2,477**	**35,400**

Net provisions for post-employment benefits	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Net provision for post-employment benefits as of December 31, 2014	**–6,320**	**–1,626**	**–2,841**	**101**	**–3,490**	**–2,381**	**–16,557**
of which reported as:							
B/S Prepaid pensions	–	–	–	101	17	8	**126**
B/S Provisions for post-employment benefits	–6,320	–1,626	–2,841	–	–3,507	–2,389	**–16,683**
Net provisions for post-employment benefits as of December 31, 2015	**–3,032**	**–2,274**	**–2,565**	**27**	**–3,650**	**–2,144**	**–13,638**
of which reported as:							
B/S Prepaid pensions	–	–	–	27	–	8	**34**
B/S Provisions for post-employment benefits	–3,032	–2,274	–2,565	–	–3,650	–2,151	**–13,673**

Plan assets by category as of December 31, 2014



Plan assets by category as of December 31, 2015



Actual return on plan assets amounted to SEK 964 M (3,050).

Fair value of plan assets with a quoted market price	Dec 31, 2015	Dec 31, 2014
Cash and cash equivalents	579	194
Equity instruments	13,574	14,550
Debt instruments	13,069	13,398
Real estate	1,653	590
Derivatives	–4	–59
Investments funds	3,440	2,880
Assets held by insurance company	–	–
Other assets	573	623
Total	**32,883**	**32,176**

Investment strategy and risk management

The Volvo Group manages the allocation and investment of pension plan assets with the purpose of meeting the long term objectives. The main objectives are to meet present and future benefit obligations, provide sufficient liquidity to meet such payment requirements and to provide a total return that maximizes the ratio of the plan assets in relation to the plan liabilities by maximizing return on the assets at an appropriate level of risk. The final investment decision often resides with the local trustee, but the investment policy for all plans ensures that the risks in the investment portfolios are well diversified. The risks related to pension obligations, e.g. longevity and inflation, as well as buy out premiums and matching strategies are monitored on an ongoing basis in order to limit the Volvo Group's exposure.

In the last couple of years, some of the defined benefit plans have been closed to new entrants and replaced by defined contribution plans in order to reduce risk for the Volvo Group.

In Sweden the minimum funding target is decided by PRI Pensionsgaranti, this is mandatory in order to stay in the system and get insurance for the pension liability. The minimum contribution is decided by the company and should equal at least the pension benefits expected to be earned during the coming year.

In the United States the minimum funding target is decided by the company in order to avoid penalties, keep flexibility and avoid extensive filing with the IRS and participants. The minimum contribution should equal at least the benefits expected to be earned during the coming year plus one-seventh of the underfunding.

In Great Britain there are no minimum funding requirements. For each plan there is a contribution plan, which is well defined, in place to bring the schemes to full funding within a reasonable time frame. The contribution plans are to be approved by regulators.

In 2016 the Volvo Group estimates to transfer an amount of SEK 1–2 billion to pension plans.

NOTE 21 OTHER PROVISIONS

ACCOUNTING POLICY

Provisions are recognized when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions for residual value risks
Residual value risks are attributable to operating lease contracts or sales transactions combined with buy-back agreements or residual value guarantees. Residual value risks are the risks that the Volvo Group in the future would have to dispose used products at a loss if the price development of these products is worse than what was expected when the contracts were entered. Provisions for residual value risks are made on a continuing basis based upon estimations of the used products' future net realizable values. The estimations of future net realizable values are made with consideration to current prices, expected future price development, expected inventory turnover period and expected direct and indirect selling expenses. If the residual value risks pertain to products that are recognized as tangible assets in the Volvo Group's balance sheet, these risks are reflected by depreciation or write-down of the carrying value of these assets. If the residual value risks pertain to products, which are not recognized as assets in the Volvo Group's balance sheet, these risks are reflected under provisions.

» **Read more in Note 7** Revenue.

Provision for product warranty
Estimated provision for product warranties are recognized when the products are sold. The provision includes both expected contractual warranties and so called technical goodwill warranties and is determined based on historical statistics considering known quality improvements, costs for remedy of defaults etc. Provision for campaigns in connection with specific quality problems are recognized when the campaign is decided.

Provision for restructuring costs
A provision for decided restructuring measures is recognized when a detailed plan for the implementation of the measures is complete and when this plan is communicated to those who are affected. A provision and costs for termination benefits as a result of a voluntary termination program is recognized when the employee accepts the offer. Restructuring costs can be reported as a separate line item in the income statement if they relate to a major change of the Group structure. Normally restructuring costs are included in other operating income and expenses.

SOURCES OF ESTIMATION UNCERTAINTY

The uncertainties about the amount or timing of outflows vary for different kind of provisions. Regarding provisions for warranty, extended coverage, residual value risks and service contracts, the provisions are based on historical statistics and estimated future costs, why the provided amount has a higher correlation with the outflow of resources. Regarding provisions for disputes, like tax and legal disputes, the uncertainty is higher.

Residual value risks
In the course of its operations, the Volvo Group is exposed to residual value risks through operating lease agreements and sales combined with repurchase agreements. Residual value commitments amounted to SEK 22,585 M (21,146) as of December 31, 2015. Residual value risks are reflected in different ways in the Volvo Group's consolidated financial statements depending on the extent to which the risk remains with the Volvo Group.

In cases where significant risks pertaining to the product remain with the Volvo Group, the products, primarily trucks, are generally recognized in the balance sheet as assets under operating leases. Depreciation of these products is recognized on a straight-line basis over the term of the commitment and the depreciable amount is adjusted to agree with estimated net realizable value at the end of the commitment. The estimated net realizable value of the products at the end of the commitment is monitored individually on a continuing basis. A decline in prices for used trucks and construction equipments may negatively affect the Volvo Group's operating income. High inventories in the truck industry and the construction equipment industry and low demand may have a negative impact on the prices of new and used trucks and construction equipments. In monitoring estimated net realizable value of each product under a residual value commitment, management makes considerations of current price-level of the used product model, value of options, mileage, condition, future price deterioration due to expected change of market conditions, alternative distribution channels, inventory lead-time, repair and reconditioning costs, handling costs and indirect costs associated with the sale of used products. Additional depreciations and estimated impairment losses are immediately recognized in the income statement.

The residual value commitment agreed with the customer is recognized as current and non-current residual value liabilities. For contracts which have been financed by Customer Finance the residual value liability is being eliminated on Group level and instead recognized as finance liability both in the Customer Finance and Group Balance Sheet.

» **Read more in Note 22** Liabilities about residual value liabilities.

If the residual value risk commitment is not significant, independent from the sale transaction or in combination with a commitment from the customer to buy a new product in connection to a buy-back option, the asset is not recognized on the balance-sheet. Instead, the risk that the Volvo Group would have to dispose the used products at a loss is reported as a residual value provision.

To the extent the residual value exposure does not meet the definition of a provision, the gross exposure is reported as a contingent liability. For contracts which have been financed by Customer Finance the residual value commitment is recognized as finance liability, hence no contingent liabilities are recognized for these contracts.

» **Read more in Note 24** Contingent liabilities.

Provision for product warranty
Warranty provisions are estimated with consideration of historical claims statistics, the warranty period, the average time-lag between faults occurring and claims to the company and anticipated changes in quality indexes. Estimated costs for product warranties are recognized as cost of sales when the products are sold. Estimated warranty costs include contractual warranty and goodwill warranty (warranty cover in excess of contractual warranty or campaigns which is accepted as a matter of policy or normal practice in order to maintain a good business relation with the customer). Differences between actual warranty claims and the estimated final claims cost generally affect the recognized expense and provisions in future periods. Refunds from suppliers, that decrease the Volvo Group's warranty costs, are recognized to the extent these are considered to be certain.

Provisions for extended coverage
An extended coverage is a product insurance sold to a customer to cover a product according to specific conditions for an agreed period and/or content in addition to the factory contractual warranty. The provision is intended to cover the risk that the expected cost of providing services under the contract exceed the expected revenue.

Provisions in insurance operations
Volvo Group has a captive insurance company and the provisions in insurance operations consist of the claims reserve related to third party claims addressed to companies within the Volvo Group. The claims reserve also includes a provision for unreported losses based on past experience. The unearned premium reserve is reported as an accrued expense within other current liabilities.

Restructuring measures
The provision for restructuring measures is mainly related to the efficiency program.

Provision for service contracts

Service contracts offer the customer preventive maintenance according to an agreed service plan. The provision is intended to cover the risk that the expected cost of providing services under the contract exceeds the expected revenue.

Provision for finished products

The provisions for finished products include provisions regarding commercial commitments linked to the sales, for example dealer bonuses and rebates. The item is reclassified to other liabilities as of December 31, 2015, since it is not considered to fulfil the definitions for provisions, and renamed to accrued expenses for dealer bonuses and rebates.

Legal proceedings

Provisions for legal disputes are included within Other provisions in the table below, except the provision related to the EU antitrust investigation and the provision related to the engine emission case in the U.S, that are separately specified.

The Volvo Group recognizes obligations as provisions or other liabilities only in cases where Volvo has a present obligation from a past event, where a financial responsibility is probable and the Volvo Group can make a reliable estimate of the amount. When these criteria are not met, a contingent liability may be recognized.

The Volvo Group regularly reviews the development of significant outstanding legal disputes in which the Volvo Group companies are parties, both regarding civil law and tax disputes, in order to assess the need for provisions and contingent liabilities in the financial statements. Among the factors that the Volvo Group considers in making decisions on provisions and contingent liabilities are the nature of the dispute, the amount claimed, the progress of the case, the opinions or views of legal counsels and other advisers, experience in similar cases, and any decision of the Volvo Group's management as to how the Volvo Group intends to handle the dispute. The actual outcome of a legal dispute may deviate from the expected outcome of the dispute. The difference between actual and expected outcome of a dispute might materially affect future financial statements, with an adverse impact upon the Volvo Group's operating income, financial position and liquidity.

In the dispute between Volvo Powertrain Corporation and the U.S. Environmental Protection Agency (EPA) regarding a Consent Decree on emission compliance of diesel engines, the U.S. Court of Appeals for the District of Colombia Circuit rendered a ruling on July 18, 2014, affirming the District Court's ruling of 2012, ordering Volvo Powertrain to pay penalties and interest of approximately USD 72 M. In the second quarter 2015, the Supreme Court of the United States announced that a review of the EPA case will not be granted. Volvo Powertrain has paid the penalties and interest of approximately USD 72 M in the third quarter 2015. The cost has been fully provided for since the third quarter 2014.

In January 2011, the Volvo Group and a number of other companies in the truck industry became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. On November 20, 2014 the European Commission issued a Statement of Objections stating its preliminary view that the Volvo Group and several other European Truck companies may have violated the European Competition rules. After an evaluation of the Statement of Objections, the Volvo Group decided to recognize a provision of EUR 400 M (SEK 3.7 billion as per December 31, 2015) which impacted the Volvo Group's operating income in the fourth quarter of 2014 negatively with the same amount. The proceedings are still on-going and there are a number of uncertainties associated with the final outcome of the European Commission's investigation as well as the amount of a potential fine. The Volvo Group will re-assess the size of the provision regularly following the development of the proceedings.

» **Read more in Note 24** Contingent liabilities.

Provision for externally issued credit guarantees for Volvo CE in China

The provision for externally issued credit guarantees decreased during 2015.

» **Read more in Note 8** Other operating income and expenses and **Note 24** Contingent liabilities.

Other provisions

Other provisions mainly includes provisions for income tax disputes, provisions for indirect taxes, provisions for legal disputes, provisions for externally issued credit guarantees and other provisions, unless separately specified and commented in the table and text.

	Carrying value as of Dec 31, 2014	Provisions	Reversals	Utilizations	Acquired and divested companies	Translation differences	Other reclassi-fications	Carrying value as of Dec 31, 2015	Of which due within 12 months	Of which due after 12 months
Warranties	10,583	8,373	–933	–6,984	–	183	149	11,372	5,860	5,511
Provisions for extended coverage	788	768	–139	–629	–	–18	277	1,047	441	606
Provisions in insurance operations	713	110	–62	–79	–	40	–24	697	–	697
Restructuring measures[1]	1,145	1,343	–166	–985	–	–8	–32	1,297	1,206	91
Provisions for residual value risks	810	558	–142	–269	–	29	19	1,004	287	718
Provisions for service contracts	482	230	–83	–262	–	–19	–23	324	162	162
Provisions for finished products[2]	2,352	6,177	–412	–5,050	–	46	–3,113	–	–	–
Provision related to EU antitrust investigation	3,810	–	–	–	–	–152	–	3,658	3,658	–
Provision related to engine emission case in the U.S	560	1	–	–611	–	50	–	–	–	–
Provision for externally issued credit guarantees for Volvo CE	521	–	–128	–	–	15	–	408	408	–
Other provisions	3,449	4,256	–626	–2,995	–	–163	–16	3,905	2,154	1,751
B/S Total	**25,213**	**21,816**	**–2,692**	**–17,865**	**–**	**3**	**–2,763**	**23,712**	**14,176**	**9,536**

Long-term provisions as above are expected to be settled within 2 to 3 years.

1 The provision for the efficiency program included in restructuring measures amounted to SEK 1.2 (0.9) billion.

» **Read more** about restructuring costs in **Note 8** Other operating income and expenses and in **page 23.**

» **Read more** about provisions for residual value risks in **Note 24** Contingent liabilities.

2 The item was reclassified from provisions finished products to other liabilities as of December 31, 2015.

» **Read more** about accrued expenses for dealer bonuses and rebates in Note 22 Liabilities in the table Other current liabilities.

NOTE 22 LIABILITIES

ACCOUNTING POLICY

The hybrid bond issued in 2014 is classified as debt in the Volvo Group's accounts as it constitutes a contractual obligation to make interest payments to the holder of the instrument.

The terms and details of the hybrid bond are described later in this note.

Non-current liabilities

The tables below disclose the Volvo Group's non-current liabilities in which the largest loans are listed by currency. Loans in subsidiaries are mainly in local currencies through Volvo Treasury. Volvo Treasury uses various derivatives to facilitate lending and borrowing in different currencies without increasing Volvo Group's risk.

» **Read more in Note 4** about Goals and policies in financial risk management and in **Note 30** about Financial Instruments.

Non-current liabilities	Actual interest rate Dec 31, 2015, %	Effective interest rate Dec 31, 2015, %	Dec 31, 2015	Dec 31, 2014
Bond loans				
EUR 2007-2014/2017-2078	0.33–5.04	0.33–5.04	34,525	44,062
SEK 2007-2015/2017-2019	0.26–3.39	0.26–3.39	12,557	23,562
JPY 2014/2017	0.60	0.60	693	784
USD 2013/2016			–	469
B/S **Total Bond loans**[1]			**47,776**	**68,877**
Other loans				
USD 2008-2015/2017-2024	0.54–3.00	0.54–3.00	6,766	9,852
EUR 2007-2014/2017-2027	1.29–6.5	1.29–6.50	1,753	1,869
GBP 2002/2027	11.11	11.68	61	59
SEK 2007-2014/2017-2034	0.00	0.00	208	2,055
CAD 2015/2017	1.17–2.15	1.76–2.18	754	874
MXN 2014-2015/2017-2020	4.20–4.50	4.42–4.59	981	1,233
JPY 2009-2015/2017-2024	0.44–1.34	0.44–1.35	9,509	12,701
BRL 2010-2013/2019-2025	3.14–7.99	3.23–7.99	5,468	7,517
AUD 2015/2019	3.08	3.12	220	319
CNY 2012-2013/2017-2018	4.30–5.21	4.30–5.21	508	1,486
THB 2015/2017	2.46	2.49	348	–
Other loans			340	653
Revaluation of outstanding derivatives to SEK[2]			585	536
B/S **Total Other loans**[1]			**27,500**	**39,154**
Total Bond loans and Other loans[3]			**75,275**	**108,031**
Other liabilities				
Deferred leasing income			2,615	2,364
Residual value liabilities			4,939	4,586
Accrued expenses service contracts			7,256	5,498
Outstanding interest and currency risk derivatives[2]			181	275
Other non-current liabilities			1,529	1,004
Outstanding raw material derivatives			18	5
B/S **Total Other liabilities**			**16,538**	**13,732**
Total non-current liabilities			**91,813**	**121,763**

1 Of which loans raised to finance the credit portfolio of the Customer Finance Operations amounted to SEK 25,238 M (44,620) in Bond loans and SEK 29,263 M (28,348) in Other loans.

2 » **Read more in Note 30** Financial Instruments, table Carrying amounts and fair values.

3 Of the above non-current loans, SEK 5,926 M (4,478) were secured by assets pledged.

» **Read more in Note 23** Assets pledged.

Maturity Year	Bond loans and other loans	Not utilized non-current credit facilities[1]
2017	35,608	6,140
2018	9,171	10,973
2019	12,392	–
2020	1,643	21,032
2021	96	–
2022 or later	16,365	–
Total[1]	**75,275**	**38,145**

1 Current not utilized credit facilities amounted to SEK 1,576 M (500).

» **Read more in Note 15** table 15:2 Maturities of non-current receivables in the Customer Finance operations.

AB Volvo issued a hybrid bond in 2014, amounting to EUR 1.5 bn with a maturity of 61,6 years, in order to further strengthen the Volvo Group's balance sheet and prolong the maturity structure of the debt portfolio. The predominant part of non-current loans that mature in 2017 is an effect of the Volvo Group's normal business cycle, with shorter duration in the Customer Finance portfolio compared to Industrial Operations.

Granted but not unutilized credit facilities consists of stand-by facilities for loans. A fee is charged for granted credit facilities, this is recognized in profit or loss within other financial income and expenses.

» **Read more in Note 9** Other financial income and expenses.

Current liabilities

Loans	Dec 31, 2015	Dec 31, 2014
Bank loans	14,495	13,705
Other loans	42,836	26,249
B/S **Loans[1, 2]**	**57,331**	**39,953**

1 Of which loans raised to finance the Customer Finance credit portfolio amounted to SEK 48,786 M (29,672) and outstanding derivatives, at fair value, amounted to SEK 811 M (455).
2 Current loans amounting to SEK 3,299 M (2,862) were secured by assets pledged.

Bank loans include current maturities of non-current loans SEK 6,066 M (6,695). Other loans include current maturities of non-current loans, SEK 32,753 M (22,458), and commercial papers, SEK 5,845 M (0).

Non-interest-bearing current liabilities amounted to SEK 98,529 M (96,440), or 63% (71) of the Volvo Group's total current liabilities

The table below presents the Volvo Group's other current liabilities. Other current liabilities also includes trade payables of SEK 55,648 M (56,647), current tax liabilities of SEK 1,322 M (2,693) and non-interest-bearing liabilities held for sale of SEK 573 M (130).

Other current liabilities	Dec 31, 2015	Dec 31, 2014
Advances from customers	4,026	4,784
Wages, salaries and withholding taxes	8,551	9,088
VAT liabilities	2,401	1,875
Accrued expenses for dealer bonuses and rebates[1]	3,696	–
Other accrued expenses and prepaid income	12,728	11,029
Deferred leasing income	1,992	2,022
Residual value liability	2,825	2,950
Other financial liabilities	295	192
Other liabilities	4,287	4,682
Outstanding interest and currency risk derivatives[2]	134	331
Outstanding raw material derivatives	50	18
B/S **Other current liabilities**	**40,986**	**36,970**

1 » **Read more in Note 21** Other provisions, section Provision for finished products

2 » **Read more in Note 30** Financial Instruments, regarding current part of Outstanding interest and currency risk derivatives included in table carrying amounts and fair value.

» **Read more in Note 3** Acquisitions and divestments of shares in subsidiaries, table Assets and liabilities held for sale.

» **Read more in Note 23** Assets pledged.

NOTE 23 ASSETS PLEDGED

Assets pledged	Dec 31, 2015	Dec 31, 2014
Property, plant and equipment – mortgages	65	88
Assets under operating leases	–	209
Receivables	9,323	7,343
Cash, loans and marketable securities	40	40
Total	**9,428**	**7,680**

Non-current and current loans of SEK 9,225 M (7,340) were secured by assets pledged.

Under the terms of asset-backed securitizations, SEK 9,064 M (7,088) of securities have been issued tied to US-based loans, secured by customer financing-receivables, SEK 9,323 M (7,343), recognized on the balance-sheet with trucks and construction equipment assets as collaterals, whereof SEK 6,819 M (4,410) were signed in 2015.

» **Read more in Note 22** Liabilities.

NOTE 24 CONTINGENT LIABILITIES

ACCOUNTING POLICY

Contingent liabilities
A contingent liability is recognized for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources. Alternatively a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

Contingent liabilities	Dec 31, 2015	Dec 31, 2014
Credit guarantees issued for customers and others	3,432	6,580
Tax claims	3,976	1,819
Residual value guarantees	3,195	2,850
Other contingent liabilities	4,977	4,691
Total contingent liabilities	**15,580**	**15,940**

Total contingent liabilities at December 31, 2015, amounted to net SEK 15,580 M (15,940) and included contingent assets of SEK 0 M (285).

Credit guarantees amounted to SEK 3,432 M (6,580). While decreasing a major part is still related to the outstanding credit guarantees to Chinese retail customers within Construction Equipment. The provision related to the cost for expected future credit losses in China amounted to SEK 408 M (521) at December 31, 2015.

» **Read more in Note 21** Other provisions regarding the provision for expected credit losses in China.

The recognized amount for credit guarantees corresponds to the gross exposure and has not been reduced by the value of counter guarantees received or other collaterals such as the right to repossess the products in cases where a legal offsetting right does not exist. The value of counter guarantees and other collaterals reducing the exposure is dependent on the development of used products prices and on the possibility to repossess the products.

Tax claims amounted to SEK 3,976 M (1,819) and pertained to charges against the Volvo Group for which the criteria for recognizing a provision were not met. Global companies such as the Volvo Group are occasionally involved in tax processes of varying scope and at various stages. Volvo Group regularly assesses these tax processes. When it is probable that additional taxes must be paid and the outcome can be reasonably estimated, the required provision is made. During 2015 a contingent liability was recognized amounting to SEK 1.5 billion related to a transfer price audit in Brazil.

Residual value guarantees amounted to SEK 3,195 M (2,850) and were attributable to sales transactions combined with buy back agreements or residual value guarantees for which assets are not recognized in the balance sheet. The recognized amount corresponds to the gross exposure and has not been reduced by the estimated net selling price of used products taken as collaterals. To the extent the used products pertaining to those transactions are expected to be disposed at a loss, a provision for residual value is recognized.

» **Read more** about provision for residual value guarantees in **note 21** Other provisions.

Other contingent liabilities amounted to SEK 4,977 M (4,691) and included for example bid and performance clauses and legal proceedings.

Legal proceedings
Volvo Group is subject to the below investigations by competition authorities. Volvo Group is cooperating fully with the respective authority.

In April 2011, the Volvo Group's truck business in Korea and a number of other truck companies became the subject of an investigation by the Korean Fair Trade Commission. The Korean Fair Trade Commission has issued a decision, received by Volvo on December 19, 2013, imposing a fine in the amount of approximately SEK 121 M as of December 31, 2015. Volvo has appealed the decision and a contingent liability in a corresponding amount has been disclosed.

In January 2011, the Volvo Group and a number of other companies in the truck industry became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. After the European Commission had issued its Statement of Objections on November 20, 2014 the Volvo Group recognized a provision.

» **Read more in Note 21** Other provisions regarding the estimation of the provision and the associated uncertainties.

In the dispute between Volvo Powertrain Corporation and the U.S. Environmental Protection Agency (EPA), the Supreme Court of the United States announced in the second quarter 2015 that a review of the EPA case will not be granted. The cost has been fully provided for since 2014.

» **Read more in Note 21** Other provisions regarding the estimation of the provision.

The Volvo Group is also involved in a number of legal proceedings other than those described above. The Volvo Group's assessment is that such other legal proceedings in aggregate are not likely to entail any risk of having a material effect on the Volvo Group's financial position.

NOTE 25 TRANSACTIONS WITH RELATED PARTIES

Transactions between AB Volvo and its subsidiaries, which are related parties to AB Volvo, have been eliminated in the Group and are not disclosed in this note.

Transactions with associated companies	2015	2014
Sales to associated companies	2,448	2,129
Purchase from associated companies	2,258	2,320
Receivables from associated companies, Dec 31	638	598
Liabilities to associated companies, Dec 31	515	510

The Volvo Group engages in transactions with some of its associated companies. The transactions consist mainly of sales of vehicles and parts to dealers and importers and purchases of engines from Deutz AG.

Commercial terms and market prices apply for the supply of goods and services to/from associated companies.

Transactions with joint ventures	2015	2014
Sales to joint ventures	1,887	1,031
Purchase from joint ventures	769	394
Receivables from joint ventures, Dec 31	319	178
Liabilities to joint ventures, Dec 31	194	78

The Volvo Group engages in transactions with its joint ventures. The transactions consist mainly of sales of vehicles and parts and purchase of engine long blocks and services. Commercial terms and market prices apply for the supply of goods and services to/from joint ventures.

» **Read more in Note 5** Investments in joint ventures, associated companies and other shares and participations

NOTE 26 GOVERNMENT GRANTS

ACCOUNTING POLICY

Government grants are financial grants from governmental or supranational bodies received by the Volvo Group in exchange for fulfillment of certain conditions.

Governmental grants related to assets are presented in the balance sheet by deducting the grants in arriving at the carrying amount of the asset. Governmental grants related to income are reported as a deferred income and recognized in the income statement over the periods necessary to match the related costs. If the costs incur before the grants have been received, but there is an agreement that grants will be received, grants are recognized in the income statement to compensate the relevant costs.

In 2015, government grants of SEK 495 M (445) were received, and SEK 682 M (503) was recognized in the income statement. The amount includes tax credits of SEK 280 M (255) related to product development, which were primarily received in France and in the United States. Other grants were mainly received from Swedish, Chinese and US governmental organizations and from the European Commission.

NOTE 27 PERSONNEL

ACCOUNTING POLICY

Share-based payments

The Volvo Group has share-based incentive programs including both a cash-settled and an equity-settled part. The fair value of the equity-settled payments is determined at the grant date, recognized as an expense during the vesting period and offset in equity. The fair value is based on the share price reduced by dividends connected with the share during the vesting period.

Additional social costs are reported as a liability, revalued at each balance sheet date in accordance with UFR 7, issued by the Swedish Financial Reporting Board. The cash-settled payment is revalued at each balance sheet date and is recognized as an expense during the vesting period and as a short term liability. An assessment whether the terms for allotment will be fulfilled is made continuously. Based on such assessment, expense might be adjusted.

Remuneration policy decided at the Annual General Meeting in 2015

The Annual General Meeting of 2015 decided upon a policy on remuneration and other employment terms for the members of the Volvo Group Executive Team. The decided principles can be summarized as follows:

The guiding principle is that remuneration and other employment terms for the Group Executive Team, shall be competitive to ensure that the Volvo Group can attract and retain skilled persons to the Group Executive Team. The fixed salary shall be competitive and shall reflect the individual's area of responsibility and performance. In addition to the fixed salary a variable salary may be paid. The variable salary may for the CEO amount to a maximum of 75 percent of the fixed salary and for the other members of the Group Executive Team, a maximum of 60 percent of the fixed salary. The variable salary shall be based on the fulfilment of improvement targets or certain financial targets for the Volvo Group and/or the organizational unit where the member of Group Executive Team is employed. These targets are decided by the Board of AB Volvo and can be related, for example, to operating income, operating margin and/or cash flow. The Board may under certain conditions decide to reclaim variable salary already paid or to cancel or limit variable salary to be paid.

The Annual General Meeting can also decide on a share, or share-based, incentive program. At the Annual General Meeting 2011, as proposed by the Board of AB Volvo, it was decided to implement a long-term share-based incentive program for Group Executive Team members and other senior executives in the Volvo Group consisting of three annual programs covering each of the financial years 2011, 2012 and 2013. During 2015, a part of the shares granted under the programs during 2011 and 2012 have been allotted to the participants. At the Annual General Meeting 2014, as proposed by the Board of AB Volvo, it was decided to implement a new long-term share-based incentive program for Group Executive Team members and other senior executives in the Volvo Group consisting of three annual programs covering each of the financial years 2014, 2015 and 2016.

In addition to fixed and variable salary, normally other customary benefits, such as company car and company healthcare are provided. In individual cases, accommodation benefits and other benefits may be provided.

During 2015 all Group Executive Team members were domiciled in Sweden. In addition to pension benefits provided by law and collective bargain agreements, members of the Group Executive Team can be offered two different defined-contribution plans with annual premiums whereby the amount of the individual's pensions comprises the premium paid and any return, without any guaranteed level of pension. No defined retirement date is set in the two plans but premiums will be paid for the employee until his or her 65th birthday.

With regard to notice of termination of employment for Group Executive Team members, the notification period is 12 months if the company terminates the employment and six months if the individual terminates the employment. In addition, the employee is entitled to a severance pay of 12 months' salary if the employment is terminated by the company.

The board of AB Volvo may deviate from the remuneration policy if there are specific reasons to do so in an individual case.

Fee paid to the Board of Directors

According to a resolution adopted at the Annual General Meeting 2015, the fee to the Board of Directors appointed at the Annual General Meeting for the period until the close of the Annual General Meeting 2016 shall be paid as follows: The Chairman of the Board should be awarded SEK 3,250,000 and each of the other members SEK 950,000 with exception of the President and Chief Executive Officer of AB Volvo. In addition, SEK 300,000 should be awarded to the chairman of the audit committee and SEK 150,000 to each of the other members of the audit committee, and SEK 125,000 to the chairman of the remuneration committee and SEK 100,000 to each of the members of the remuneration committee.

Terms of employment and remuneration to the CEO

During 2015 Olof Persson was President and CEO of the Volvo Group up to April 21st. Martin Lundstedt has been appointed President and CEO of the Volvo Group and assumed his position on October 22nd. Jan Gurander, the Group Chief Financial Officer, has been acting as President and CEO during the interim period.

Fixed and variable salaries

The President and CEO is entitled to a remuneration consisting of a fixed annual salary and a variable salary. During the financial year 2015, the variable salary is based on operating margin and six months moving cash flow. The variable salary amounts to a maximum of 75 percent of the fixed annual salary.

For the financial year 2015 up to April 21st, Olof Persson received a fixed salary of SEK 3,924,107 and a variable salary of SEK 2,207,299. The variable salary corresponded to 56.2 percent of the fixed salary. Other benefits, mainly pertaining to car and housing, amounted to SEK 272,788 in 2015. Olof Persson was also participating in the long-term share-based incentive programs decided by the Annual General Meetings 2011 and 2014. During the financial year 2015 up to April 21st, 43,534 shares granted under the 2011 program corresponding to a taxable value of SEK 4,103,950 have been allotted to Olof Persson. Olof Persson has been determined to be a "good leaver" and is therefore entitled to accumulated allotments of shares under the program comprising the years 2011 to 2013 and under the 2014 program. 43,367 shares granted under the 2012 program corresponding to a taxable value of SEK 4,251,727 have been allotted during the financial year and an additional 59,049 shares will be allotted to Olof Persson during 2016.

During the financial year 2015 from October 22nd, Martin Lundstedt received a fixed salary of SEK 2,447,683 and a variable salary of SEK 945,958. The variable salary corresponded to 38.6 percent of the fixed salary. Other benefits, mainly pertaining to car and housing, amounted to SEK 37,312 in 2015. Martin Lundstedt is also participating in the long-term share-based incentive program decided by the Annual General Meetings 2014. Return on equity for 2015 amounted to 18.4 percent, which result in an allotment to Martin Lundstedt of approximately 16,766 shares during 2018/2019 related to 2015 if all other program conditions are met (see further information under Long-term incentive program below). The amount of taxable benefit related to these shares is determined at the time of allotment. Martin Lundstedt also received a fixed one-off sign-on sum of SEK 5,000,000 for his appointment as President and CEO of the Volvo Group. The sum shall not entitle to any pension premiums.

Jan Gurander, the Group Chief Financial Officer, has been acting as President and CEO during the interim period between April 22nd and October 21st and has therefore been entitled to a fixed one-off salary adjustment sum of SEK 3,000,000 out of which SEK 2,000,000 has been paid during the financial year 2015.

Pensions

The President and CEO of the Volvo Group is covered both by pension benefits provided under collective bargain agreements and by the Volvo Management Pension (VMP) and Volvo Executive Pension (VEP) plans. The retirement benefit under the Volvo executive pension plans is a defined-contribution plan. The pensionable salary consists of the annual salary and a calculated variable salary component. The premium for the VMP is SEK 30,000 plus 20 percent of the pensionable salary over 30 income base amounts and the premium for VEP is 10 percent of pensionable salary. There are no commitments other than the payment of the premiums. In addition to the collective bargain agreement the disability pension is 40% of pensionable salary between 30–50 income base amounts. The right to disability pension is conditional to employment and will cease upon termination of duty.

The President and CEO of AB Volvo is also covered by Volvo Företagspension, a defined contribution plan for additional retirement benefit. The premium is negotiated each year. For 2015 the premium amounted to SEK 571 a month.

Total pension premiums 2015 amounted to SEK 1,587,189 for Olof Persson for the period until April 21st, and amounted to SEK 722,287 for Martin Lundstedt for the period from October 22nd.

Severance payments

Olof Persson was President and CEO of the Volvo group until April 21st, 2015. He has been entitled to twelve months' notice of termination from AB Volvo and receives under this period a total salary of SEK 12,613,200. Olof Persson is finally entitled to pension benefits during his notice period Total pension premium during the notice period will amount to approximately SEK 4,761,567. Olof Persson has also been entitled to a severance payment equivalent to twelve months' salary amounting to SEK 12,613,200 that will be paid from the end of his notice period. In the event he gains employment during the severance period, severance pay is reduced with an amount equal to 100 percent of the income from the new employment.

Martin Lundstedt has a 6 months notice of termination on his own initiative and 12 months' notice of termination from AB Volvo. If terminated by the company, Martin Lundstedt is entitled to a severance payment equivalent to 12 months' salary. In the event he gains employment during the severance period, severance pay is reduced with an amount equal to 100 percent of the income from the new employment.

Remuneration to the Group Executive Team

Fixed and variable salaries

Members of Group Executive Team receive variable salaries in addition to fixed salaries. Variable salaries are based on the fulfilment of certain improvement targets or financial targets. The targets are decided by the Board of Directors in AB Volvo and can, for example, relate to operating income, operating margin and/or cash flow. During 2015, a variable salary, for Group Executive Team members excluding CEO, could amount to a maximum of 60 percent of the fixed annual salary.

For the financial year 2015, fixed salaries amounted to SEK 37,890,560 and variable salaries amounted to SEK 16,530,086 for Group Executive Team members excluding the CEO. Group Executive Team comprised, excluding the CEO, of 9 members at the beginning and at the end of the year. Other benefits, mainly pertaining to car and housing, amounted to SEK 783,478 in 2015. Group Executive Team members, excluding the CEO, also participate in the long-term share-based incentive programs decided by the Annual General Meetings 2011 and 2014. Return on equity for 2015 amounted to 18.4 percent, which result in an allotment of approximately 240,086 shares that they will receive during 2018/2019 related to 2015 if all other program conditions are met (see further information under Long-term incentive program below). During 2015, 110,224 shares granted under the 2011 and 2012 programs corresponding to a taxable value of SEK 10,656,884 have been allotted to Group Executive team members.

Severance payments

The employment contracts for Group Executive Team members contain rules governing severance payments when the company terminates the employment. During the financial year 2015 the members of the Group Executive Team were all domiciled in Sweden. The termination period from the company is 12 months and 6 months at the initiative of the Group Executive Team members. The rules provide that, when the company terminates the employment, an employee is entitled to severance payment equivalent to twelve months' salary. In the event the employee gains employment during the severance period, severance pay is reduced with an amount equal to 100 percent of the income from the new employment.

Pensions

Group Executive Team members are covered by a defined-contribution plan, Volvo Executive Pension plan with pension premium payments at the longest to the age of 65 years. The premium constitutes 10 percent of the pensionable salary. As complement to the collective bargain agreement regarding occupational pension employees born before 1979 are covered by a defined contribution pension plan, Volvo Management Pension. The premium constitutes of SEK 30,000 plus 20 percent of the pensionable salary over 30 income base amounts. The pensionable salary consists of twelve times the current monthly salary and the average of the variable salary for the previous five years. Pension premiums for the Group Executive Team excluding CEO amounted to SEK 14,103,790 in 2015.

Volvo Group's total costs for remuneration and benefits to the Group Executive Team

The total costs for remuneration and benefits to the Group Executive Team amounted to SEK 159 M (191) and pertained to fixed salary, variable salary, other benefits, pensions and severance compensations. It also included social fees on salaries and benefits, special pension tax and additional costs for other benefits. The cost related to the long-term share-based incentive program is reflected over the vesting period and amounted to SEK 14 M (21) for 2015. The remuneration model of the Volvo Group is to a main part designed to follow changes in the profitability of the Group.

Long-term incentive programs

Long-term share-based incentive program 2011–2013

The Annual General Meeting held in 2011 approved a long-term share-based incentive program for up to 300 Group and senior executives and comprising the years 2011 to 2013. During 2015, a part of the shares granted under the programs during 2011 and 2012 have been allotted to the participants (see further information in the table Long term incentive program on the next page).

Long-term share-based incentive program 2014–2016

The Annual General Meeting held in 2014 approved a long-term share-based incentive program for up to 300 Group and senior executives and comprising the years 2014 to 2016. The LTI-program is proposed to be replaced by a new program as from 2016 with the effect of terminating the program approved by the Annual General Meeting in 2014 one year in advance (read more in "Proposed Remuneration Policy").

The 2014 LTI-program consists of three annual programs for which the measurement periods are each of the respective financial years. A prerequisite for participation in the program is that the participants invest a portion of their salary in Volvo shares with a maximum of 15% of their salary for the Group Executive Team members and a maximum of 10% of their salary for the other participants and retain these shares and continue to be employed by the Volvo Group for at least three years after the investment has been made. Under special circumstances, it is possible to make exceptions to the requirement of continued employment (so called "good leaver" situations). The AB Volvo Board is, in the event of exceptional conditions, entitled to limit or omit allotment of performance shares. In addition, if the Annual General meeting of AB Volvo resolves that no dividend shall be paid to the shareholders for a specific financial year, no matching shares are allotted for the year in question.

Shares are granted under the program during the respective financial year. At the end of the vesting period, the main rule is that the participants will be allotted one matching share per invested share and, assuming that the Volvo Group's return on equity for the particular financial year amounts to at least 10 percent in 2014, 11 percent in 2015 and 12 percent in 2016, a number of performance shares. Maximum allotment of performance shares corresponds to seven shares for the CEO, six shares for other members of Group Executive Team and five shares for other participants in the program for each invested share, subject to return on equity reaching 25 percent in 2014, 26 percent in 2015 and 27 percent in 2016. Return on equity for 2015 amounted to 18.4 percent, which means that the number of performance shares reached about 59% of the maximum grant. Return on equity for 2014 amounted to 2.8 percent, i.e. no performance shares have been allotted for 2014. Allotments of shares are made through Volvo owned, earlier re-purchased, Volvo shares. Participants in certain countries are offered a cash-settled version of the incentive program. For participants in these countries, no investment is required by the participant and the program does not comprise an element of matching shares. Allotment of shares in this version is replaced by a cash allotment at the end of the vesting period. Other program conditions are similar between the programs.

»

Long-term incentive program (equity-settled plan version)	Shares granted conditional under the plan but not yet allotted (in thousand shares)						
	Vesting year	Beginning of the year	Granted 2015	Cancelled/ forfeited 2015	Allotments during 2015	End of the year	Cost 2015 (SEK M)[1]
Year 2011 incentive program	2014/2015	**582**	0	–4	–575	**3**	2.0
Year 2012 incentive program	2015/2016	**1,098**	0	–23	–763	**313**	22.4
Year 2013 incentive program	2016/2017	**425**	0	–9	–22	**395**	10.8
Year 2014 Incentive program	2017/2018	**441**	0	24	–19	**446**	13.2
Year 2015 incentive program	2018/2019	**0**	1,571	–29	0	**1,543**	35.3
Total		**2,546**	**1,571**	**–40**	**–1,378**	**2,699**	83.6

1 The fair value of the payments is determined based on the share price at the grant date reduced by the discounted value of expected dividends connected with the share during the vesting period. The cost for the program is recognized over the vesting period. The cost includes social security cost.

The cost for the cash-settled version of the incentive program amounted to SEK 6 M (8) including social security cost during 2015, and the total liability amounted to SEK 6 M (14) as of December 31, 2015.

The allotment during the year 2015 mainly pertained to the shares granted under the program during the years 2011 and 2012. In addition to that a number of program participants leaving the company are determined to be “good leavers” and are therefore entitled to accumulated allotment of shares. During 2015, for the equity-settled plan, a total of 1,377,988 shares (1,238,755) have been allotted to participants, and an additional 175,399 shares (53,036) are allotted to participants when the employees leave the company. For the cash-settled plan, a total of SEK 13 M (15) has been allotted during 2015.

The total cost for the 2015 incentive program over the vesting period 2015 to 2018/2019 is estimated to SEK 179 M including social security cost. Actual cost will be impacted by changes in the share price.

Average number of employees	2015		2014	
	Number of employees	of which women, %	Number of employees	of which women, %
AB Volvo				
Sweden	322	50	303	48
Subsidiaries				
Sweden	19,854	21	21,113	21
Western Europe (excl. Sweden)	22,146	15	23,390	16
Eastern Europe	5,792	21	6,292	20
North America	15,427	19	14,767	19
South America	6,074	15	6,718	14
Asia	18,005	13	19,306	13
Other countries	2,573	16	2,735	15
Group total	**90,193**	**18**	**94,625**	**17**

Board members[1] and other senior executives	2015		2014	
	Number at year-end	of which women, %	Number at year-end	of which women, %
AB Volvo				
Board members[1]	9	33	9	22
CEO and other senior executives	10	30	16	19
Volvo Group				
Board members[1]	471	23	499	20
Presidents and other senior executives	624	22	676	21

1 Excluding deputy Board members.

Wages, salaries and other remunerations	2015			2014		
SEK M	Board and Presidents[1]	of which variable salaries	Other employees	Board and Presidents[1]	of which variable salaries	Other employees
AB Volvo	56.8	5.3	356	30.4	7.4	323.6
Subsidiaries	684.6	75.5	39,360.1	557.0	57.2	36,621.9
Group total	**741.4**	**80.8**	**39,716.1**	**587.4**	**64.6**	**36,945.5**

Wages, salaries and other remunerations and social costs	2015			2014		
SEK M	Wages, salaries remun	Social costs	Pension costs	Wages, salaries remun	Social costs	Pension costs
AB Volvo[2]	412.8	123.1	119.7	354.1	108.6	105.6
Subsidiaries	40,044.7	8,871.7	4,219.9	37,178.9	8,009.3	4,027.2
Group total[3]	**40,457.5**	**8,994.8**	**4,339.6**	**37,532.9**	**8,117.9**	**4,132.8**

1 Including current and former Board members, Presidents and Executive Vice Presidents.
2 The Parent Company’s pension costs, pertaining to Board members and Presidents are disclosed in Note 3 in the Parent Company.
3 Of the Volvo Group’s pension costs, SEK 89 M (78) pertain to Board members and Presidents, including current and former Board members, Presidents and Executive Vice Presidents. The Volvo Group’s outstanding pension obligations to these individuals amount to SEK 600 M (448).

The cost for non-monetary benefits in the Volvo Group amounted to SEK 3,007 M (2,405) of which SEK 80 M (46) to Board members and Presidents.

The cost for non-monetary benefits in the Parent Company amounted to SEK 14.4 M (17.3) of which SEK 1.5 M (2) to Board members and Presidents.

NOTE 28 FEES TO THE AUDITORS

Fees to the auditors	2015	2014
PricewaterhouseCoopers AB		
– Audit fees	105	100
– Audit-related fees	5	4
– Tax advisory services	13	14
– Other fees	14	22
Total	**137**	**140**
Audit fees to others	3	2
Volvo Group Total	**140**	**142**

The audit assignment involves review of the Annual report and financial accounting and the administration by the Board and the President. Audit-related assignments mean quality assurance services required by enactment, articles of association, regulations or agreement. The amount includes the fee for reviewing the half-year report. Tax services include both tax consultancy and tax compliance services. All other tasks are defined as other.

NOTE 29 CASH FLOW

ACCOUNTING POLICY

Cash flow analysis

The cash flow statement is prepared in accordance with the indirect method. The cash flow statements of foreign Group companies are translated at the average rate. Changes in Group structure, acquisitions and divestments, are recognized net, excluding cash and cash equivalents, in the item Acquired and divested operations and are included in cash flow from investing activities.

» **Read more in Note 18** regarding the accounting policy for Marketable securities and liquid funds.

As of January 1, 2016 a divestment of an operation with the main purpose to dispose fixed assets will be included in the item disposal of fixed assets and leasing vehicles.

Other non-cash items	2015	2014
Risk provisions and losses related to doubtful accounts receivable/customer-financing receivables	1,376	1,223
Capital gains/losses on divested operations	–293	–1,020
Unrealized exchange rate gains/losses on accounts receivable and payable	257	–367
Unrealized exchange rate gains/losses on other operating assets and liabilities	458	518
Provision for global profit sharing program	450	–
Provision related to engine emission case in the U.S.	–	422
Provision related to EU antitrust investigation	–	3,790
Provision for restructuring cost	1,120	708
Gains/losses on sale of shares and participations	–4,590	17
Credit losses in Volvo CE in China[1]	398	577
Other changes	372	273
Total Other items not affecting cash flow	**–452**	**6,141**

1 SEK 349 M (83) is included in risk provisions related to doubtful accounts receivables.

» **Read more in Note 8** Other operating income and expenses about Credit losses in Volvo CE in China.

Acquired and divested shares and participations, net	2015	2014
New issue of shares	–5	–6
Capital contribution	151	–
Acquisitions	–7,072	–21
Divestments	4,900	96
Other	42	–
Total cash flow from acquired and divested shares and participations, net	**–1,984**	**69**

In 2015 Volvo Group completed the acquisition of 45% of the shares in Dongfeng Commercial Vehicles Co., Ltd, DFCV, in China. The purchase consideration amounted to approximately SEK 7.0 billion.

During 2015 Volvo Group sold the holding of the shares in the listed Indian automotive manufacturer Eicher Motors Limited. The sale generated a gain of SEK 4.6 billion.

» **Read more in Note 5** Investments in joint ventures, associated companies and other shares and participations

Acquired and divested operations, net	2015	2014
Acquired subsidiaries and other business units	–	–1,103
Divested subsidiaries and other business units	408	8,501
Total cash flow from acquired and divested subsidiaries and other business units	**408**	**7,398**

» **Read more in Note 3** Acquisitions and divestments of shares in subsidiaries regarding the effect on the Volvo Group's net financial position from the acquisitions and divestments.

Changes in loans, net	2015	2014
New borrowings	127,059	180,066
Amortizations	–132,437	–169,436
Syndications	–6,965	–4,661
Changes in group composition	84	–280
Other	–988	997
Changes in loans, net	**–13,247**	**6,686**

During 2015 bond loans and other loans in the Volvo Group decreased by SEK 15.4 billion whereof currency effects from revaluation of foreign subsidiaries decreased the total debt by SEK 2.7 billion. Syndications were performed in the Customer Finance Operations to an amount of SEK 7.0 billion (8.3). All syndications impacted cash flow this year. In 2014 syndications of SEK 3.7 billion were made that had no cash flow impact. Both currency effects and syndications with no impact on the cash flow have been adjusted on changes in loans, net in the cash flow.

Realized gains and losses on derivatives used to hedge future commercial cash flows amounted to negative SEK 0.6 billion (positive 1.0) and is included on line Other in the table Changes in loans, net, whereof SEK 0.1 billion (1.2) was related to derivatives used to hedge the acquisition of Donfeng Commercial Vehicles.

In 2015, the Volvo Group reduced its borrowings as a consequence of a strong cash flow.

» **Read more in Group performance** regarding the Cash flow for the Volvo Group on page 86.

» **Read more in Note 22** Liabilities regarding the Volvo Group's Bond loans and other loans.

NOTE 30 FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Purchases and sales of financial assets and liabilities are recognized on the transaction date. Transaction expenses are included in the asset's fair value, except in cases in which the change in value is recognized in the income statement. The transaction costs that arise in conjunction with the admission of financial liabilities are amortized over the term of the loan as a financial cost.

A financial asset is derecognized in the balance sheet when all significant risks and benefits linked to the asset have been transferred to a third party.

The fair value of assets is determined based on valid market prices, when available. If market prices are unavailable, the fair value is determined for each asset using various measurement techniques.

Financial instruments are classified based on the degree that market values have been utilized when measuring fair value. All financial instruments measured at fair value held by Volvo Group are classified as level 2 with the exception of shares and participations, which are classified as level 1 for listed instruments and level 3 for not listed instruments and level 3 for call options based on the Black & Scholes option pricing formula. The valuation of level 2 instruments is based on market conditions using quoted market data existing at each balance sheet date. The basis for the interest is the zero-coupon-curve in each currency which is used to calculate the present value of all the estimated future cash flows. The fair value of forward exchange contracts is discounted to balance sheet date based on the forward rates for each currency as per balance sheet date.

» **Read more in Note 5** about valuation policy for other shares and participations.

Financial assets at fair value through the income statement

All of the Volvo Group's financial assets that are recognized at fair value through the income statement are classified as held for trading. As presented in the table on next page, these instruments are derivatives, used for hedging interest, currency and raw material prices, and marketable securities (further presented in note 18).

Derivatives used for hedging interest rate exposure in the Customer Finance portfolio as well as for the financing of activities in Industrial Operations are included in this category. Unrealized gains and losses from fluctuations in the fair values of the financial instruments are recognized in Other financial income and expense. The Volvo Group intends to hold these derivatives to maturity, which is why, over time, the market valuation will be offset as a consequence of the interest-rate fixing on borrowing and lending for the Customer Finance Operations, and thus not affect operating income or cash flow.

Financial instruments used for hedging currency risks arising from future firm commercial cash flows are also recognized under this category. Unrealized and realized gains and losses are recognized in Other financial income and expenses to be able to net all internal flows before entering into external derivatives, except for gains and losses from derivatives hedging currency risks of future cash flows for specific orders. where the classification in the income statement is decided on case by case, according to the Volvo Group currency policy. In 2015 gains and losses from derivatives hedging currency risks for specific orders have been recognized in Other financial income and expenses.

» **Read more in Note 9** about the effect in the income statement from revaluation of the derivatives.

The Volvo Group only applies hedge accounting on a few specific hedging relationships. Refer to section on Hedge accounting in this note for the Volvo Group's policy choice on hedge accounting.

Loan receivables and other receivables

Included in this category are accounts receivable, customer-finance receivables and other interest bearing receivables.

» **Read more in Note 15** for accounting policy on customer-finance receivables.

» **Read more in Note 16** for accounting policy on accounts receivable and other interest-bearing receivables.

Assets available for sale

This category includes assets available for sale and assets that have not been classified in any of the other category. For the Volvo Group this category contains holding of shares in listed and non-listed companies.

» **Read more in Note 5** about other shares and participations.

Information regarding carrying amounts and fair values

In the table below, carrying amounts are compared with fair values for all of the Volvo Group's financial instruments.

Carrying amounts and fair values on Financial Instruments		Dec 31, 2015		Dec 31, 2014	
SEK M		Carrying value	Fair value	Carrying value	Fair value
Assets					
Financial assets at fair value through the income statement					
The Volvo Group's outstanding interest and currency risk derivatives[4]	Note 16	2,622	2,622	2,877	2,877
The Volvo Group's outstanding raw material derivatives	Note 16	6	6	3	3
Other derivatives[5]		564	564	564	564
B/S Marketable securities	Note 18	3,344	3,344	7,312	7,312
		6,536	6,536	10,756	10,756
Loans receivable and other receivables					
B/S Accounts receivable	Note 16	29,101	–	30,895	–
Customer financing receivables[1]	Note 15	102,583	–	99,166	–
Other interest-bearing receivables	Note 16	1,482	–	976	–
		133,166	–	131,037	–
Financial assets available for sale					
Holding of shares in listed companies	Note 5	507	507	4,543	4,543
Holding of shares in non-listed companies	Note 5	396	–	474	–
		904	507	5,017	4,543
B/S **Cash and cash equivalents**	Note 18	21,048	21,048	26,242	26,242
Liabilities	Note 22				
Financial liabilities at fair value through the income statement					
The Volvo Group's outstanding interest and currency risks derivatives[2]		1,711	1,711	1,597	1,597
The Volvo Group's outstanding raw material derivatives		68	68	23	23
		1,779	1,779	1,620	1,620
Financial liabilities valued at amortized cost[3]					
Long term bond loans and other loans		74,691	78,576	107,495	112,564
Short term bank loans and other loans		56,521	56,056	39,498	39,488
		131,211	134,632	146,993	152,052
B/S **Trade Payables**		55,648	–	56,647	–

1 Volvo does not estimate the risk premium for the customer financing receivables and chooses therefore not to disclose fair value for this category.

2 Includes a fair value of a loan related to hedge accounting amounting to SEK neg 611 M (neg 1,022), netted against derivatives used to hedge the risk amounting to SEK 616 M (1,032). For further information see section hedge accounting below. Refer to footnote 4.

3 In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives amounting to SEK –1,395 M (–991). The credit risk is included in the fair value of loans.

4 The Volvo Group's gross exposure from positive derivatives amounted to SEK 3,237 M (3,909). The exposure is the sum of positive derivatives reported as assets to an amount of SEK 2,622 M (2,877) and positive derivatives of SEK 616 M (1,032) reported as a liability, netted against a negative fair value of a loan. Refer to footnote 2. The gross exposure is reduced by 53% (60%) by netting agreements and cash deposits to SEK 1,531 M (1,582).

5. The input data used in the valuation model for calculating the fair value has not changed during 2015.

» **Read more in Note 4** about Goals and policies in financial risk management.

Derecognition of financial assets

The Volvo Group is involved in cash enhancement activities such as factoring and discounting. Financial assets that have been transferred are included in full or in part in the reported assets of the Volvo Group dependent on the risk and rewards related to the asset that have been transferred to the recipient. In accordance with IAS 39, Financial Instruments, Recognition and Measurement, an evaluation is performed to establish whether, substantially, all the risks and rewards have been transferred to an external party. Where the Volvo Group concludes this is not the case, the portion of the financial assets corresponding to the Volvo Group's continuous involvement is recognized. When all the risk and rewards are not considered to be transferred the amount is kept on the balance sheet. Transferred financial asset that does not fulfill the requirements for derecognition amounted to SEK 0.4 bn (0.1).

Transferred financial assets for which substantially all risks and rewards have been transferred are derecognized continuously. Involvement in these assets are reflected in the Volvo Group's balance sheet as part of the external credit guarantees, which are recognized at fair value as provisions in the balance sheet and amounted to SEK 520 M (650).

The Volvo Group's maximum exposure to loss is considered being the total recourse relating to transferred assets that are part of the reported credit guarantees, i.e. the total amount Volvo Group would have to pay in case of default of the customers. The likelihood for all customers being in default at the same time is considered to be unlikely. The gross exposure for the Volvo Group amounted to SEK 3.4 billion (6.6) related to credit guarantees issued for customers and others which is part of the Volvo Group's contingent liabilities. This amount has not been reduced by the value of counter guarantees received or other collaterals such as the right to repossess the product.

›› **Read more in Note 21** regarding Other provisions

›› **Read more in Note 24** regarding Contingent Liabilities.

Gains, losses, interest income and expenses from financial instruments

The table below shows how gains and losses as well as interest income and expenses have affected income after financial items in the Volvo Group divided on the different categories of financial instruments.

Reported in operating income[1]	2015			2014		
SEK M	Gains/ losses	Interest income	Interest expenses[7]	Gains/ losses	Interest income	Interest expenses[7]
Financial assets and liabilities at fair value through the income statement[2]						
Currency risk derivatives[3]	–11	–	–	–42	–	–
Loans receivable and other receivables						
Accounts receivables / trade payables[1]	–913	–	–	–1,190	–	–
Customer financing receivables VFS[1]	75	5,128	–	89	4,829	–
Financial assets available for sale						
Shares and participations for which a market value can be calculated [6]	4,650	–	–	55	–	–
Shares and participations for which a market value cannot be calculated	28	–	–	16	–	–
Financial liabilities valued at amortized cost[4]		–	–1,945	–	–	–1,847
Effect on operating income	**3,829**	**5,128**	**–1,945**	**–1,072**	**4,829**	**–1,847**

Reported in net financial items[5, 7]						
Financial assets and liabilities at fair value through the income statement						
Marketable securities	–	14		–	46	–
Interest and currency rate risk derivatives[2, 3]	298	1	–208	1,567	9	99
Loans receivable and other receivables						
Cash and Cash equivalents	–	242		–	273	–
Financial liabilities valued at amortized cost	–841		–1,698	–391	–	–1,661
Effect on net financial items [5, 7]	**–543**	**257**	**–1,906**	**1,176**	**328**	**–1,562**

1 Information is provided regarding changes in provisions for doubtful receivables and customer financing in Notes 15 and 16, Accounts receivable and customer financing receivables, as well as in Note 8, Other operating income and expenses.
2 Accrued and realized interest is included in gains and losses related to Financial assets and liabilities at fair value through the income statement.
3 The Volvo Group uses forward contracts and currency options to hedge the value of future cash flows in foreign currency. Both unrealized and realized result on currency risk contracts is included in the table. Read more in Note 4, Goals and policies in financial risk management.
4 Interest expenses attributable to financial liabilities valued at amortized cost recognized in operating income include interest expenses for financing operating lease activities, which are not classified as a Financial Instrument.
5 In gains, losses, income and expenses related to financial instruments recognized in Net financial items, negative SEK 543 M (1,176) was recognized under other financial income and expenses.
6 During 2015 Volvo Group sold the holding of the shares in the listed Indian automotive manufacturer Eicher Motors Limited. The sale generated a gain of SEK 4.6 billion.
7 Interest expenses reported in net financial items attributable to pensions, SEK 460 M (432) are not included in this table.

›› **Read more in Note 9**, Other financial income and expenses for further information.

›› **Read more in Note 5** Investments in joint ventures, associated companies and other shares and participations for further information about the divestments of the shares in Eicher Motors limited.

In the table below outstanding derivatives hedging currency and interest rate risks is presented.

Outstanding derivative instruments

	Dec 31, 2015		Dec 31, 2014	
SEK M	Nominal amount	Carrying value	Nominal amount	Carrying value
Interest-rate swaps				
– receivable position	87,712	1,824	86,136	2,137
– payable position	66,793	–763	70,109	–72
Foreign exchange derivatives				
– receivable position	44,386	793	16,272	675
– payable position	16,019	–333	24,332	–432
Options purchased				
– receivable position	627	5	1,788	65
– payable position	84	–	36	–
Options written				
– payable position	755	–3	2,636	–71
Subtotal		**1,522**		**2,302**
Raw material derivatives				
– receivable position	27	6	208	3
– payable position	236	–68	267	–23
Total		**1,460**		**2,282**

Hedge accounting

Volvo Group is only applying hedge accounting on the following specific hedging relationships:

- Hedging fair value of a loan. Fair value of the hedge instruments outstanding amounted to SEK 872 M (1,290). Changes in fair value of the loan related to hedge accounting amounted to SEK neg 611 M (neg 1,022). The changes in the fair value of the hedge instruments and on the loan have been recognized in finance net in the income statement.
- Hedging of certain net investments in foreign operations done in previous years. The result of such hedges was recognized as a separate item in other comprehensive income. In the event of a divestment, the accumulated result from the hedge is recognized in the income statement.
- Hedging of forecasted electricity consumption. Changes in the fair value are recognized in the cash flow hedge reserve in OCI for effective hedge accounting.

›› **Refer to Note 19** Equity and numbers of shares for information on the changes in the fair value on derivatives hedging forecasted electricity consumption recognized in the cash flow hedge reserve in OCI.

›› **Refer to accounting policies** in this note for all other hedging relationships where hedge accounting is not applied.

›› **Read more** in **Note 4** for goals and policies in financial risk management including Volvo Group's policies on hedging.

Parent Company AB Volvo

Corporate registration number 556012-5790.

Amounts in SEK M unless otherwise specified. Amounts within parentheses refer to the preceding year, 2014.

Board of Directors' report

AB Volvo is the Parent Company of the Volvo Group and its operations comprise of the Group's head office with staff together with some corporate functions.

Income from investments in Group companies include dividends amounting to 1,061 (6,826) and transfer price adjustments and royalties amounting to an expense of 775 (1,120).

Capital gain from divestment of the holding in Eicher Motors Ltd. amounted to 4,608. Reversal of revaluation to market value amounted to 3,995 and is recognized in other comprehensive income.

The carrying value of shares and participations in Group companies amounted to 60,766 (61,283), of which 60,092 (60,241) pertained to shares in wholly owned subsidiaries. The corresponding shareholders' equity in the subsidiaries (including equity in untaxed reserves but excluding minority interests) amounted to 103,382 (101,274).

During 2015 AB Volvo acquired 45 % of the Chinese automotive manufacturer Dongfeng Commercial Vehicles Co., Ltd. to the value of 7,197. The holding is recognized as an investment in associated company.

Total investments by year end in joint ventures and associated companies included 10,392 (3,317) in joint ventures and associated companies that are recognized in accordance with the equity method in the consolidated accounts. The portion of shareholders' equity in joint ventures and associated companies pertaining to AB Volvo amounted to 8,026 (2,781).

Financial net debt amounted to 42,933 (35,967).

AB Volvo's risk capital (shareholders' equity plus untaxed reserves) amounted to 41,010 (38,290) corresponding to 41% (46%) of total assets.

INCOME STATEMENT

SEK M		**2015**	2014
Net sales	Note 2	**884**	**696**
Cost of sales	Note 2	–884	–696
Gross income		**0**	**0**
Administrative expenses	Note 2, 3	–1,342	–1,011
Other operating income and expenses	Note 4	–161	–65
Income from investments in Group companies	Note 5	288	5,572
Income from investments in joint ventures and associated companies	Note 6	84	26
Income from other investments	Note 7	4,612	7
Operating income		**3,481**	**4,529**
Interest income and similar credits		0	1
Interest expenses and similar charges	Note 8	–1,195	–947
Other financial income and expenses	Note 9	–9	–19
Income after financial items		**2,277**	**3,564**
Allocations	Note 10	12,565	3,505
Income taxes	Note 11	–2,103	–379
Income for the period		**12,739**	**6,690**

OTHER COMPREHENSIVE INCOME

	2015	2014
Income for the period	**12,739**	**6,690**
Items that may be reclassified subsequently to income statement:		
Available-for-sale investments	–3,995	3,037
Other comprehensive income, net of income taxes	**–3,995**	**3,037**
Total comprehensive income for the period	**8,744**	**9,727**

BALANCE SHEET

SEK M		Dec 31, 2015	Dec 31, 2014
Assets			
Non-current assets			
Intangible assets	Note 12	8	23
Tangible assets	Note 12	41	54
Financial assets			
Shares and participations in Group companies	Note 13	60,766	61,283
Receivables from Group companies		54	59
Investments in joint ventures and associated companies	Note 13	10,397	3,322
Other shares and participations	Note 13	13	4,241
Deferred tax assets	Note 11	157	2,191
Other non-current receivables		–	27
Total non-current assets		**71,436**	**71,200**
Current assets			
Current receivables			
Receivables Group companies		28,627	11,682
Other receivables	Note 14	116	300
Cash and bank accounts		–	0
Total current assets		**28,743**	**11,982**
Total assets		**100,179**	**83,182**
Shareholders' equity and liabilities			
Shareholders' equity			
Restricted equity			
Share capital (2,128,420,220 shares, quota value SEK 1.20)		2,554	2,554
Statutory reserve		7,337	7,337
Unrestricted equity			
Non-restricted reserves		302	4,252
Retained earnings		18,074	17,453
Income for the period		12,739	6,690
Total shareholders' equity		**41,006**	**38,286**
Untaxed reserves	Note 15	**4**	**4**
Provisions			
Provisions for post-employment benefits	Note 16	117	122
Other provisions	Note 17	11	20
Total provisions		**128**	**142**
Non-current liabilities	Note 18		
Liabilities to Group companies		13,973	7
Other liabilities		3	0
Total non-current liabilities		**13,976**	**7**
Current liabilities			
Trade payables		170	166
Other liabilities to Group companies		44,470	44,269
Tax liabilities		44	–
Other liabilities	Note 19	381	308
Total current liabilities		**45,065**	**44,743**
Total shareholders' equity and liabilities		**100,179**	**83,182**
Assets pledged		–	–
Contingent liabilities	Note 20	**282,175**	**279,807**

CASH FLOW STATEMENT

SEK M		**2015**	2014
Operating activities			
Operating income		3,481	4,530
Depreciation and amortization		17	17
Other non-cash items	Note 21	–5,104	113
Total change in working capital whereof		3	–159
Change in accounts receivable		*–166*	*16*
Change in trade payables		*5*	*–43*
Other changes in working capital		*164*	*–132*
Interest and similar items received		0	1
Interest and similar items paid		–1,171	–944
Other financial items		–18	–16
Group contributions received		3,504	832
Income taxes paid		0	–20
Cash-flow from operating activities		**712**	**4,354**
Investing activities			
Investments in fixed assets		–10	–29
Disposals of fixed assets		21	51
Investments and divestments of shares in group companies, net	Note 21	519	–654
Investments and divestments of shares in non-group companies, net	Note 21	–2,207	–1
Interest-bearing receivables		26	–
Cash-flow after net investments		**–939**	**3,721**
Financing activities			
Change in loans, net	Note 21	6,953	2,291
Dividends to AB Volvo shareholders		–6,090	–6,084
Other		76	72
Change in liquid funds		**0**	**0**
Liquid funds, beginning of year		**0**	**0**
Liquid funds, end of year		**–**	**0**

CHANGES IN SHAREHOLDERS' EQUITY

	Restricted equity		Unrestricted equity				
SEK M	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Total	Total shareholders' equity
Balance at December 31, 2013	**2,554**	**7,337**	**214**	**958**	**23,521**	**24,693**	**34,584**
Income for the period	–	–	–	–	6,690	6,690	6,690
Other comprehensive income							
Available-for-sale investments:							
Gain at valuation to fair value	–	–	–	3,037	–	3,037	3,037
Other comprehensive income for the period	–	–	–	3,037	-	3,037	3,037
Total income for the period	–	–	–	**3,037**	**6,690**	**9,727**	**9,727**
Transactions with shareholders							
Dividends to AB Volvo shareholders	–	–	–	–	–6,084	–6,084	–6,084
Share based payments	–	–	43	–	16	59	59
Transactions with shareholders	–	–	43	–	–6,068	–6,025	–6,025
Balance at December 31, 2014	**2,554**	**7,337**	**257**	**3,995**	**24,143**	**28,395**	**38,286**
Income for the period	–	–	–	–	12,739	12,739	12,739
Other comprehensive income							
Available-for-sale investments:							
Divestment of fair value investment	–	–	–	–3,995	–	–3,995	–3,995
Other comprehensive income for the period	–	–	–	–3,995	-	-3,995	-3,995
Total income for the period	–	–	–	**–3,995**	**12,739**	**8,744**	**8,744**
Transactions with shareholders							
Dividends to AB Volvo shareholders	–	–	–	–	–6,090	–6,090	–6,090
Share based payments	–	–	45	–	21	66	66
Transactions with shareholders	–	–	45	–	–6,069	–6,024	–6,024
Balance at December 31, 2015	**2,554**	**7,337**	**302**	–	**30,813**	**31,115**	**41,006**

» **Read more** about the share capital of the Parent Company in **Note 19** Equity and number of shares in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the preceding year, 2014.

NOTE 1 ACCOUNTING POLICIES

The Parent Company has prepared its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2, Accounting for Legal entities. According to RFR 2, the Parent Company shall apply all the International Financial Reporting Standards endorsed by the EU as far as this is possible within the framework of the Swedish Annual Accounts Act. The changes in RFR 2 applicable to the fiscal year beginning January 1, 2015, have had no material impact on the financial statements of the Parent Company.

The accounting policies applied by the Volvo Group are described in the respective Notes in the consolidated financial statements. The main deviations between the accounting policies applied by the Volvo Group and the Parent Company are described below.

Shares and participations in Group companies and investments in joint ventures and associated companies are recognized at cost in the Parent Company and test for impairment is performed annually. In accordance with RFR 2 the Parent Company includes expenses related to acquisition of a business in the acquisition value. Dividends are recognized in the income statement. All shares and participations are related to business operations and profit or loss from these are reported within Operating income.

The Parent Company applies the exception in the application of IAS 39 which concerns accounting and measurement of financial contracts of guarantee in favour of subsidiaries and associated companies. The Parent Company recognizes the financial contracts of guarantee as contingent liabilities.

According to RFR 2, application of the regulations in IAS 19 regarding defined-benefit plans is not mandatory for legal entities. However, IAS 19 shall be adopted regarding supplementary disclosures when applicable. RFR 2 refers to the Swedish law on safeguarding of pension commitments ("tryggandelagen") regarding recording of "Provisions for post-employment benefits" in the balance sheet and of plan assets in pension foundations.

The Parent Company recognizes the difference between depreciation according to plan and tax depreciation as accumulated additional depreciation, included in untaxed reserves.

Reporting of Group contributions is recognized in accordance with the alternative rule in RFR 2. Group contributions are reported as Allocations.

NOTE 2 INTRA-GROUP TRANSACTIONS

The Parent Company's net sales amounted to 884 (696), of which 756 (554) pertained to Group companies. Purchases from Group companies amounted to 810 (494).

NOTE 3 ADMINISTRATIVE EXPENSES

Depreciation

Administrative expenses include depreciation of 17 (18) of which 1 (2) pertains to machinery and equipment, 1 (1) to buildings and 15 (15) to other intangible assets.

Fees to the auditors	2015	2014
PricewaterhouseCoopers AB		
– Audit fees	21	19
– Audit-related fees	1	1
– Tax advisory services	1	0
– Other fees	1	11
Total	**24**	**31**

» **Read more** in **Note 28** Fees to the Auditors in the consolidated financial statements for a description of the different categories of fees.

Personnel

Wages, salaries and other remunerations amounted to 413 (354), social costs to 123 (109) and pension costs to 123 (84). Pension cost of 9 (6) pertained to Board Members and the President. The Parent Company has outstanding pension obligations of 1 (1) to these individuals.

The number of employees at year-end was 327 (317).

» **Read more** in **Note 27** Personnel in the consolidated financial statements about the average number of employees, wages, salaries and other remunerations including incentive program as well as Board members and senior executives by gender.

NOTE 4 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include restructuring costs, donations and grants and Volvo profit sharing program costs by 3 (–).

NOTE 5 INCOME FROM INVESTMENTS IN GROUP COMPANIES

Income from investments in Group Companies	2015	2014
Dividends received		
Volvo Financial Services AB	565	450
Volvo Automotive Finance (China)	477	–
Volvo Malaysia Sdn Bhd.	19	–
Volvo China Investment Co. Ltd.	–	367
Volvo Danmark AS	–	61
Volvo East Asia (Pte) Ltd.	–	108
Volvo Holding Sverige AB	–	4,500
Volvo Korea Holding AB	–	1,300
Volvo Event Management UK Ltd.	–	1
Volvo Norge AS	–	39
Subtotal	**1,061**	**6,826**
Impairment of shares		
Volvo Logistics AB	–85	–
Volvo Business Services AB	–67	–
Volvo East Asia (Pte) Ltd.	–9	–
Alviva AB	–5	–
Volvo Group UK Ltd.	–	–134
Subtotal	**–166**	**–134**
Reversal impairment of shares		
Volvo Danmark AS	30	–
Subtotal	**30**	–
Income from divestment of shares		
Part of Volvo Norge AS after fission	134	–
Adjustment of divestment Volvo Aero AB	4	–
Subtotal	**138**	**–**
Income from investments in Group Companies	**1,063**	**6,692**

Transfer price adjustments and royalties amount to an expense of 775 (1,120).

NOTE 6 INCOME FROM INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

Dividend of 35 (28) was received from VE Commercial Vehicles Ltd, and of 20 (19) from Deutz AG. Income include reversal of impairment of participation in Blue Chip Jet HB with 4 and in Blue Chip Jet II HB with 25. Income 2014 included impairment of Blue Chip Jet II HB with 21.

NOTE 7 INCOME FROM OTHER INVESTMENTS

Income from other investments includes gain from divestment of the holding in Eicher Motors Ltd. of 4,608. Dividend of 7 (7) was received from Eicher Motors Ltd. Impairment of the shares in Johanneberg Science Park AB and Lindholmen Science Park AB is included by an expense of 3 (–).

NOTE 8 INTEREST EXPENSES

Interest expenses and similar charges totalling 1,195 (947) included interest of 1,193 (944) to subsidiaries.

NOTE 9 OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses include exchange rate gains and losses, costs for credit rating and costs for stock exchange listing.

NOTE 10 ALLOCATIONS

Group contributions amounted to a net of 12,565 (3,504).

NOTE 11 INCOME TAXES

Income taxes were distributed as follow:

	2015	2014
Current taxes relating to the period	–69	–20
Deferred taxes	–2,034	–359
I/S **Total income taxes**	**–2,103**	**–379**

Deferred taxes relate to estimated tax on the change in tax-loss carryforwards and temporary differences. Deferred tax assets are recognized to the extent that it is probable that the amount can be utilized against future taxable income. The tax-loss carry forwards have indefinite period of utilization.

Deferred taxes related to change in tax-loss carryforwards amount to an expense of 2,037 (357) and to changes in other temporary differences to an income of 3 (expense of 2).

The table below discloses the principal reasons for the difference between the corporate income tax of 22% and the tax for the period.

	2015	2014
Income before taxes	14,842	7,069
Income tax according to applicable tax rate	–3,265	–1,555
Capital gains/losses	1,044	–
Non-taxable dividends	247	1,513
Non-taxable revaluations of shareholdings	–24	–34
Other non-deductible expenses	–26	–23
Other non-taxable income	0	10
Withholding tax	–24	–20
Adjustment of deferred taxes for prior periods	–55	–269
Recognition and derecognition of deferred tax assets due to change in tax rate	–	–1
Income taxes for the period	**–2,103**	**–379**

Specification of deferred tax assets	Dec 31, 2015	Dec 31, 2014
Deferred tax-loss carryforwards	–	2,037
Provisions for post-employment benefits	154	150
Provisions for restructuring measures	3	4
B/S **Deferred tax assets**	**157**	**2,191**

NOTE 12 INTANGIBLE AND TANGIBLE ASSETS

Intangible assets, acquisition costs	Rights	Other intangible assets	Total intangible assets
Opening balance 2014	**52**	**116**	**168**
Acquisition cost as of Dec 31, 2014	**52**	**116**	**168**
Acquisition cost as of Dec 31, 2015	**52**	**116**	**168**

Intangible assets, accumulated amortization	Rights	Other intangible assets	Total intangible assets
Opening balance 2014	**52**	**78**	**130**
Amortization	–	15	**15**
Accumulated amortization as of Dec 31, 2014	**52**	**93**	**145**
Amortization	–	15	**15**
Accumulated amortization as of Dec 31, 2015	**52**	**108**	**160**
B/S **Net value in balance sheet as of Dec 31, 2014**[1]	**–**	**23**	**23**
B/S **Net value in balance sheet as of Dec 31, 2015**[1]	**–**	**8**	**8**

Tangible assets, acquisition costs	Buildings	Land and improvements	Machinery and equipment	Construction in progress, including advance payments	Total tangible assets
Opening balance 2014	27	14	47	21	**109**
Capital Expenditures	–	–	–	28	**28**
Sales/scrapping	–6	–3	0	–38	**–47**
Reclassifications	–	–	0	0	**0**
Acquisition cost as of Dec 31, 2014	**21**	**11**	**47**	**11**	**90**
Capital Expenditures	–	–	–	10	**10**
Sales/scrapping	–	–	–	–21	**–21**
Acquisition cost as of Dec 31, 2015	**21**	**11**	**47**	**0**	**79**

Tangible assets, accumulated depreciation	Buildings	Land and improvements	Machinery and equipment	Construction in progress, including advance payments	Total tangible assets
Opening balance 2014	5	0	32	–	**37**
Depreciation	1	0	2	–	**3**
Sales/scrapping	–3	–	–1	–	**–4**
Accumulated depreciation as Dec 31, 2014	**3**	**0**	**33**	**–**	**36**
Depreciation	1	0	1	–	**2**
Accumulated depreciation as of Dec 31, 2015	**4**	**0**	**34**	**–**	**38**
B/S **Net value in balance sheet as of Dec 31, 2014**[1]	**18**	**11**	**14**	**11**	**54**
B/S **Net value in balance sheet as of Dec 31, 2015**[1]	**17**	**11**	**13**	**0**	**41**

1 Acquisition value, less accumulated depreciation, amortization and impairment.

NOTE 13 INVESTMENTS IN SHARES AND PARTICIPATIONS

AB Volvo owns, directly or indirectly, 278 (294) legal entities. The legal structure is designed to effectively manage legal requirements, administration and taxes, as well as the operations conducted by the Group in each country it operates. Legal entities may have different characters and include different types of operations, such as production, development and sales. The character of a legal entity may change over time. Furthermore legal entities could include different type of the Group's operations and this could also change over time. In some countries there are legal restrictions which limit the Group's ability to transfer assets between the Group's legal entities. Read more in the Note 18 Marketable securities and liquid funds in the consolidated financial statements for a description of restrictions related to cash and cash equivalents.

Volvo Group's operational structure gives a better overview of how the Volvo Group has chosen to organize its business. Read more about Volvo Group's operational structure in Note 6 Segment Reporting in the consolidated financial statements.

Changes in AB Volvo's holding of shares and participations are disclosed below:

	Group companies		Joint ventures and associated companies		Non-Group companies	
	2015	2014	2015	2014	2015	2014
Opening balance as of January 1	61,283	60,763	3,322	3,343	4,241	1,203
Acquisitions/New issue of shares	–	2	7,197	–	–	–
Divestments	–381	–31	–	–	–232	–
Shareholder's contribution	–	683	–	–	2	1
Repayment of equity	–	–	–151	–	–	-
Impairment of shares and participations	–166	–134	–	–21	–3	–
Reversal impairment of shares and participations	30	–	29	–	-	-
Revaluation of shares in listed companies	–	–	–	–	–3,995	3,037
B/S Balance sheet, December 31	**60,766**	**61,283**	**10,397**	**3,322**	**13**	**4,241**

Holding of shares in Group companies	Registration number	Dec 31, 2015 Percentage holding[1]	Dec 31, 2015 Carrying value[2]	Dec 31, 2014 Carrying value[2]
Volvo Lastvagnar AB, Sweden	556013–9700	100	8,711	8,711
Volvo Holding Sverige AB, Sweden	556539–9853	100	7,634	7,634
UD Trucks Corporation, Japan	–	100	8,928	8,928
Volvo Bussar AB, Sweden	556197–3826	100	1,917	1,917
Volvo Construction Equipment NV, The Netherlands	–	100	2,582	2,582
AB Volvo Penta, Sweden	556034–1330	100	438	438
VNA Holding Inc., USA	–	100	3,278	3,278
Volvo Financial Services AB, Sweden	556000–5406	100	1,945	1,945
Volvo Treasury AB, Sweden	556135–4449	100	13,044	13,044
Sotrof AB, Sweden	556519–4494	100	1,388	1,388
Volvo Korea Holding AB, Sweden	556531–8572	100	2,655	2,655
Volvo China Investment Co Ltd., China	–	100	1,096	1,096
Volvo Automotive Finance (China) Ltd., China	–	100	491	491
Volvo Group UK Ltd., Great Britain[3]	–	40	561	561
Volvo Holding Mexico, Mexico	–	–	–	531
Volvo Group Mexico SA de CV (JC)	–	100	531	–
Volvo Group Venture Capital AB, Sweden	556542–4370	100	361	361
Volvo Powertrain AB, Sweden	556000–0753	100	898	898
Volvo Information Technology AB, Sweden	556103–2698	100	1,263	1,263
Volvo Parts AB, Sweden	556365–9746	100	150	150
Volvo Group Insurance Försäkrings AB, Sweden	516401–8037	100	182	182
Volvo Business Services AB, Sweden	556029–5197	100	–	67
Volvo Danmark A/S, Denmark	–	100	157	128
VFS Servizi Financiari Spa, Italy[4]	–	25	79	79
Kommersiella Fordon Europa AB, Sweden	556049–3388	100	1,890	1,890
Volvo Norge A/S, Norway	–	100	43	56
Volvo Malaysia Sdn, Malaysia	–	100	48	48
ZAO Volvo Vostok, Russia[5]	–	75	34	34
Volvo Italia Spa, Italy	–	100	447	447
CPAC Systems AB, Sweden[6]	556566–2870	–	–	367
Volvo Logistics AB, Sweden	556197–9732	100	–	85
Alviva AB, Sweden	556622–8820	100	–	5
Volvo East Asia (Pte) Ltd., Singapore	–	100	–	9
Volvo Information Technology GB Ltd., Great Britain	–	100	3	3
VFS Latvia SIA, Latvia	–	100	9	9
VFS Int Romania Leasing Operational, Romania	–	100	2	2
Other holdings	–		1	1
Total carrying value Group companies[7]			**60,766**	**61,283**

Holding of shares in Joint Ventures, associated companies and non-Group companies	Registration number	Dec 31, 2015 Percentage holding[1]	Dec 31, 2015 Carrying value[2]	Dec 31, 2014 Carrying value[2]
Dongfeng Commercial Vehicles Co. Ltd, China	–	45.0	7,197	–
VE Commercial Vehicles Ltd., India[8]	–	45.6	1,616	1,616
Eicher Motors Ltd., India	–	–	–	4,228
Deutz AG, Germany	–	25.0	1,359	1,359
Blue Chip Jet HB, Sweden	969639–1011	50.0	8	3
Blue Chip Jet II HB, Sweden	969717–2105	50.0	212	339
Other investments	–		18	18
Total carrying value, joint ventures, associated companies and non-Group companies			**10,410**	**7,563**

Shares and participations in Group companies

Fission in Volvo Norge AS created four new companies which have been divested by the carrying value of 14. CPAC AB has been divested by 367. Impairment of shares in Volvo Logistics AB has been made by 85, in Volvo Business Services AB by 67, in Volvo East Asia (Pte) Ltd by 9 and in Alviva AB by 5. Reversal of impairment of shares has been made in Volvo Danmark AS by 30.

During 2014 shareholder's contribution was given to Volvo Group UK Limited by 283 and to Volvo Powertrain AB by 400. Subscription in the new company VFS Int Romania Leasing Operational was made by 2. Divestment of Rossared Fastighets AB was made by 26 and AB Fortos by 5. Impairment of shares in Volvo Group UK Limited was made by 134.

AB Volvo's holding in Group companies is presented in the adjoining table.

Investments in associated companies and joint ventures

Investment in Dongfeng Commercial Vehicles Co Ltd. has been made by 7,197. Repayment of equity has decreased the holding in Blue Chip Jet II by 151. Reversal of impairment of the participation in Blue Chip Jet was recognized by 4 and in Blue Chip Jet II HB by 25.

During 2014 impairment of participation in Blue Chip Jet II HB was recognized by 21.

Shares and participations in non-Group companies

During 2015 divestment of the holding in the listed company Eicher Motors Ltd. to a carrying amount of 4,228 was made. The acquisition value amounted to 232 and reversal of the revaluation to fair value amounted to 3,995, also recognized in other comprehensive income. During 2014 revaluation increased the value by 3,037. Shareholder's contribution has been given to Johanneberg Science Park AB and Lindholmen Science Park AB by 2 (1) and impairment of shares in Johanneberg Science Park AB and Lindholmen Science Park AB has been recognized by 3 (–).

1 The percentage holding refers to the Parent Company AB Volvo's holding.
2 Refers to AB Volvo's carrying value of its holding.
3 Total holding by Volvo Lastvagnar AB and AB Volvo is 100%.
4 Total holding by Volvo Italia Spa and AB Volvo is 100%.
5 Total holding by AB Volvo and Volvo Trucks Region Central Europe GmbH is 100%.
6 Total holding by AB Volvo Penta is 100% (2014: 49% AB Volvo and 51% AB Volvo Penta).
7 AB Volvo's share of shareholders' equity in subsidiaries (including equity in untaxed reserves) was 103,382 (101,274).
8 In Volvo Group the company is reported as a joint venture, consolidated according to equity method.

NOTE 14 OTHER RECEIVABLES

	Dec 31, 2015	Dec 31, 2014
Accounts receivable	9	25
Prepaid expenses and accrued income	62	221
Other receivables	45	54
B/S **Total other receivables**	**116**	**300**

The valuation allowance for doubtful receivables amounted to 1 (2) at the end of the year. The company considers that fair value does not differ from carrying value.

NOTE 15 UNTAXED RESERVES

	Dec 31, 2015	Dec 31, 2014
Accumulated additional depreciation		
Machinery and equipment	4	4
B/S **Total untaxed reserves**	**4**	**4**

NOTE 16 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

The Parent Company has two types of pension plans:

Defined-contribution plans: post-employment benefit plans where the Company makes regular payments to separate entities and has no legal or constructive obligation to pay further contributions. The expenses for defined contribution plans are recognized during the period when the employee provides service.

Defined-benefit plans: post-employment benefit plans where the Company's undertaking is to provide predetermined benefits that the employee will receive on or after retirement. These benefit plans are secured through balance-sheet provisions or pension-fund contributions. Furthermore, a credit insurance policy has been taken out for the value of the obligations. The main defined-benefit plan is the ITP2 plan which is based on final salary. The plan is semi-closed, meaning that only new employees born before 1979 have the possibility to choose the ITP2 solution. The ITP2 plan for the Company is funded in Volvo Pension Foundation. Pension obligations are calculated annually, on the balance sheet date, based on actuarial assumptions.

The defined-benefit obligations are calculated based on the actual salary levels at year-end and based on a discount rate of 3.84% (3.84) for the ITP2 plan and 1.9% (2.6) for other pension obligations. Assumptions for discount rates and mortality rates are determined annually by PRI Pensionsgaranti for ITP2 and Finansinspektionen for other pension obligations, respectively.

The Volvo Pension Foundation was formed in 1996 to secure obligations relating to retirement pensions in accordance with the ITP plan. Since its formation, net contributions of 249 have been made to the foundation by the Parent Company.

Provisions for post-employment benefits in the Parent Company's balance sheet correspond to the present value of obligations at year-end, less value of plan assets.

Obligations in defined-benefit plans	Funded	Unfunded	Total
Obligations opening balance 2014	556	132	688
Service costs	4	6	10
Interest costs	32	3	35
Pensions paid	–17	–19	–36
Obligations as of December 31, 2014	**575**	**122**	**697**
Service costs	15	11	26
Interest costs	21	2	23
Pensions paid	–18	–18	–36
Obligations as of December 31, 2015	**593**	**117**	**710**

Fair value of plan assets in funded plans	
Plan assets opening balance 2014	**591**
Actual return on plan assets	65
Contributions and compensation to/from the fund	–
Plan assets as of December 31, 2014	**656**
Actual return on plan assets	36
Contributions and compensation to/from the fund	–
Plan assets as of December 31, 2015	**692**

Provisions for post-employment benefits	Dec 31, 2015	Dec 31, 2014
Obligations[1]	–710	–697
Fair value of plan assets	692	656
Funded status	**–18**	**–41**
Limitation on assets in accordance with RFR2 (when plan assets exceed corresponding obligations)	–99	–81
B/S **Net provisions for post-employment benefits**[2]	**–117**	**–122**

1 The ITP2 obligations amount to 573 (556).
2 ITP2 obligations, net, amount to 0 (0).

Pension costs	2015	2014
Service costs	26	10
Interest costs[3]	23	35
Interest income[3]	–18	–20
Pension costs for defined-benefit plans	**31**	**25**
Pension costs for defined-contribution plans	**46**	**54**
Special payroll tax/yield tax[4]	46	3
Cost for credit insurance FPG	0	2
Total costs for the period	**123**	**84**

3 Interest cost, net of 2 (3) is included in the financial items
4 Special payroll tax / yield tax are calculated according to Swedish Tax law and accrued for in Current liabilities

Volvo Group applies IAS 19 Employee Benefits in the consolidated financial statements. This implies differences, which may be significant, in the accounting of defined-benefit pension plans as well as in the accounting of plan assets invested in the Volvo Pension Foundation.

The accounting principles for defined-benefit plans differ from IAS19 mainly relating to:

- Pension liability calculated according to Swedish accounting principles does not take into account future salary increases.
- The discount rate used in the calculations is set by PRI Pensionsgaranti and Finansinspektionen, respectively.
- Changes in the discount rate, actual return on plan assets and other actuarial assumptions are recognized directly in the income statement and in the balance sheet.
- Deficit must be either immediately settled in cash or recognized as a liability in the balance sheet.
- Surplus cannot be recognized as an asset, but may in some cases be refunded to the Company to offset pensions costs.

NOTE 17 OTHER PROVISIONS

Other provisions include provisions for restructuring measures of 11 (20).

NOTE 18 NON-CURRENT LIABILITIES

Non-current debt matures as follows:

2020	8,384
2022 or later	5,592
B/S **Total non-current liabilities**	**13,976**

NOTE 19 OTHER LIABILITIES

	Dec 31, 2015	Dec 31, 2014
Wages, salaries and withholding taxes	184	150
VAT liabilities	1	–
Accrued expenses and prepaid income	162	136
Other liabilities	34	22
B/S **Total other liabilities**	**381**	**308**

No collateral is provided for current liabilities.

NOTE 20 CONTINGENT LIABILITIES

Contingent liabilities as of December 31, 2015, amounted to 282,175 (279,807) of which 282,164 (279,796) pertained to Group companies.

Credit guarantees are included to an amount corresponding to the credit limits. Credit guarantees amounted to 272,432 (270,616). The total amount pertained to Group companies.

The utilized portion at year end amounted to 124.526 (134,504), of which 124.514 (134,493) pertained to Group companies.

NOTE 21 CASH-FLOW

Other non-cash items	2015	2014
Revaluation of shareholdings	110	155
Gains on sale of shares	–4,746	0
Transfer price adjustments, net	–104	–132
Anticipated dividend	–419	–
Other changes	55	90
Total Other items not affecting cash flow	**–5,104**	**113**

Further information is provided in Notes 5 Income from investments in Group companies, 6 Income from investments in joint ventures and associated companies and 7 Income from other investments.

Acquired and divested shares in Group companies, net	2015	2014
Acquisitions	–	–685
Divestments	519	31
Total cash flow from acquired and divested shares in Group companies, net	**519**	**–654**

Acquisitions and divestments of participations in Group companies are shown in Note 13 Investments in shares and participations.

Acquired and divested shares in non-Group companies, net	2015	2014
Acquisitions	–7,047	–1
Divestments	4,840	–
Total cash flow from acquired and divested shares in non-Group companies, net	**–2,207**	**–1**

Acquisitions and divestments of participations in non-Group companies are presented in Note 13 Investments in shares and participations.

Change in loans, net

Increase in loans is related to loans from Volvo Treasury AB by 13,973 (–) and the company's liability in the group account at Volvo Treasury AB which has decreased by 7,020 (increased by 2,291).

CORPORATE GOVERNANCE

The Volvo Group appreciates the value of sound corporate governance as a fundamental base in achieving a trusting relation with shareholders and other key parties. The Swedish Corporate Governance Code, which is applied by the Volvo Group, aims at creating a sound balance of power between shareholders, the board of directors and the senior management. Sound corporate governance, characterized by high standards when it comes to transparency, reliability and ethical values, has always been a well-established guiding principle within the Volvo Group's operations.

SIGNIFICANT EVENTS 2015

In January, the Volvo Group completed the acquisition of 45% of the Chinese automotive manufacturer, Dongfeng Commercial Vehicles Co., Ltd. The transaction significantly strengthened the Volvo Group's position in medium-duty trucks leading to the Group becoming one of the world's largest manufacturers of both medium-duty and heavy-duty trucks.

In March and June, the Volvo Group divested its shares in the listed Indian automotive manufacturer Eicher Motors Limited (EML). The divestment had no impact on the ownership or control of the joint venture VE Commercial Vehicles in which the Volvo Group remains as owner together with EML.

The Board of Directors of AB Volvo decided in April to appoint Martin Lundstedt as the new President and Chief Executive Officer of the Volvo Group. Martin Lundstedt assumed his position in October.

In October, the Volvo Group announced its intention to divest its external IT business and to outsource IT infrastructure operations to HCL Technologies. The transaction is expected to be implemented on March 31, 2016 and will provide both cost savings and a capital gain.

A reorganization of the truck sales operation will be implemented on March 1, 2016, entailing a brand-based organization with clearer commercial accountability for the Volvo Group's various truck brands.

As a result of the new trucks sales organization and a decision to include representatives from the Volvo Group's largest Business Areas in the Executive Board, the Volvo Group Executive Board will consist of 13 executive positions including the CEO as from March 1, 2016. The recruitment of the Executive Vice President Group Trucks Purchasing is ongoing.

Introductory remarks

Corporate governance is defined as the structures and processes by which companies are directed and controlled. Sound corporate governance is a fundamental guiding principle for the Volvo Group, and a key factor in making the Group more accountable and transparent to shareholders, employees and other stakeholders.

The Board of Directors is ultimately responsible for Volvo's overall strategic direction and the organization and management of the Group's operations, and consequently has an important role to play in sound corporate governance for the Volvo Group.

One of the Board's key tasks is to appoint the President and CEO of the Volvo Group, who is responsible for driving the daily operations of the Group. After over ten years of acquisition driven growth starting in 1999, the Volvo Group entered a phase of product renewal and cost efficiency programs in 2012, during which much efforts were also put into strengthening the Group's balance sheet. This transformation phase was largely completed during 2015, paving the way for a new phase for the Volvo Group with increased focus on customer success, organic growth and performance.

To lead the Group into this new phase, the Board decided in April 2015 to recruit Martin Lundstedt as new President and Chief Executive Officer (CEO) of the Volvo Group and he took on the position in October. Martin brings 25 years of experience from development, production and sales within the commercial vehicle industry into the Volvo Group.

As a first step on this new part of the Group's journey, Volvo is introducing as of March 1, 2016, a brand-based organization for the Group's truck brands Volvo Trucks, UD Trucks, Renault Trucks and Mack Trucks, expanding the mandate for the sales organizations to control and develop their businesses and providing a clear responsibility for their respective profitability.

The annual Board visit to a Volvo facility went to UD Trucks' site in Ageo, Japan in October. It was an important and interesting visit, providing the Board with additional valuable insights into the Japanese market and the UD Trucks operation. It confirmed the Board's view that the steps taken during the past years in order to strengthen the UD Trucks business have given positive results but that an accelerated development is necessary, which will be addressed in the new organizational set-up with UD Trucks as a separate Business Area.

Finally, the competence within the Board was also strengthened during the year through the addition of the newly appointed Board members Martina Mertz and Eckhard Cordes, contributing with valuable knowledge and experiences from the automotive industry from both the supplier and the OEM side.

The Swedish Corporate Governance Code

AB Volvo's shares are admitted to trading on the stock exchange Nasdaq Stockholm and accordingly, Volvo complies with Nasdaq Stockholm's Rule Book for Issuers. As a listed company, Volvo also applies the Swedish Corporate Governance Code (the Code), which is available at www.corporategovernanceboard.se.

This Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Code, and is separate from the Annual Report. The report has been reviewed by Volvo's auditors and includes a report from the auditors.

Corporate Governance Model

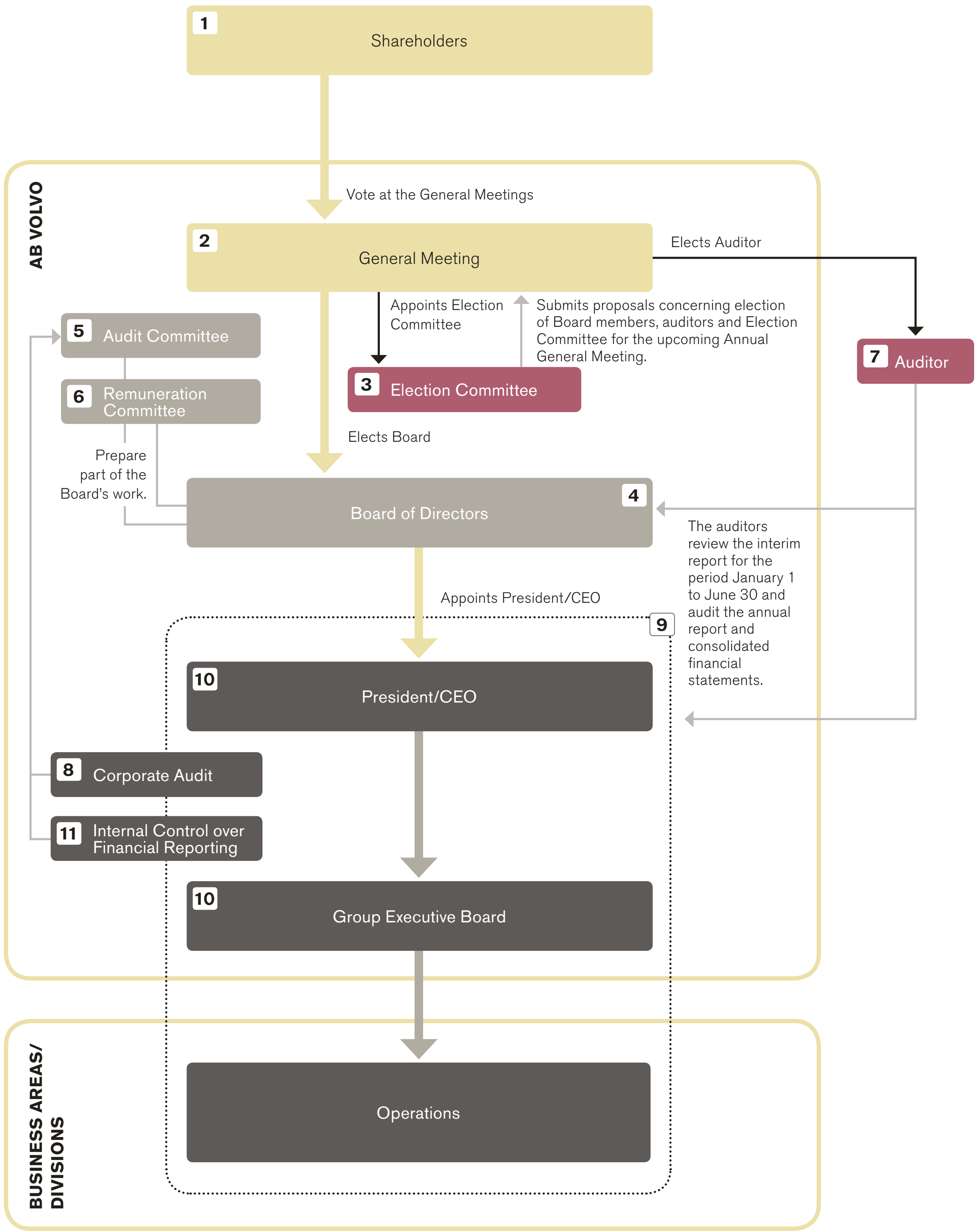
The governance and control of the Volvo Group is carried out through a number of corporate bodies. At the General Meetings of AB Volvo, which is the Parent Company in the Volvo Group, the shareholders exercise their voting rights with regard to for example the composition of the Board of Directors of AB Volvo and the election of auditors.

An Election Committee, appointed by the Annual General Meeting of AB Volvo, submits proposals to the next Annual General Meeting concerning the election of Board members, Board Chairman and, when necessary, external auditors, and proposals for resolutions concerning fees to the Board and the auditors.

The Board is ultimately responsible for Volvo's organization and management of its operations. The duties of the Board are partly exercised through its Audit Committee and its Remuneration Committee.

In addition, the Board appoints the President of AB Volvo, who is also the CEO of the Volvo Group. The CEO is in charge of the daily management of the Group in accordance with guidelines and instructions provided by the Board.

Division of responsibilities and duties between the General Meeting, the Board of Directors and the President are regulated inter alia by the Swedish Companies Act, Volvo's articles of association, the Code and the Board's work procedures.


1 Shareholders
Vote at the General Meetings
AB VOLVO
2 General Meeting
Elects Auditor
Appoints Election Committee
Submits proposals concerning election of Board members, auditors and Election Committee for the upcoming Annual General Meeting.
5 Audit Committee
6 Remuneration Committee
3 Election Committee
7 Auditor
Elects Board
Prepare part of the Board's work.
4 Board of Directors
The auditors review the interim report for the period January 1 to June 30 and audit the annual report and consolidated financial statements.
Appoints President/CEO
9
10 President/CEO
8 Corporate Audit
11 Internal Control over Financial Reporting
10 Group Executive Board
BUSINESS AREAS/ DIVISIONS
Operations

1 Shares and shareholders

AB Volvo's share register is kept by Euroclear Sweden AB. On December 31, 2015, Volvo had 234,989 shareholders according to the share register. The largest shareholder on that date was AB Industrivärden, with 22.3 percent of the votes based on the number of outstanding shares. Cevian Capital held 14.8 percent of the votes, Norges Bank Investment Management held 6.1 percent of the votes, and Svenska Handelsbanken together with SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen held 5.8 percent of the votes, based on the number of outstanding shares.

Volvo has issued two classes of shares: series A and series B. In a vote at a General Meeting, series A shares carry one vote and series B shares one-tenth of a vote. The two share classes carry equal rights to a share in the assets and earnings of the company. According to a special share conversion clause in the Articles of Association, holders of series A shares are entitled to request that their series A shares are converted to series B shares. Implementation of such conversions entails that the total number of votes in the company decreases.

At the end of 2015, the total number of shares in AB Volvo amounted to 2,128,420,220, of which series A shares accounted for 505,481,960 and series B shares accounted for 1,622,938,260. The total number of votes amounted to 667,775,786.

For more information about the Volvo share and its shareholders, refer to the Board of Director's report on pages 104–106 of the Annual Report.

2 General Meeting

General

The General Meeting is Volvo's highest decision-making body. The General Meeting held within six months after the end of the fiscal year adopting the income statement and the balance sheet is called the Annual General Meeting. The Annual General Meeting of Volvo is normally held in Göteborg. In addition to resolutions concerning adoption of the income statement and balance sheet for AB Volvo and the Volvo Group, the Annual General Meeting also adopts resolutions concerning allocations of profit, the composition of Volvo's Board of Directors, directors' fees and elects, when applicable, external auditors. Notice to attend a General Meeting is issued in the form of an announcement in Post- och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. The fact that notice has been issued is announced in Dagens Nyheter and Göteborgs-Posten.

Shareholders who are recorded in the share register five working days prior to a General Meeting and who have notified Volvo of their participation in a certain order, are entitled to participate in the Meeting, in person or by proxy, and to vote for or against the proposals put forward at the Meeting, and to present questions to the Board and the President.

A shareholder who wants the Meeting to consider a special matter must submit a request to the Board in sufficient time prior to the Meeting to the address provided on Volvo's website, www.volvogroup.com.

Resolutions at a General Meeting are normally passed by simple majority and for elections, the person who receives the most votes is considered elected. However, certain resolutions, such as amendment of the Articles of Association, require a decision by a qualified majority.

AB Volvo's Annual General Meeting 2015 was held on April 1, 2015 in Konserthuset, Göteborg.

Annual General Meeting 2015

Volvo's Annual General Meeting 2015 was held on Wednesday, April 1, 2015 in Konserthuset, Göteborg. The Meeting was attended by 1,427 shareholders, either in person or by proxy, representing 69.77 percent of the votes in the company. Attorney Sven Unger was elected Chairman of the Meeting. Members of the Board and of the Group Executive Board were present at the Meeting. Authorized Public Accountants Peter Clemedtson, Volvo's Lead Audit Partner, and Johan Rippe were also present, representing the company's auditor PricewaterhouseCoopers AB.

The Annual General Meeting 2015 decided to pay a dividend of SEK 3.00 per share. The Meeting further resolved to reelect Board Members Matti Alahuhta, James W. Griffith, Kathryn V. Marinello, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg (as Chairman) and Lars Westerberg, and to elect Eckhard Cordes and Martina Merz as new Board Members. Olof Persson resigned as a Board Member on April 21, 2015.

The further resolutions of the Meeting are included in the complete minutes from the Annual General Meeting 2015 which, together with other information about the Meeting, are available at www.volvogroup.com.

Annual General Meeting 2016

Volvo's Annual General Meeting 2016 will be held on Wednesday, April 6, 2016 in Konserthuset, Göteborg. For further information about the Annual General Meeting 2016, please refer to the fold-out in the end of the Annual Report and Volvo's website www.volvogroup.com.

3 Election Committee

Duties

The Election Committee is the shareholders' body responsible for submitting to the Annual General Meeting the names of candidates to serve as Chairman at the Meeting and Chairman and other Members of the Board, as well as proposing fees and other compensations to be paid to the Board Members.

In the years in which Volvo elects auditors, the Election Committee presents proposals to the Meeting for the election of auditors and for fees to be paid to the auditors. In addition, the Election Committee, in accordance with prevailing instructions for Volvo's Election Committee, presents proposals for members of the Election Committee for the following year.

The Election Committee's proposal shall be presented to Volvo in sufficient time to be included in the notice to attend the Annual General Meeting and to be published on Volvo's website at the same time. In conjunction with the notice to attend the Annual General Meeting being published, the Election Committee shall comment on whether those persons who are proposed to be elected as Board Members are to be considered as independent in relation to the company and company management as well as to major shareholders in the company and further to comment on their important assignments and holding of shares in Volvo.

Composition

In accordance with instructions for the Election Committee adopted by the Annual General Meeting 2014, the Annual General Meeting shall elect five members to serve on the Election Committee, of whom four shall represent the largest shareholders in the company, in terms of the number of votes, who have expressed their willingness to participate on the Election Committee. In addition, one of the members shall be the Chairman of the AB Volvo Board. Additionally, the Election Committee can offer other major shareholders to appoint one representative as a member of the Election Committee. If such an offer is made, it should be directed in turn to the largest shareholder in terms of voting rights not already represented on the Election Committee. The number of members on the Election Committee may however not exceed seven.

In accordance with its instructions, Volvo's Annual General Meeting 2015 resolved to appoint the following individuals as members of the Election Committee:

- Carl-Henric Svanberg, Chairman of the Board,
- Carl-Olof By, representing AB Industrivärden,
- Lars Förberg, representing Cevian Capital,
- Yngve Slyngstad, representing Norges Bank Investment Management, and
- Håkan Sandberg, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

The Election Committee appointed Carl-Olof By as Chairman.

During the year, Carl-Olof By's assignment for AB Industrivärden ceased and he was therefore replaced by Bengt Kjell as member and Chairman of the Election Committee representing AB Industrivärden. In addition, Håkan Sandberg resigned from the Election Committee and he was therefore replaced by Pär Boman as member of the Election Committee representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

4 Board of Directors

Duties
The Board of Directors is ultimately responsible for Volvo's organization and management of the company's operations. The Board is responsible for the Group's long-term development and strategy, for regularly controlling and evaluating the Group's operations and for the other duties set forth in the Swedish Companies Act.

Composition
During the period January 1, 2015 to April 1, 2015, AB Volvo's Board consisted of nine members elected by the Annual General Meeting. The Annual General Meeting 2015 held on April 1, 2015 elected ten Board members. Olof Persson stepped down from the Board on April 21, 2015 and therefore the Board consisted of nine members elected by the Annual General Meeting during the period April 22, 2015 to December 31, 2015. In addition, the Board had three members and two deputy members appointed by employee organizations during the period January 1, 2015 to December 31, 2015.

The Annual General Meeting 2015 reelected Matti Alahuhta, James W. Griffith, Kathryn V. Marinello, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg and Lars Westerberg as Board members, and Carl-Henric Svanberg as Chairman of the Board. Eckhard Cordes and Martina Merz were elected as new Board Members. An account of each Board member's age, principal education, professional experience, assignments in the company, other important board memberships, their own and related parties' ownership of shares in Volvo as of February 22, 2016, and the year they were elected on the Volvo Board, is presented in the "Board of Directors" section on pages 178–179.

Independence requirements
The Board of Directors of AB Volvo must meet independence requirements pursuant to the Code entailing that only one person from the company's management may be a member of the Board, that a majority of the Board members elected by the General Meeting shall be independent of the company and the company management and that at least two of the Board members elected by the General Meeting who are independent of the company and the company's management shall also be independent of the company's major shareholders. Prior to the Annual General Meeting 2015, the Election Committee presented the following assessment concerning independence of the Board members elected by the Annual General Meeting 2015.

Matti Alahuhta, James W. Griffith, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Carl-Henric Svanberg and Lars Westerberg were all considered independent of the company and the company management as well as of the company's major shareholders.

Since Olof Persson had the position as AB Volvo's President and CEO of the Volvo Group prior to the Annual General Meeting 2015, he was considered independent of the company's major shareholders but not of the company and the company management.

Eckhard Cordes and Anders Nyrén were considered independent of the company and the company management.

Since Cevian Capital Partners, prior to the Annual General Meeting 2015, controlled more than 10 percent of the votes in the company, Eckhard Cordes, due to his capacity as partner in Cevian Capital Partners, was not considered independent in relation to one of the company's major shareholders.

Since AB Industrivärden, prior to the Annual General Meeting 2015, controlled more than 10 percent of the votes in the company, Anders Nyrén, due to him at that time being the President and CEO of AB Industrivärden, was not considered independent in relation to one of the company's major shareholders.

Work procedures
Every year, the Board adopts work procedures for the Board's work. The work procedures contain rules pertaining to the number of Board meetings, matters to be addressed at regular meetings of the Board and duties incumbent on the Chairman.

Volvo's Chairman shall organize and guide the Board's work, be responsible for contacts with the owners regarding ownership matters and provide the owners' viewpoints to the Board, ensure that the Board receives adequate information and decision documents for its work and verify that the Board's resolutions are implemented. The work procedures further refer to the charter of the Audit Committee and the charter of the Remuneration Committee for the tasks assigned to the respective committee.

The Board has also issued written instructions specifying how financial information should be reported to the Board, as well as defining the distribution of duties between the Board and the President.

The Board's work in 2015
The Board's work is mainly performed within the framework of formal Board meetings and through meetings in the respective committees of the Board. In addition, regular contact is maintained between the Chairman of the Board and the CEO in order to discuss on-going business and to ensure that the resolutions taken by the Board are executed.

In 2015, there were nine regular meetings, one extraordinary meeting and one statutory meeting. The attendance of Board members at these meetings is presented in the table on page 177.

In addition to what is mentioned in the Introductory remarks on the Board's work regarding the appointment of Martin Lundstedt as new President and CEO of the Volvo Group and the introduction of a new brand-based organization for the trucks sales operation, the Board has during 2015 continued to focus on profitability efforts, and on measures to strengthen the balance sheet.

In this respect, the Board has decided on the divestment of the Volvo Group's shares in the listed Indian automotive manufacturer Eicher Motors Limited (EML) for a total purchase consideration of approximately SEK 4,7 billion. The share divestment, which was completed in two steps, had a positive impact on the Volvo Group's cash flow after net investments and net financial debt in the first and second quarter, and the sale also generated a capital gain of approximately SEK 4.5 billion. The divestment did not have any impact on VE Commercial Vehicle, the Group's longstanding Indian joint venture, which the Group owns together with EML.

Further, a review of what is core and non-core in the Volvo Group's IT operations was performed during 2015, and as a measure to reduce structural costs and improve the profitability of the Group, it was announced in October that the Group intends to divest its external IT business and to outsource IT infrastructure operations to HCL Technologies.

In addition to the above measures, the Board decided on an overall financial plan and investment frame for the Group's operations and continuously followed-up the Group's performance and financial position in order to ensure proper actions and that there are efficient systems for follow-up and control of the business and the financial position of the Volvo Group. In connection therewith, the Audit Committee was responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the Annual Report and consolidated accounting. The Board also met with the company's auditors at several occasions during 2015 and without the presence of management at one occasion.

During 2015, the Board has also focused on risk-related matters, such as enterprise risk management, updates on compliance work and on-going legal cases and investigations, and on monitoring the business environment in order to be prepared to adapt the operation to prevailing demands. The

In October 2015, the Board of Directors visited the Group's businesses in Japan, including a visit at the Experience Center in Ageo.

Board has kept itself continuously updated about the weak markets in Brazil and China. The declining market in China for particularly construction equipment has resulted in decreased profitability and weakened financial position for construction equipment customers and dealers, and as a consequence further provisions for expected credit losses has been recognized.

Finally the Board always devotes considerable time to operational reviews of the Group's various business areas, to keep itself updated about the status and development of the business operation of the Group. As part of these operational reviews, the Board usually visits a Volvo Group facility once a year and, as mentioned in the Introductory remarks earlier in this report, this year's Board visit went to the Group's facilities in Japan in October, which provided additional valuable insights into the Japanese truck market and the UD Trucks operation in Japan.

Evaluation of the board's work

During 2015 the Board performed its yearly evaluation of the Board's work. The purpose of the evaluation is to develop the Board's efficiency, and its working procedures, and to determine the focus of the Board's coming work. In addition, the evaluation serves as a tool in determining the requirements for special competence needed in the Board, and for analyzing the competence already accessible in the current Board. By that, the evaluation also serves as input for the Election Committee's work with proposing Board members.

In performing the yearly evaluation, the Board members were asked to complete an individual questionnaire rating, from their own perspective, different areas relating to the Board's work. The areas being evaluated for 2015 included, for example, the Board composition, expertise and dynamics, time management and Board support, Board oversight, and priorities for change. The areas covered by the evaluation may differ from one year to another to reflect the development of the Board's work and the Volvo Group.

Separate evaluations for the Board, the Chairman of the Board, the Audit Committee and the Remuneration Committee were completed. The reports over the evaluations were discussed at a Board meeting. In addition, the results of the evaluations of the Board and the Board Chairman are shared with the Election Committee.

Remuneration to Board members

The Annual General Meeting resolves on fees to be paid to the Board Members elected by the shareholders. The Annual General Meeting held on April 1, 2015, approved fee payments to the Board for the time until the end of the next Annual General Meeting, as follows.

Volvo's Chairman should receive a fee of SEK 3,250,000 and each of the remaining Members elected by the shareholders should receive a fee of SEK 950,000 with the exception of the President. The Chairman of the Audit Committee should receive SEK 300,000 and other members of the Audit Committee SEK 150,000 each. In addition, the Chairman of the Remuneration Committee should receive SEK 125,000 and other members of the Remuneration Committee SEK 100,000 each.

Board of Directors >>

The Board's committees

5 Audit Committee

Duties
In December 2002, the Board established an Audit Committee primarily for the purpose of overseeing the accounting and financial reporting processes and the audit of the financial statements.

The Audit Committee is responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the Annual Report and the consolidated accounting. The Audit Committee also has the task of reviewing and overseeing the Group's legal and taxation matters as well as compliance with laws and regulations that may have a material impact on the financial reporting. Further the Audit Committee has the task of reviewing and overseeing the impartiality and independence of the company's auditors. The Audit Committee is responsible for evaluating the internal and external auditors' work, providing the Election Committee with the results of the evaluation of the external auditors and to assist in preparing proposals for the election of auditors. In addition, it is the Audit Committee's task to establish guidelines specifying what other services, beyond auditing, the company may procure from the auditors. The Audit Committee shall also evaluate the quality, relevance and efficiency of the Group's system for internal control over financial reporting, and with respect to the internal audit and risk management. Finally, the Audit Committee adopts guidelines for transactions with companies and persons closely associated with Volvo.

Composition and work in 2015
At the statutory Board meeting following the Annual General Meeting 2015, the following Board members were appointed members of the Audit Committee:
• Lars Westerberg,
• Anders Nyrén,
• Hanne de Mora

Lars Westerberg was appointed Chairman of the Audit Committee.

According to the Swedish Companies Act, the members of the Audit Committee may not be employees of the company and at least one member of the Audit Committee shall be independent and have accounting or auditing expertise. In addition, the Code stipulates that a majority of the members of the Audit Committee shall be independent of the company and the company management, and that at least one of the members who is independent of the company and the company management shall also be independent of the company's major shareholders. The Election Committee's assessment of independence prior to the Annual General Meeting 2015 is presented above under the "Independence requirements" section on page 174. All members of the Audit Committee are highly familiar with accounting matters and the accounting standards that apply for an international Group such as the Volvo Group.

The Audit Committee met with the external auditors without the presence of management at four occasions during 2015 in connection with the Audit Committee meetings. The Audit Committee has also met with the Head of Corporate Audit at the meetings of the Audit Committee.

The Audit Committee and the external auditors have, among other tasks, discussed the external audit plan and risk management. The Audit Committee held eight regular meetings during 2015. The attendance of Board Members at Committee meetings is presented in the table on page 177. The Audit Committee reports the outcome of its work to the full Board on a regular basis, and the minutes of the Audit Committee meetings are distributed to the Board members.

6 Remuneration Committee

Duties
In April 2003, the Board established a Remuneration Committee for the purpose of preparing and deciding on issues relating to remuneration to senior executives in the Group. The duties of the Committee include presenting recommendations for resolution by the Board regarding the terms and conditions of employment and remuneration for the President of AB Volvo, principles for remuneration, including pensions and severance payments, for other members of the Group Executive Team, and principles for variable salary systems, share-based incentive programs, pensions and severance payment for other senior executives in the Group.

The Remuneration Committee shall monitor and evaluate ongoing programs and programs concluded during the year covering variable remuneration for the executives, application of the policy for remuneration to senior executives on which the Annual General Meeting shall decide and the current remuneration structures and levels in the Group. The Board shall, not later than three weeks prior to the Annual General Meeting, submit a report on the results of the Remuneration Committee's evaluation on the company's website.

Composition and work in 2015
At the statutory Board meeting following the Annual General Meeting 2015 the following Board members were appointed members of the Remuneration Committee:
• Carl-Henric Svanberg,
• Matti Alahuhta,
• James W. Griffith,
• Anders Nyrén

Carl-Henric Svanberg was appointed Chairman of the Remuneration Committee.

The Code sets the requirement that members of the Remuneration Committee, with the exception of the Board Chairman if being a member of the Remuneration Committee, shall be independent of the company and the company management. The Election committee's assessment of independence prior to the Annual General Meeting 2015 is presented under the "Independence requirements" section on page 174.

The Remuneration Committee held five meetings during 2015. The attendance of Board Members at Committee meetings is presented in the table on page 177. The Remuneration Committee reports the outcome of its work to the full Board on a regular basis.

During the period April 22, 2015 to December 31, 2015, AB Volvo's Board consisted of nine members elected by the Annual General Meeting, and three members and two deputy members appointed by employee organizations. Board member Eckhard Cordes is missing on the photo.

The Board's composition and attendance at meetings January 1, 2015 – December 31, 2015

Member	Board (11 incl. statutory)	Audit Committee (8)	Remuneration Committee (5)
Carl-Henric Svanberg	11		5
Matti Alahuhta	10		2
Eckhard Cordes[1]	8		
Jean-Baptiste Duzan[2]	2	2	
James W. Griffith	11		5
Martina Merz[1]	9		
Kathryn V. Marinello	8		
Hanne de Mora	11	8	
Anders Nyrén	11	6	5
Olof Persson[3]	3		
Lars Westerberg	10	8	
Mats Henning, employee representative, ordinary member	11		
Mikael Sällström, employee representative, ordinary member	11		
Berth Tulin, employee representative, ordinary member	11		
Lars Ask, employee representative, deputy member	8		
Mari Larsson, employee representative, deputy member[4]	6		
Tommy Olsson, employee representative, deputy member[5]	1		
Total number of meetings	**11**	**8**	**5**

1 Joined the Board on April 1, 2015.
2 Stepped down from the Board on April 1, 2015.
3 Stepped down from the Board on April 21, 2015
4 Joined the Board as employee representative, deputy member, on May 22, 2015.
5 Stepped down from the Board as employee representative, deputy member, on May 22, 2015.

Board of Directors

BOARD MEMBERS ELECTED BY THE ANNUAL GENERAL MEETING




	Carl-Henric Svanberg *Chairman of the Board, Chairman of the Remuneration Committee*	**Matti Alahuhta** *Member of the Remuneration Committee*	**Eckhard Cordes**	**James W. Griffith** *Member of the Remuneration Committee*
Education	Master of Science, BSc. Business Administration.	Master of Science, Doctor of Science.	MBA and PhD, University of Hamburg.	BSc Industrial Engineering, MBA from Stanford University.
Born	1952	1952	1950	1954
Member of the Volvo Board	Chairman of the Volvo Board since April 4, 2012.	Since April 2, 2014.	Since April 1, 2015.	Since April 2, 2014.
Position and Board memberships	Board Chairman: BP p.l.c.	Board Chairman: DevCo Partners Oy, Outotec Corporation and Confederation of Finnish Industries. Board member: Kone Corporation, ABB Ltd.	Partner in Cevian Capital and EMERAM Capital Partners. Member of the Executive Committe of Eastern European Economic Relations of German Industry. Board Chairman: Bilfinger SE.	Board member: Illinois Tool Works Inc.
Principal work experience	Has held various positions at Asea Brown Boveri (ABB) and Securitas AB; President and Chief Executive Officer of Assa Abloy AB; President and Chief Executive Officer of Telefonaktiebolaget LM Ericsson; member of the External Advisory Board of the Earth Institute at Columbia University and the Advisory Board of Harvard Kennedy School.	Has held several management positions in the Nokia Group – President of Nokia Telecommunications, President of Nokia Mobile Phones and Chief Strategy Officer of the Nokia Group; President of Kone Corporation between 2005–2014 and between 2006–2014 also Chief Executive Officer. Board Chairman Aalto University Foundation until 2015.	Started with Daimler Benz AG, where he has held several management positions, such as head of the trucks and buses business, Head of Group Controlling, Corporate Development and M&A in AEG AG and CEO of Mercedes Car Group. Previously CEO of Metro AG, senior advisor at EQT and Board member of Air Berlin, SKF, Carl Zeiss and Rheinmetall AG.	Began his career at The Timken Company in 1984, where he has held several management positions, such as responsible for Timken's bearing business activities in Asia, the Pacific and Latin America and for the company's automotive business in North America. Until 2014 President and Chief Executive Officer at Timken Company.
Holdings in Volvo, own and related parties	700,000 Series B shares	64,100 Series B shares.	None.	20,000 Series B shares.

BOARD MEMBERS APPOINTED BY THE EMPLOYEE ORGANISATIONS



	Mats Henning *Employee representative, ordinary member*	**Mikael Sällström** *Employee representative, ordinary member*	**Berth Tulin** *Employee representative, ordinary member*
Born	1961	1959	1951
Member of the Volvo Board	Since May 9, 2014.	Since September 7, 2009.	Deputy member 1999–2009, ordinary member since June 16, 2009.
Background within Volvo	With Volvo since 1982.	With Volvo 1980–1999 and since 2009.	With Volvo since 1975.
Holdings in Volvo, own and related parties	337 shares, including 250 Series B Shares.	87 Series A shares.	1,512 shares, including 1,425 Series B shares.





Kathryn V. Marinello	**Martina Merz**	**Hanne de Mora** *Member of the Audit Committee*	**Anders Nyrén** *Member of the Audit Committee and Remuneration Committee*	**Lars Westerberg** *Chairman of the Audit Committee*
BA from State University of New York at Albany, MBA from Hofstra University.	BS from University of Cooperative Education, Stuttgart.	BA in Economics from HEC in Lausanne, MBA from IESE in Barcelona.	Graduate of the Stockholm School of Economics, MBA at UCLA, Honorary Doctor of Economics.	MSc. Engineering, Bachelor Business Administration.
1956	1963	1960	1954	1948
Since April 2, 2014.	Since April 1, 2015.	Since April 14, 2010.	Since April 1, 2009.	Since April 4, 2007.
Senior Advisor, Ares Management, LLC. Board member: General Motors Company, Nielsen and RealPage.	Board member: SAF Holland SA.	Board Chairman: a-connect (group) ag. Board member: Sandvik AB, IMD Foundation Board.	Deputy Board Chairman: Telefonaktiebolaget LM Ericsson. Board member: Stockholm School of Economics and SSE Association, Vice Preses IVA, Ernström & Co AB.	Board member: SSAB Svenskt Stål AB, Sandvik AB, Meda AB, Stena AB.
Has held several management positions at Citibank, Chemical Bank New York (now JP Morgan Chase), First Bank Systems and First Data Corporation; Division President General Electric Financial Assurance Partnership Marketing and Division President General Electric Fleet Services; President and Chief Executive Officer of Ceridian Corporation and subsequently also Chairman; Board Chairman, President and Chief Executive Officer of Stream Global Services, Inc.	Until January 2015, Chief Executive Officer for Chassis Brakes International. Has, during almost 25 years held various management positions in Robert Bosch GmbH, most recently as Executive Vice President Sales and Marketing in the Chassis System Brakes division combined with responsibility for regions China and Brazil and previously Chief Executive Officer of the subsidiary Bosch Closure Systems, also member of the Board of Management of Brose Fahrzeugteile GmbH & Co.	Credit Analyst Den Norske Creditbank in Luxemburg 1984, various positions within brand management and controlling within Procter & Gamble 1986–1989, Partner McKinsey & Company, Inc. 1989–2002, one of the founders and owners, also Chairman of the Board, of the global consulting firm and talent pool a-connect (group) ag since 2002.	Has worked for AB Wilhelm Becker. He has held various positions within STC – Controller, Executive Vice President and CFO, and President of STC Venture AB; President of OM International AB; Executive Vice President and CFO at Securum; Director with executive responsibility for Markets and Corporate Finance at Nordbanken; Executive Vice President and CFO at Skanska. Until 2015, President and CEO of AB Industrivärden.	Has held various positions within ASEA 1972–1984. Served several executive positions at Esab AB 1984–1994 including Chief Executive Officer and President. Chief Executive Officer and President of Gränges AB 1994–1999. Chief Executive Officer and President of Autoliv Inc. 1999–2007 and Chairman of Autoliv Inc. 2007–2011. Previously Chairman of Husqvarna AB, Vattenfall AB and Ahlsell AB.
None.	4,500 Series B shares.	3,000 Series B shares.	5,200 Series B shares.	198,000 shares including 168,000 Series B shares.

DEPUTIES APPOINTED BY THE EMPLOYEE ORGANISATIONS

SECRETARY TO THE BOARD



Lars Ask *Employee representative, deputy member*	**Mari Larsson** *Employee representative, deputy member*	**Sofia Frändberg** *Secretary to the Board* Master of Laws
1959	1978	1964
Since June 16, 2009 (deputy member).	Since May 22, 2015 (deputy member).	Secretary to the Board since April 1, 2013.
With Volvo since 1982.	With Volvo since 2004.	Executive Vice President Group Legal & Compliance and General Counsel.
87 Series A shares.	399 Series A shares.	46,659 shares, including 45,127 Series B shares.

7 External auditing

Volvo's auditors are elected by the Annual General Meeting. The current auditor is PricewaterhouseCoopers AB (PwC), which was elected at the Annual General Meeting 2014 for a period of four years. Two partners of PwC, Peter Clemedtson and Johan Palmgren, are responsible for the audit of Volvo. Peter Clemedtson is Lead Partner.

The external auditors discuss the external audit plan and risk management with the Audit Committee. The auditors review the interim report for the period January 1 to June 30 and audit the Annual Report and the consolidated accounting. The auditors also express an opinion whether this Corporate Governance Report was prepared or not, and in such respect whether certain information therein coincides with the Annual Report and consolidated accounting. The auditors report their findings with regard to the annual report and consolidated accounting through the audit reports and a separate opinion regarding the Corporate Governance Report, which they present to the Annual General Meeting. In addition, the auditors report detailed findings from their reviews to the Audit Committee three times a year and once a year to the full Board of Directors.

When PwC is retained to provide services other than the audit, it is done in accordance with rules decided by the Audit Committee pertaining to pre-approval of the nature of the services and the fees.

For information concerning Volvo's remuneration to the auditors, refer to Note 28 "Fees to the auditors" in the Group's notes in the Annual Report.

Auditors PricewaterhouseCoopers AB

Peter Clemedtson

Authorized Public Accountant.

Lead Partner.

Auditor since 2012.

Peter Clemedtson's other listed clients are Nordea AB, SKF AB and Ratos AB. His unlisted clients include Stena AB and Wallenbergstiftelserna.

Born 1956.

Johan Palmgren

Authorized Public Accountant.

Partner.

Auditor since 2015.

Johan Palmgren's other listed clients include Hexatronic Group AB.

Born 1974.

9 Governance principles and organizational structure

Governance principles

The Volvo Group's mission, vision and strategic priorities serve as basis for the governance and decision-making in the Group. More detailed governance principles are however set out in the Group's policies and directives, such as the Code of Conduct and policies pertaining to investments, financial risks, accounting, financial control and internal audit, which contain Group wide operating and financial rules for the operations, as well as responsibility and authority structures.

Organizational structure

As from March 1, 2016, the Volvo Group will introduce a brand-based organization with clearer commercial accountability for the Group's trucks sales operations. The former single Group Trucks Sales division will be replaced by four brand specific Business Areas which will have responsibility for their respective profitability. A new Business Area called Value Trucks & JVs will also be introduced to meet the specific needs of the Group's truck customers in the value truck segments.

The Truck Division Group Trucks Technology (GTT) will continue to be responsible for product development of engines, transmissions and trucks. The Truck Division Group Trucks Operations (GTO) will still be responsible for the production of trucks and the Group's engines and transmissions. GTO is also responsible for the Group's spare parts supply and logistics operation.

Further a new third Truck Division for the purchasing organization, Group Trucks Purchasing (GTP) will be introduced. With the creation of GTP, the Group's purchasing activities will be moved out of GTO into a separate Truck Division.

As per March 1, 2016, the Volvo Group's business activities will therefore be organized into ten Business Areas, namely: Volvo Trucks, UD Trucks, Renault Trucks, Mack Trucks, Value Trucks & JVs, Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and Volvo Financial Services (VFS).

With this governance model, Volvo will utilize the synergies of having global organizations for manufacturing, product development and purchasing, while still having clear leadership and responsibility for each truck brand to make sure that customer needs are understood throughout the entire organization. The goal of the governance model is for all of the Group's Business Areas to be driven along the same distinct business principles and the Group's decided brand positioning, whereby each Business Area can follow and optimize its own earnings performance in the long and short term.

8 Corporate audit

Volvo's internal audit function, Corporate Audit, helps the organization accomplish its objectives by bringing a systematic, disciplined approach to improve and evaluate independently and objectively the effectiveness of risk management, control, and governance processes.

In the discharge of its duties, Corporate Audit performs internal audits and special assignments requested by management and the Audit Committee and issues reports summarizing the results of these activities.

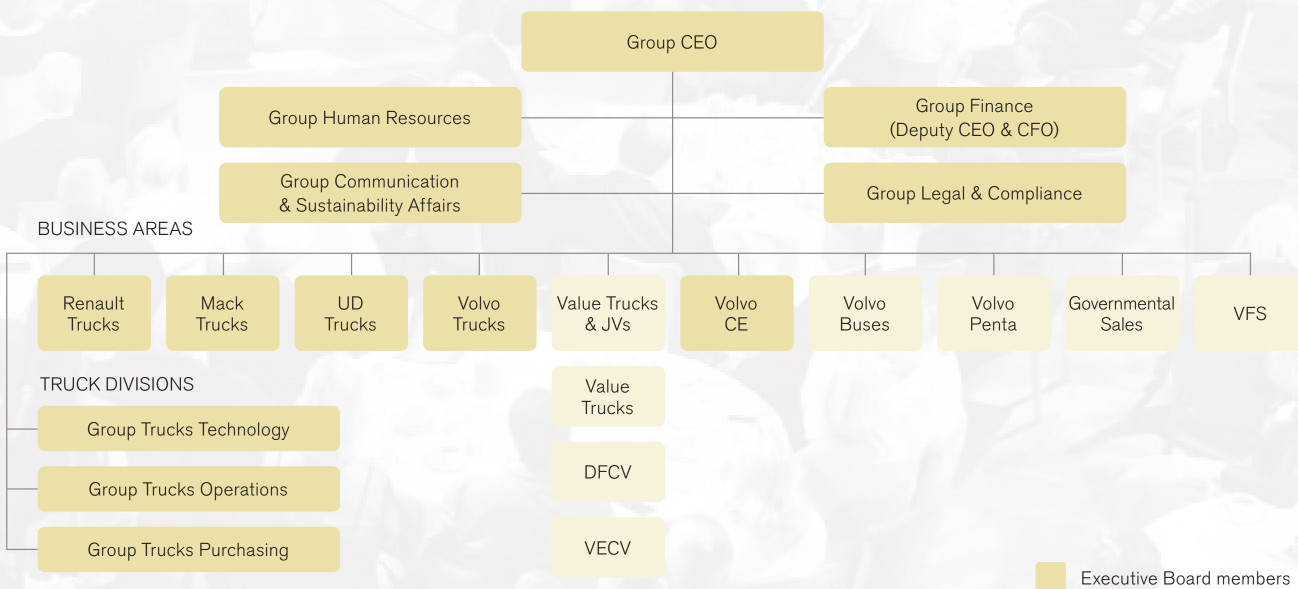
The audits cover, among others, assessments on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks and evaluation of compliance with policies and directives.

Corporate Audit also assists in investigations of suspected fraudulent activities within the organization and coordinates and provides oversight of other control and monitoring functions.

The head of Corporate Audit reports directly to the CEO, the Group's General Counsel and the Board's Audit Committee.

For additional information on internal control over financial reporting, see pages 186-187.

VOLVO GROUP ORGANIZATION AS FROM MARCH 1, 2016



10 Group Management

As per March 1, 2016, the Group Executive Board will consist of 13 executive positions including the CEO. In addition to the CEO, the Group Executive Board comprises the Executive Vice Presidents of the three Group Truck Divisions, the Executive Vice Presidents of the five Business Areas Renault Trucks, Mack Trucks, UD Trucks, Volvo Trucks and Volvo Construction Equipment, and the Executive Vice Presidents of the four Group Functions Group Human Resources, Group Communication & Sustainability Affairs, Group Finance (Deputy CEO & Chief Financial Officer (CFO)), and Group Legal & Compliance. The members of the Group Executive Board will report directly to the CEO. The position Executive Vice President GTP will be vacant as per March 1, 2016.

The Presidents of the Business Areas Value Trucks & JVs, Volvo Buses, Volvo Penta, Governmental Sales and VFS will also report directly to the CEO, and be part of an enlarged Group Management Team together with the members of the Group Executive Board and representatives from some other key functions.

The CEO is responsible for managing the day-to-day operations of the Volvo Group and is authorized to take decisions on matters that do not require Board approval. The CEO leads the operations of the Group mainly through the Group Executive Board and the enlarged Group Management Team but also through individual follow-ups with the respective Group Executive Board members and the Presidents of the Business Areas not represented in the Group Executive Board. The ten Business Areas also have separate decision foras for important matters called Business Review Meetings. The CEO is the Chairman of the Business Review Meetings for the five trucks related Business Areas, and the Deputy CEO and CFO is the Chairman of the Business Review Meetings for the five Business Areas Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and VFS.

All the above bodies affect control and monitoring of the Group's financial development, strategies and targets and take decisions regarding investments and other matters.

Remuneration to the Group Executive Board

AB Volvo's Annual General Meeting annually approves a policy on remuneration to the Group Executive Board, following a proposal from the AB Volvo Board. The remuneration policy adopted by the Annual General Meeting 2015 states that the guiding principle is that remuneration and other terms of employment for the Group Executive Board shall be competitive in order to ensure that the Volvo Group can attract and retain competent executives.

The policy also states that the executives may receive variable salary in addition to fixed salary. The variable salary may, as regards the CEO, amount to a maximum of 75 percent of the fixed salary and, as regards the other Group Executive Board members, a maximum of 60 percent of the fixed salary. In 2015, members of the Group Executive Board were entitled to variable salary according to a program for variable remuneration to senior executives determined by the AB Volvo Board. The performance targets defined in the program for the Group Executive Board members were related to operating margin and cash flow. The purpose of the program for variable remuneration is to create an incentive for the executives to strive for the Volvo Group developing in such a manner that the defined performance targets are achieved, thereby constituting a management tool.

The Group Executive Board members have during 2015 participated in the Group's long-term, share-based incentive plan for senior executives which was adopted by the Annual General Meeting 2014. The participants have during 2015 invested in Volvo shares up to a maximum of 15 percent of the fixed gross base salary for Group Executive Board members and 10 percent of the fixed gross base salary for other participants. On the conditions that the participant remains an employee within the Volvo Group and also retains the invested Volvo shares for at least three years after the investment date (exceptions could be granted in so called good leaver situations), one matching share per invested share and a number of performance shares per invested share could be allotted. As for the matching shares, allotment for 2015 is conditional upon the Annual General Meeting to be held in April 2016 deciding that dividend shall be distributed to the shareholders. Allotment of performance shares for 2015 was conditional on the Volvo Group's ROE for 2015 reaching at least 11 percent. Maximum allotment of performance shares was set at an ROE of 26 percent for 2015. Maximum allotment of performance shares under a yearly plan amounts to seven shares per invested share for the CEO, six shares per invested share for Group Executive Board members and five shares per invested share for other participants.

The AB Volvo Board Remuneration Committee conducts an annual evaluation of the remuneration policy, Volvo's system for variable remuneration to executives and the long-term, share-based incentive program to senior executives, and the AB Volvo Board prepares a special report of this evaluation and the conclusions. The report on the evaluation for 2015 will be available on Volvo's website no later than three weeks prior to the Annual General Meeting 2016, www.volvogroup.com. For more information about remuneration to the Group Executive Board and an account of outstanding share and share-price related incentive programs to the management, refer to Note 27 in the Group's notes in the Annual Report.

Changes to the Group Executive Board

As a result of the new trucks sales organization and a decision to include representatives from the Group's largest Business Areas in the Executive Board, the number of executive positions comprising the Group Executive Board will be increased from 10 to 13 including the CEO as from March 1, 2016, through the following changes:

- The presidents of the four new brand-based truck sales Business Areas will be included in the Group Executive Board, replacing the Executive Vice President for the current Group Trucks Sales Division.
- A separate Truck Division for the purchasing organization, GTP, will be created resulting in one additional Group Executive Board member (the position will however be vacant on March 1, 2016).
- The Executive Vice President of the Business Area Volvo Construction Equipment will be included as a member of the Group Executive Board.
- In addition to the CFO's current role, the CFO will also become Deputy CEO and assume responsibility for the strategy function. Corporate Strategy & Brand Portfolio will therefore be relocated organizationally under the CFO, and the current Executive Vice President for this function will no longer be a member of the Group Executive Board.
- The current Executive Vice President Group Business Areas will assume the responsibility for strategic projects and will no longer be a member of the Group Executive Board.

Martin Lundstedt, President and CEO, at the Volvo Group Leadership Summit in February 2016.

The composition of the Group Executive Board after the organizational change is detailed above in the preamble section of this chapter. The recruitment of the Executive Vice President GTP is ongoing.

On April 21, 2015, Olof Persson stepped down from his position as Group CEO. The Group CFO, Jan Gurander, assumed the position as Acting CEO during the period April 22, 2015 to October 21, 2015. On October 22, 2015, Martin Lundstedt assumed the position as Group CEO.

In September 2015, Torbjörn Holmström announced his intention to step down from his position as Executive Vice President GTT. He will continue in his current position until such time as a successor has been appointed to lead the GTT organization. Following this, he will remain in the Volvo Group as senior advisor in research and development.

In December 2015, Mikael Bratt, Executive Vice President GTO, announced that he intends to leave the Volvo Group. He will remain in his current position for a time period of up to six months.

Group Executive Board as of March 1, 2016

					
	Martin Lundstedt *President and CEO*	**Jan Gurander** *Deputy CEO and CFO*	**Claes Nilsson** *Executive Vice President Volvo Group & President Volvo Trucks*	**Bruno Blin** *Executive Vice President Volvo Group & President Renault Trucks*	**Dennis Slagle** *Executive Vice President Volvo Group and President Mack Trucks*
Education	MSc.	MSc.		MBA.	BS Accounting CPA
Born	1967	1961	1957	1963	1954
Principal work experience	President and CEO of Volvo and member of the Group Executive Board since October 22, 2015. President and CEO of Scania 2012–2015. Prior to that, various managerial positions at Scania since 1992. With Volvo since 2015.	Chief Financial Officer & Senior Vice President Finance Volvo Car Corporation 2011–2013. CFO MAN Diesel & Turbo SE 2010. CFO MAN Diesel SE 2008–2009. Group Vice President and CFO Scania AB 2001–2006. President of Business Unit Finance AB Volvo 1999–2001. Senior Vice President & Finance Director Scania AB 1998–1999. Member of the Group Executive Board since 2014. With Volvo 1999–2001 and since 2014.	Has held various positions in the Volvo Group since 1982. Senior Vice President Latin America 2015. Senior Vice President Europe North and Central, Group Trucks Sales (2013–2014). Senior Vice President Volvo Trucks (2011–2012). President Europe Division (2007–2011) and International Division (2006–2007) for Volvo Trucks. Member of the Group Executive Board since March 1 2016. With Volvo since 1982.	After having worked for several companies in the manufacturing, quality and purchasing areas, Bruno Blin joined Renault Trucks Purchasing in 1999. He has held several senior positions over the years until being appointed Senior Vice President of Volvo Group Purchasing. He has also served as Senior Vice President, Group Truck Sales South Europe since January 2013. Member of the Group Executive Board since March 1 2016. With Volvo since 1999.	Has held various executive level positions within Volvo Group Trucks Sales North America 2008–2016. President Volvo Construction Equipment NA 2000–2008. Member of the Executive Board since March 1, 2016 and between 2008–2014. With Volvo since 2000.
Board memberships	Chairman of Partex Marking Systems AB, Permobil AB and ACEA Commercial Vehicle and Board member of Concentric AB. Member of the Royal Swedish Academy of Engineering Sciences and Co-chairman of the UN Secretary-General's High-Level Advisory Group on Sustainable Transport.				Board member West Virginia Wesleyan College Board of Trustees, and Volvo Group Representative for National Association of Manufacturers (NAM)
Holdings in Volvo, own and related parties	36,447 Series B shares.	17,687 Series B shares.	15,380 series B shares.	18,332 Series B shares.	70,824 series B shares, 8,838 non-sponsored ADR shares.

Joachim Rosenberg *Executive Vice President Volvo Group and Chairman of UD Trucks.*	**Martin Weissburg** *Executive Vice President Volvo Group and President Volvo Construction Equipment*	**Torbjörn Holmström** *Executive Vice President Group Trucks Technology*	**Mikael Bratt** *Executive Vice President Group Trucks Operations*	**Sofia Frändberg** *Executive Vice President Group Legal & Compliance and General Counsel*	**Kerstin Renard** *Executive Vice President Group Human Resources*	**Henry Sténson** *Executive Vice President Group Communication & Sustainability Affairs*
MSc. Industrial Engineering and Management, MSc. Financial Economics, MSc. Business and Economics.	Master of Business Management, BSc Industrial Management.	MSc. Mechanical Engineering.		Master of Laws.	BSc. Sociology.	
1970	1962	1955	1967	1964	1961	1955
Has held various senior positions in the Volvo Group, most recently as Executive Vice President Group Trucks Sales 2015. Executive Vice President Group Trucks Sales & Marketing APAC 2012–2014. President of Volvo Group Asia Truck Operations 2007–2011. Vice President Volvo Group Alliance Office 2007. Vice President Volvo Powertrain 2005–2007. Member of the Group Executive Board since 2012. With Volvo since 2005.	President Volvo CE since 2014. President & CEO Volvo Financial Services 2010–2014. President Volvo Financial Services Americas 2005–2010. Prior to Volvo, President Woodard LLC. President Great Dane Financial Services. Senior Vice President ORIX. Member of the Executive Board since March 1, 2016 and between 2010–2014. With Volvo since 2005.	Executive Vice President Group Trucks Technology and Volvo Group Chief Technology Officer 2014. President of Volvo 3P 2003–2011. Prior to that he has held various senior positions at Volvo Powertrain. Member of the Executive Board since 2012. With Volvo since 1979.	Has held various senior positions in the financial areas in the Volvo Group, most recently as Senior Vice President and CFO 2008–2011. Prior to that Vice President and Head of Corporate Finance at AB Volvo. Member of the Group Executive Board since 2008. With Volvo since 1988.	Responsible for Group Legal & Compliance and General Counsel of the Volvo Group since April 1, 2013. Head of Corporate Legal at AB Volvo 1998–2013. Corporate Legal Counsel at AB Volvo 1994–1997. Member of the Group Executive Board since April 1, 2013. With Volvo since 1994.	Senior Vice President Human Resources for the Volvo Group 2007–2011. Prior to that Senior Vice President Human Resources & Communication at Volvo Powertrain 2005–2006. Member of the Group Executive Board since 2012. With Volvo since 2005.	2012–2014 Brunswick Group Partner. Senior Vice President Corporate Communications Ericsson 2002–2011. Senior Vice President SAS Group Communications 1998–2002. Senior Vice President Communications Volvo Car Corporation 1995–1998. Vice President Automotive Communication AB 1993–1994. Vice President Communications & Public Affairs Volvo Aero 1989–1993. Member of the Group Executive Board since 2015. With Volvo 1989–1993 and 1995–1998 and since 2015.
		Vice Chairman Chalmers University of Technology		Secretary to the Board of AB Volvo since April 1, 2013.	Board member Teknikföretagen (Engineering companies)	Board member Vestas Wind Systems A/S, Denmark. Braathens Regional Aviation.
49,034 shares, including 48,947 Series B shares.	63,588 series B shares.	80,683 shares, including 80,596 Series B shares.	132,637 shares, including 131,658 Series B shares.	46,659 shares, including 45,127 Series B shares.	37,113 shares, including 36,866 Series B shares.	17,267 Series B shares.

11 Internal control over financial reporting

The Board is responsible for the internal controls according to the Swedish Companies Act and the Code. The purpose of this report is to provide shareholders and other interested parties with an understanding of how internal control is organized at Volvo with regard to financial reporting. The description has been designed in accordance with the Swedish Annual Accounts Act and is thus limited to internal control over financial reporting.

Introduction

Volvo has a function for internal control with the objective to provide support for management, allowing them to continuously provide solid and improved internal controls relating to financial reporting. Work that is conducted through this function is primarily based to ensure compliance with directives and policies, and to create effective conditions for specific control activities in key processes related to financial reporting. The Audit Committee is continuously informed of the results of the work performed by the Internal Control function within Volvo with regard to risks, control activities and follow-up on the financial reporting.

Volvo also has a Corporate Audit function with the primary task of independently monitoring that companies in the Group follow the principles and rules that are stated in the Group's directives, policies and instructions for financial reporting. The head of the Corporate Audit function reports directly to the CEO, to the Group's General Counsel and the Board's Audit Committee.

Control environment

Fundamental to Volvo's control environment is the business culture that is established within the Group and in which managers and employees operate. Volvo works actively on communications and training regarding the company's basic values as described in The Volvo Way, an internal document concerning Volvo's business 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 based on the Group's directives, policies and instructions, as well as the organization's responsibility and authority structure. The principles for internal controls and directives and policies for the financial reporting are contained in the Volvo Group Management System, a group wide management system comprising, among other things, instructions, rules and principles.

Risk assessment

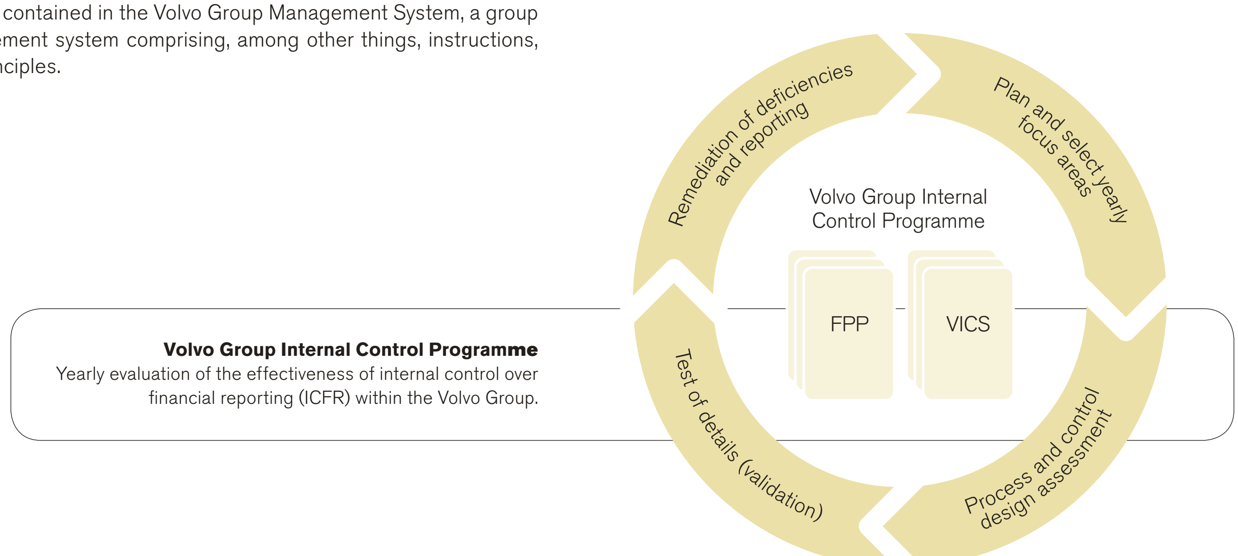
Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee inter alia through identifying risks that could be considered as material, and through the mitigating control objectives. The risk assessment is based on a number of criteria, such as the complexity of the accounting principles, revaluation principles of assets or liabilities, complex and/or changing business circumstances, etc. The risks together with mitigating control objectives are collected in a framework for internal control over financial reporting, Volvo Internal Control Standard (VICS).

Control activities

In addition to the Board of AB Volvo and its Audit Committee, the management groups and other decision-making bodies in the Group constitute overall supervisory bodies. Business processes are designed to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected by implementing control activities that correspond to the control objectives defined in the VICS framework. Control activities range from review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting.

Information and communication

Policies and instructions relating to the financial reporting are updated and communicated on a regular basis from management to all affected employees. The Group's financial reporting function has direct operating responsibility for the daily financial reporting and works to ensure a uniform application of the Group's policies, principles and instructions for the financial reporting and to identify and communicate shortcomings and areas of improvement in the processes for financial reporting.



Follow-up

Ongoing responsibility for follow-up rests with the Group's financial reporting function. In addition, the Corporate Audit and the Internal Control function conduct review and follow-up activities 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 Programme," with the purpose of systematically evaluating the quality of the internal control over financial reporting on an annual basis. An annual evaluation plan is established 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 and company levels. The main areas evaluated are compliance with the Group's financial directives and policies found in the Financial Policies and Procedures, The Volvo Way and the Group's Code of Conduct.
2. Process controls at transaction level: Processes related to the financial reporting are evaluated by testing procedures/controls based on the framework for internal control over financial reporting, Volvo Internal Control Standards (VICS).
3. General IT controls: Processes for maintenance, development and access management of financial applications are evaluated by testing procedures and controls.

The results of the evaluation activities are reported to Group management and the Audit Committee. During 2015, the Internal Control function reported three times to the Audit Committee regarding the annual evaluation plan, status on outstanding issues and final assessment of the control environment.

Göteborg, February 22, 2016

AB Volvo (publ)
The Board of Directors

Auditor's report on the Corporate Governance Report

To the annual meeting of the shareholders of AB Volvo (publ), corporate identity number 556012-5790

It is the Board of Directors who is responsible for the Corporate Governance Report for the year 2015 on pages 168–187 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report 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.

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

Göteborg, 22 February 2016

PricewaterhouseCoopers AB

Peter Clemedtson	Johan Palmgren
Authorized Public Accountant	Authorized Public Accountant
Lead Partner	Partner

Proposed policy for remuneration to senior executives

Proposal by the Board of Directors to the Annual General Meeting 2016

This policy concerns the remuneration and other terms of employment for the members of the Volvo Group Executive Board ("Executives").

The remuneration and the other terms of employment of the Executives shall be competitive so that the Volvo Group can attract and retain competent Executives. The total remuneration to Executives consists of fixed salary, short-term and long-term incentives, pension and other benefits. Short-term and long-term incentives shall be linked to predetermined and measurable criteria relating to EBIT and cash flow targets for the Volvo Group, devised to promote the long-term value creation of the Volvo Group and strengthen the link between achieved performance targets and reward. The criteria for short-term and long-term incentives shall be determined by the Board annually.

Short-term incentive may, as regards the President & CEO, amount to a maximum of 100% of the fixed salary and, as regards other Executives, a maximum of 80% of the fixed salary.

Long-term incentive may, as regards the President & CEO, amount to a maximum of 100% of the fixed salary and, as regards other Executives, a maximum of 80% of the fixed salary. The Board of Directors has decided on a new cash-based long-term incentive program for the Group's top 300 executives, including the Executives, subject to the general meeting's approval of this policy. Awards under the program, based on how well the performance targets are achieved, are disbursed in cash to the participants on the condition that they invest the net award in AB Volvo shares and that they retain the shares for at least three years. The long-term share-based incentive program resolved by the 2014 Annual General Meeting is therefore discontinued after 2015. New share-based incentive programs, will, where applicable, be resolved by the General Meeting, but no such program is currently proposed.

For Executives resident in Sweden, the notice period upon termination by the company shall not exceed 12 months and the notice period upon termination by the Executive shall not exceed 6 months. In addition, in the event of termination by the company, the Executive may be entitled to a maximum of 12 months' severance pay.

Executives resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden may be offered notice periods for termination and severance payment that are competitive in the country where the Executives are or have been resident or to which the Executives have a material connection, preferably solutions comparable to the solutions applied to Executives resident in Sweden.

Authority to decide on deviations from this policy

The Board of Directors may deviate from this policy if there are special reasons to do so in an individual case.

Additional information

Executive compensation, which has been decided but which has not yet become due for payment by the time of the 2016 Annual General Meeting, falls within the scope of this policy. Additional information regarding remuneration is available in the Volvo Group Annual Report for 2015.

Proposed Disposition of Unappropriated Earnings

AB Volvo	SEK
Retained earnings	18,375,935,969.92
Income for the period 2015	12,738,576,497.44
Total retained earnings	**31,114,512,467.36**

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

	SEK
To the shareholders, a dividend of SEK 3.00 per share	6,093,139,071.00
To be carried forward	25,021,373,396.36
Total	**31,114,512,467.36**

The record date for determining who is entitled to receive dividends is proposed to be Friday April 8, 2016.

In view of the Board of Directors' proposal to the Annual General Meeting to be held April 6, 2016 to decide on the distribution of a dividend of SEK 3.00 per share, the Board hereby makes the following statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act.

The Board of Directors concludes that the Company's restricted equity is fully covered after the proposed dividend. The Board further concludes that the proposed dividend is justifiable in view of the parameters set out in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act. In connection herewith, the Board wishes to point out the following.

The proposed dividend reduces the Company's solvency from 40.9 per cent to 37.1 per cent and the Group's solvency from 22.9 per cent to 21.6 per cent, calculated as per year end 2015. The Board of Directors considers this solvency to be satisfactory with regard to the business in which the Group is active.

According to the Board of Directors' opinion, the proposed dividend will not affect the Company's or the Group's ability to fulfil their payment obligations and the Company and the Group are well prepared to handle both changes in the liquidity and unexpected events.

The Board of Directors is of the opinion that the Company and the Group have capacity to assume future business risks as well as to bear contingent losses. The proposed dividend is not expected to adversely affect the Company's and the Group's ability to make further commercially justified investments in accordance with the Board of Directors' plans.

In addition to what has been stated above, the Board of Directors has considered other known circumstances which may be of importance for the Company's and the Group's financial position. In doing so, no circumstance has appeared that does not justify the proposed dividend.

If the Annual General Meeting resolves in accordance with the Board of Directors' proposal, SEK 25,021,373,396.36 will remain of the Company's non-restricted equity, calculated as per year end 2015.

The Board of Directors has the view that the Company's and the Group's shareholders' equity will, after the proposed dividend, be sufficient in relation to the nature, scope and risks of the business.

The Board of Directors and the President certify that the annual financial report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and give a true and fair view of the position and profit or loss of the Company and the Group, and that the management report for the Company and for the Group gives a fair review of the development and performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Göteborg, February 22, 2016

Carl-Henric Svanberg
Board Chairman

Matti Alahuhta Board member	Eckhard Cordes Board member	James W. Griffith Board member
Martin Lundstedt President and CEO	Kathryn V. Marinello Board member	Martina Merz Board member
Hanne de Mora Board member	Anders Nyrén Board member	Lars Westerberg Board member
Mats Henning Board member	Mikael Sällström Board member	Berth Tulin Board member

Our audit report was issued on February 22, 2016

PricewaterhouseCoopers AB

Peter Clemedtson Authorized Public Accountant Lead Partner	Johan Palmgren Authorized Public Accountant Partner

Audit Report for AB Volvo (publ)

To the annual meeting of the shareholders of AB Volvo (publ), corporate identity number 556012-5790

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of AB Volvo (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 76–167 and 189.

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

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

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

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

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 168–187. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

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

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

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

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

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

Göteborg, 22 February 2016

PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Lead Partner

Johan Palmgren
Authorized Public Accountant
Partner

Eleven-year Summary

The reporting in the eleven-year summary is based on IFRS. As from January 1, 2007, the benefits from the synergies created in the business units are transferred back to the business areas. Also, as from January 1, 2007, the responsibility for the Group's treasury operations and real estate has been transferred from Volvo Financial Services, which, as from January 1, 2007, only are consolidated in accordance with the purchase method. Comparison figures for 2006 have been recalculated.

Consolidated income statement

SEK M	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net sales	**312,515**	**282,948**	**272,622**	**303,647**	**310,367**	**264,749**	**218,361**	**303,667**	**285,405**	**258,835**	**240,559**
Cost of sales	−240,653	−220,012	−212,504	−235,085	−235,104	−201,797	−186,167	−237,578	−219,600	−199,054	−186,662
Gross income	**71,862**	**62,937**	**60,118**	**68,562**	**75,263**	**62,952**	**32,194**	**66,089**	**65,805**	**59,781**	**53,897**
Research and development expenses	−15,368	−16,656	−15,124	−14,794	−13,276	−12,970	−13,193	−14,348	−11,059	−8,354	−7,557
Selling expenses	−27,694	−27,448	−28,506	−28,248	−26,001	−24,149	−25,334	−27,129	−26,068	−21,213	−20,778
Administrative expenses	−5,769	−5,408	−5,862	−5,669	−7,132	−5,666	−5,863	−6,940	−7,133	−6,551	−6,301
Other operating income and expenses	−4,179	−7,697	−3,554	−2,160	−1,649	−2,023	−4,798	−1,915	163	−3,466	−588
Income from investments in joint ventures and associated companies	−143	46	96	−23	−81	−86	−14	25	430	61	−557
Income from other investments	4,609	50	−30	−47	−225	−58	−6	69	93	141	37
Operating income	**23,318**	**5,824**	**7,138**	**17,622**	**26,899**	**18,000**	**−17,013**	**15,851**	**22,231**	**20,399**	**18,153**
Interest income and similar credits	257	328	381	510	608	442	390	1,171	952	666	654
Interest expenses and similar charges	−2,366	−1,994	−2,810	−2,476	−2,875	−3,142	−3,559	−1,935	−1,122	−585	−972
Other financial income and expenses	−792	931	11	−301	297	213	−392	−1,077	−504	−181	181
Income after financial items	**20,418**	**5,089**	**4,721**	**15,355**	**24,929**	**15,514**	**−20,573**	**14,010**	**21,557**	**20,299**	**18,016**
Income taxes	−5,320	−2,854	−919	−4,097	−6,814	−4,302	5,889	−3,994	−6,529	−3,981	−4,908
Income for the period	**15,099**	**2,235**	**3,802**	**11,258**	**18,115**	**11,212**	**−14,685**	**10,016**	**15,028**	**16,318**	**13,108**
Attributable to:											
Equity holders of the Parent Company	15,058	2,099	3,583	11,039	17,751	10,866	−14,718	9,942	14,932	16,268	13,054
Minority interest	41	136	219	219	364	346	33	74	96	50	54
	15,099	**2,235**	**3,802**	**11,258**	**18,115**	**11,212**	**−14,685**	**10,016**	**15,028**	**16,318**	**13,108**

Consolidated income statement Industrial Operations

SEK M	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net sales	**303,582**	**275,999**	**265,420**	**296,031**	**303,589**	**257,375**	**208,487**	**294,932**	**276,795**	**249,020**	**231,191**
Cost of sales	−236,311	−217,251	−209,307	−231,216	−233,097	−197,480	−179,578	−232,247	−214,160	−192,400	−180,823
Gross income	**67,271**	**58,748**	**56,113**	**64,815**	**70,492**	**59,895**	**28,909**	**62,685**	**62,635**	**56,620**	**50,368**
Research and development expenses	−15,368	−16,656	−15,124	−14,794	−13,276	−12,970	−13,193	−14,348	−11,059	−8,354	−7,557
Selling expenses	−25,857	−25,778	−26,904	−26,582	−25,181	−22,649	−23,752	−25,597	−24,671	−19,999	−19,616
Administrative expenses	−5,728	−5,367	−5,824	−5,639	−4,753	−5,640	−5,838	−6,921	−7,092	−6,481	−6,147
Other operating income and expenses	−3,473	−6,931	−2,710	−1,600	−1,045	−659	−2,432	−1,457	249	−3,275	−397
Income from Volvo Financial Services	–	–	–	–	–	–	–	–	–	–	2,033
Income/loss from investments in joint ventures and associated companies	−143	46	96	−23	−82	−86	−15	23	428	61	−568
Income from other investments	4,610	49	−31	−46	−225	−57	−13	69	93	141	37
Operating income	**21,312**	**4,111**	**5,616**	**16,130**	**25,930**	**17,834**	**−16,333**	**14,454**	**20,583**	**18,713**	**18,153**

Consolidated balance sheets SEK M	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Intangible assets	36,416	37,115	36,588	40,373	39,507	40,714	41,628	43,958	36,508	19,117	20,421
Property, plant and equipment	53,618	55,181	52,233	55,004	54,540	54,242	55,280	57,270	47,210	34,379	35,068
Assets under operating leases	32,531	31,218	25,672	29,022	23,922	19,647	20,388	25,429	22,502	20,501	20,839
Shares and participations	12,050	9,839	6,327	2,890	1,874	2,098	2,044	1,953	2,219	6,890	751
Inventories	44,390	45,533	41,153	40,409	44,599	39,837	37,727	55,045	43,645	34,211	33,937
Customer-financing receivables	102,583	99,166	83,861	80,989	78,699	72,688	81,977	98,489	78,847	64,742	64,466
Interest-bearing receivables	2,938	2,555	1,389	5,635	3,638	2,757	3,044	5,101	4,530	4,116	1,897
Other receivables	61,932	68,448	59,943	55,531	59,877	53,154	50,575	61,560	55,152	42,567	42,881
Non-interest-bearing assets held for sale	3,314	288	8,104	–	9,348	136	1,692	–	–	805	–
Cash and cash equivalents	24,393	33,554	29,559	28,889	37,241	32,733	37,910	23,614	31,034	31,099	36,947
Assets	**374,165**	**382,896**	**344,829**	**338,742**	**353,244**	**318,007**	**332,265**	**372,419**	**321,647**	**258,427**	**257,207**
Shareholders' equity[1]	85,610	80,048	77,365	86,914	85,681	74,121	67,034	84,640	82,781	87,188	78,760
Provision for post-employment benefits	13,673	16,683	12,322	6,697	6,665	7,510	8,051	11,705	9,774	8,692	11,986
Other provisions	27,207	28,010	19,900	21,787	20,815	18,992	19,485	29,076	27,084	20,970	18,556
Interest-bearing liabilities	132,607	147,985	135,001	131,842	130,479	123,695	156,852	145,727	108,318	66,957	74,885
Liabilities associated with assets held for sale	573	130	350	–	4,716	135	272	–	–	280	–
Other liabilities	114,495	110,042	99,891	91,502	104,888	93,554	80,571	101,271	93,690	74,340	73,020
Shareholders' equity and liabilities	**374,165**	**382,896**	**344,829**	**338,742**	**353,244**	**318,007**	**332,265**	**372,419**	**321,647**	**258,427**	**257,207**
Assets pledged	9,428	7,680	5,078	4,099	1,832	3,339	958	1,380	1,556	1,960	3,255
Contingent liabilities	15,580	15,940	17,290	17,763	17,154	11,003	9,607	9,427	8,153	7,726	7,850
[1]of which minority interests	1,801	1,723	1,333	1,266	1,100	1,011	629	630	579	284	260

Consolidated balance sheets, Industrial Operations

SEK M	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Intangible assets	36,314	37,010	36,479	40,267	39,385	40,613	41,532	43,909	36,441	19,054	20,348
Property, plant and equipment	53,554	55,087	52,146	54,899	54,446	54,169	55,208	57,185	47,132	30,493	31,330
Assets under operating leases	20,616	19,484	17,013	21,263	16,749	13,217	13,539	16,967	13,850	11,822	10,260
Shares and participations	12,042	9,825	6,321	2,884	1,871	2,080	2,025	1,935	2,189	16,565	10,357
Inventories	44,194	45,364	40,964	40,057	43,828	38,956	35,765	54,084	43,264	33,893	33,583
Customer-financing receivables	11	1,828	1,406	1,397	1,702	1,428	1,367	975	1,233	1,193	1,377
Interest-bearing receivables	3,738	2,777	2,195	11,011	6,734	11,153	8,010	6,056	13,701	13,214	7,691
Other receivables	68,223	70,413	60,679	54,324	59,062	52,358	49,008	60,586	55,970	43,335	43,992
Non-current assets held for sale	3,314	288	8,104	–	9,348	136	1,692	–	–	805	–
Cash and cash equivalents	21,210	31,105	28,230	27,146	35,951	31,491	37,404	22,575	30,026	29,907	36,047
Assets	**263,216**	**273,181**	**253,537**	**253,248**	**269,076**	**245,602**	**245,550**	**264,272**	**243,806**	**200,281**	**194,985**
Shareholders' equity	75,151	70,105	68,467	78,321	76,682	66,101	58,485	75,046	75,129	87,188	78,760
Provision for post-employment benefits	13,621	16,580	12,249	6,663	6,635	7,478	8,021	11,677	9,746	8,661	11,966
Other provisions	23,936	25,054	17,575	19,653	19,101	17,240	17,456	27,015	25,372	19,385	17,164
Interest-bearing liabilities	32,562	48,180	52,491	54,472	55,394	59,857	78,890	46,749	38,286	9,779	13,097
Liabilities associated with assets held for sale	573	130	350	–	4,716	135	272	–	–	280	–
Other liabilities	117,374	113,131	102,405	94,139	106,548	94,791	82,426	103,785	95,273	74,988	73,998
Shareholders' equity and liabilities	**263,216**	**273,181**	**253,537**	**253,248**	**269,076**	**245,602**	**245,550**	**264,272**	**243,806**	**200,281**	**194,985**

Consolidated cash-flow statements											
SEK bn	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating income/loss	23.3	5.8	7.1	17.6	26.9	18.0	–17.0	15.9	22.2	20.4	18.2
Depreciation and amortization	16.8	15.9	17.4	14.7	13.9	13.8	15.2	13.5	12.5	12.4	9.9
Other non-cash items	–0.5	6.1	2.4	1.4	1.3	1.6	4.4	–0.2	–0.5	0.7	0.4
Change in working capital	–9.0	–14.1	–10.8	–21.9	–15.1	4.8	16.9	–23.3	–9.9	–7.7	–4.7
Customer financing receivables, net	–	–	–	–	–	–	–	–	–	–	–7.8
Financial items and income tax	–4.6	–5.0	–5.1	–8.0	–7.3	–5.5	–4.6	–5.2	–5.9	–4.3	–2.0
Cash-flow from operating activities	**25.9**	**8.7**	**11.0**	**3.8**	**19.7**	**32.7**	**14.9**	**0.7**	**18.4**	**21.5**	**14.0**
Investments in fixed assets	–8.8	–8.6	–12.2	–14.6	–12.6	–10.4	–10.5	–12.7	–10.1	–10.0	–10.3
Investments in leasing assets	–10.5	–10.1	–8.2	–10.0	–7.4	–4.8	–4.2	–5.4	–4.8	–4.6	–4.5
Disposals of fixed assets and leasing assets	6.0	5.0	3.4	3.1	3.3	3.1	3.8	2.9	2.9	3.2	2.6
Shares and participations, net	–2.0	0.1	0.0	–1.2	–0.1	–0.1	0.0	0.0	0.4	–5.8	0.3
Acquired and divested subsidiaries and other business units, net	0.4	7.4	0.9	3.4	–1.6	0.6	0.2	–1.3	–15.0	0.5	0.7
Interest-bearing receivables including marketable securities	3.6	–4.8	0.5	3.7	2.6	6.8	–8.9	10.9	3.6	7.7	–1.3
Cash-flow after net investments	**14.5**	**–2.3**	**–4.6**	**–11.8**	**3.9**	**27.9**	**–4.7**	**–4.9**	**–4.6**	**12.5**	**1.5**
Change in loans, net	–13.2	6.7	13.0	14.1	8.7	–25.7	12.6	18.2	28.7	–2.6	3.6
Repurchase of own shares	–	–	–	–	–	–	0.0	–	–	–	–1.8
Dividend to AB Volvo's shareholders	–6.1	–6.1	–6.1	–6.1	–5.1	0.0	–4.1	–11.1	–20.3	–6.8	–5.1
Dividend to minority shareholder's	–0.0	0.0	–0.2	0.0	0.0	–0.1	–	–	–	–	–
Other	0.0	–0.1	0.1	0.0	0.0	0.0	–0.1	0.0	0.0	0.0	0.0
Change in cash and cash equivalents excluding translation differences	**–4.8**	**–1.8**	**2.2**	**–3.8**	**7.5**	**2.1**	**3.7**	**2.2**	**3.8**	**3.1**	**–1.8**
Translation differences on cash and cash equivalents	–0.4	1.1	–0.5	–0.8	–0.1	–0.4	–0.2	1.0	0.0	–0.5	1.1
Change in cash and cash equivalents	**–5.2**	**–0.7**	**1.7**	**–4.6**	**7.4**	**1.7**	**3.5**	**3.2**	**3.8**	**2.6**	**–0.7**

Operating cash-flow Industrial Operations											
SEK bn	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating income	21.3	4.1	5.6	16.1	26.0	17.8	–16.3	14.5	20.6	18.7	16.1
Depreciation and amortization	12.6	12.7	14.5	12.0	11.4	11.4	12.4	11.8	10.3	9.8	7.3
Other items not affecting cash	–1.1	5.3	1.5	0.8	0.6	0.1	2.3	–0.7	–0.4	0.2	0.2
Change in working capital	–1.9	–3.3	–2.0	–9.2	–4.2	4.6	4.7	–10.9	–0.1	–3.1	–5.6
Financial items and income taxes	–4.0	–4.5	–4.9	–7.3	–6.9	–5.1	–4.7	–5.0	–6.0	–3.7	–1.9
Cash-flow from operating activities	**26.7**	**14.3**	**14.7**	**12.4**	**26.9**	**28.8**	**–1.6**	**9.7**	**24.4**	**21.9**	**16.1**
Investments in fixed assets	–8.8	–8.6	–12.2	–14.6	–12.6	–10.3	–10.3	–12.6	–10.1	–9.7	–9.9
Investments in leasing assets	–0.3	–0.5	–1.5	–3.6	–1.4	–0.3	–0.2	–0.4	–0.2	–0.5	–0.3
Disposals of fixed assets and leasing assets	0.7	1.1	0.5	0.9	1.2	0.8	0.7	0.6	1.1	0.9	0.9
Operating cash-flow	**18.3**	**6.4**	**1.5**	**–4.9**	**14.1**	**19.0**	**–11.4**	**–2.7**	**15.2**	**12.6**	**6.8**

Exports from Sweden

SEK M	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Volvo Group, total	86,731	78,174	88,560	84,314	91,065	72,688	41,829	96,571	88,606	80,517	71,133

Key ratios

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Gross margin, %[1]	22.2	21.3	21.1	21.9	23.7	23.3	13.9	21.3	22.6	22.7	21.8
Research and development expenses as percentage of net sales[1]	5.1	6.0	5.7	5.0	4.4	5.0	6.3	4.9	4.0	3.4	3.3
Selling expenses as percentage of net sales[1]	8.5	9.3	10.1	9.0	8.0	8.8	11.4	8.7	8.9	8.0	8.5
Administration expenses as percentage of net sales[1]	1.9	1.9	2.2	1.9	2.3	2.2	2.8	2.3	2.6	2.6	2.7
Return on shareholders' equity, %	18.4	2.8	5.0	12.9	23.1	16.0	−19.7	12.1	18.1	19.6	17.8
Interest coverage, times[1]	9.1	2.2	2.1	6.7	9.6	5.9	−4.7	8.8	20.7	26.1	16.7
Self-financing ratio, %	194	64	84	18	118	270	137	5	153	189	116
Self-financing ratio Industrial Operations, %	316	180	112	72	210	294	−16	78	265	235	173
Net Financial position incl. post-employment benefits SEK M[1]	−13,237	−26,378	−32,066	−22,978	−19,346	−24,691	−41,489	−29,795	−4,305	23,076	18,675
Net financial position incl. post-employment benefits as percentage of shareholders' equity[1]	−17.6	−37.6	−46.8	−29.3	−25.2	−37.4	−70.9	−39.7	−5.7	29.2	23.7
Shareholders' equity as percentage of total assets	22.9	20.9	22.4	25.7	24.3	23.3	20.2	22.7	25.7	33.7	30.6
Shareholders' equity as percentage of total assets, Industrial Operations	28.6	25.7	27.0	30.9	28.5	26.9	23.8	28.4	30.8	40.6	40.4
Shareholders' equity excluding minority interest as percentage of total assets	22.4	20.5	22.0	25.2	23.9	23.0	20.0	22.6	25.6	33.6	30.5

1 Pertains to the Industrial Operations. For periods up to and including 2006, Volvo Financial Services is included and consolidated according to the equity method.

Volvo share statistics

Data per share (adjusted for issues and splits)[1]	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Basic earnings, SEK[1]	7.42	1.03	1.77	5.44	8.75	5.36	–7.26	4.90	7.37	8.03	6.44
Cash dividend, SEK	3.00[9]	3.00	3.00	3.00	3.00	2.50	0	2.00	5.50	10.00[8]	3.35
Share price at year-end (B share), SEK	79.10	84.70	84.45	88.80	75.30	118.50	61.45	42.90	108.50	90.70	74.90
Direct return (B share), %[2]	3.8	3.5	3.6	3.4	4.0	2.1	–	4.7	5.1	11.0	4.5
Effective return (B share), %[3]	–3	4	–2	22	–34	97	43	–59	25.7	39.8	48.5
Price/earnings ratio (B share)[4]	10.7	82.2	47.7	16.3	8.6	22.1	neg	8.8	14.7	11.3	11.6
EBIT multiple[5]	7.7	26.3	19.6	9.0	5.1	12.0	neg	3.6	9.7	10.3	9.3
Payout ratio, %[6]	40	291	169	55	34	47	–	41	75	62	52
Shareholders' equity, SEK[7]	41	39	38	43	42	36	33	41	41	43	38.80
Return on shareholders' equity, %	18.4	2.8	5.0	12.9	23.1	16.0	neg	12.1	18.1	19.6	17.8

1 Basic earnings per share is calculated as income for the period divided by average number of shares outstanding.
2 Proposed dividend in SEK per share divided by share price at year-end.
3 Share price at year-end, including proposed dividend during the year, divided by share price at beginning of the year, (2006 includes a share split 6:1 in which the sixth share was redeemed by AB Volvo for an amount of SEK 5.00 per share).
4 Share price at year-end divided by basic earnings per share.
5 Market value at year-end minus net financial position and minority interests divided by operating income.
6 Cash dividend divided by basic earnings per share.
7 Shareholders' equity for shareholders in AB Volvo divided by number of shares outstanding at year-end.
8 Including extra payment of SEK 5 through redemption of shares.
9 Proposed by the Board of Directors.

Other share data	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Number of shareholders at year-end	234,989	237,871	246,265	242,482	251,715	240,043	233,311	220,192	197,519	183,735	195,442
Number of Series A shares outstanding at year-end, million	485	492	499	526	643	657	657	657	657	131.4	131.4
Number of Series B shares outstanding at year-end, million	1,546	1,537	1,530	1,502	1,385	1,371	1,371	1,371	1,369	273.4	273.1
Average number of shares outstanding, million	2,030	2,028	2,028	2,028	2,027	2,027	2,027	2,027	2,025	404.7	405.2
Number of Series A shares traded in Stockholm during the year, million	51.7	86.3	53.0	45.4	130.5	203.2	147.0	308.0	172.3	56.4	39.3
Number of Series B shares traded in Stockholm during the year, million	2,052.1	2,068.7	1,878.5	2,081.2	2,944.1	2,272.4	2,713.9	3,130.0	2,712.4	617.0	518.7

The largest shareholders in AB Volvo, December 31, 2015[1]	Number of shares	% of total votes	Share capital, %
Industrivärden	143,671,662	22.3	7.1
Cevian Capital	170,515,457	14.8	8.4
Norges Bank Investment Management	112,719,593	6.1	5.6
SHB[2]	37,559,739	5.8	1.9
Alecta (pension funds)	79,960,000	4.5	3.9
AFA Insurance	24,737,368	3.4	1.2
AMF Insurance & Funds	49,292,749	2.6	2.4
AP4 Fund	24,554,732	1.9	1.2
Swedbank Robur Funds	90,191,649	1.8	4.4
Skandia Liv	10,540,070	0.9	0.5
Total	**743,743,019**	**64.1**	**36.6**

1 Based on the number of outstanding shares.
2 Comprises shares held by SHB, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

Distribution of shares, December 31, 2015[1]	Number of shareholders	% of total votes[1]	Share of capital, %[1]
1–1,000 shares	178,756	2.7	2.6
1,001–10,000 shares	51,005	6.0	6.9
10,001–100,000 shares	4,447	3.5	5.2
100,001–	781	87.7	85.3
Total	**234,989**	**100.0**	**100.0**

1 Based on all registered shares.

AB Volvo held 4.6% of the Company's shares on December 31, 2015.

Business area statistics

Net sales[1] SEK M		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Trucks	Europe	83,767	72,757	73,640	76,365	83,451	69,606	65,874	109,914	108,651	93,282	79,706
	North America	73,017	53,696	40,314	42,650	37,042	26,901	21,563	26,588	27,255	50,605	46,129
	South America	11,624	19,669	23,318	21,172	26,847	21,680	12,490	14,680	11,483	9,213	7,657
	Asia	31,589	29,264	26,740	36,531	37,840	35,231	26,943	37,515	26,593	8,975	13,551
	Other markets	13,982	15,518	14,462	15,565	13,741	13,887	12,069	14,538	13,910	9,190	8,353
	Total	**213,978**	**190,904**	**178,474**	**192,283**	**198,920**	**167,305**	**138,940**	**203,235**	**187,892**	**171,265**	**155,396**
Buses	Europe	7,284	6,139	5,429	6,200	6,631	6,242	7,707	7,321	7,767	7,924	7,142
	North America	10,635	6,721	5,929	6,675	7,532	7,200	5,673	5,355	4,630	4,910	4,247
	South America	1,425	2,559	1,836	2,794	2,715	1,737	1,235	1,571	1,623	1,537	2,641
	Asia	2,557	1,892	2,055	2,853	2,953	3,299	2,749	2,094	1,802	2,003	1,612
	Other markets	1,678	1,334	1,457	1,774	1,992	2,038	1,101	971	786	897	947
	Total	**23,580**	**18,645**	**16,707**	**20,295**	**21,823**	**20,516**	**18,465**	**17,312**	**16,608**	**17,271**	**16,589**
Construction Equipment	Europe	17,732	17,215	16,356	16,518	17,765	16,138	12,987	25,192	25,294	20,326	15,524
	North America	11,843	10,784	8,319	12,027	7,829	6,267	5,475	10,159	11,170	11,280	10,337
	South America	2,207	3,234	3,314	3,788	4,163	4,130	2,578	2,913	2,155	1,358	1,238
	Asia	16,424	18,458	21,911	27,033	29,999	24,352	12,957	13,738	12,179	6,903	5,717
	Other markets	2,802	3,164	3,539	4,192	3,745	2,923	1,661	4,077	2,835	2,264	2,000
	Total	**51,008**	**52,855**	**53,437**	**63,558**	**63,500**	**53,810**	**35,658**	**56,079**	**53,633**	**42,131**	**34,816**
Volvo Penta	Europe	4,462	3,779	3,714	3,620	4,274	4,507	4,390	6,554	6,798	6,111	5,102
	North America	2,161	1,584	1,491	1,486	1,379	1,500	1,100	1,947	2,674	2,815	2,832
	South America	365	386	297	306	335	335	284	364	274	221	208
	Asia	1,855	1,615	1,692	1,867	2,130	2,008	2,054	2,082	1,624	1,359	1,427
	Other markets	562	425	356	352	341	366	331	486	349	268	207
	Total	**9,406**	**7,790**	**7,550**	**7,631**	**8,458**	**8,716**	**8,159**	**11,433**	**11,719**	**10,774**	**9,776**
Volvo Aero	Europe	–	–	–	2,404	2,893	3,768	3,942	3,497	3,462	3,798	3,406
	North America	–	–	–	2,657	3,300	3,599	3,508	3,534	3,723	3,815	3,612
	South America	–	–	–	0	7	27	34	58	127	173	168
	Asia	–	–	–	109	104	233	205	234	234	356	284
	Other markets	–	–	–	49	52	81	114	125	100	91	68
	Total	**–**	**–**	**–**	**5,219**	**6,356**	**7,708**	**7,803**	**7,448**	**7,646**	**8,233**	**7,538**
	Other and eliminations	5,610	5,806	9,252	7,044	4,532	−680	−538	−575	−703	−654	7,076
Net sales Industrial Operations		**303,582**	**275,999**	**265,420**	**296,031**	**303,589**	**257,375**	**208,487**	**294,932**	**276,795**	**249,020**	**231,191**
Customer Finance	Europe	5,278	5,120	4,686	4,703	4,663	4,733	7,127	7,099	4,484	4,388	4,797
	North America	4,033	2,999	2,900	2,833	2,326	2,605	3,004	369	2,467	2,569	2,036
	South America	1,116	1,122	1,009	1,195	1,131	1,156	1,070	791	620	608	570
	Asia	548	638	707	795	571	435	435	158	87	45	101
	Other markets	224	232	237	257	192	101	75	68	47	38	45
	Total	**11,199**	**10,111**	**9,539**	**9,783**	**8,883**	**9,031**	**11,711**	**8,485**	**7,705**	**7,648**	**7,549**
	Eliminations	−2,265	−3,162	−2,336	−2,167	−2,104	−1,658	−1,836	250	905	2,167	1,819
Volvo Group total		**312,515**	**282,948**	**272,622**	**303,647**	**310,367**	**264,749**	**218,361**	**303,667**	**285,405**	**258,835**	**240,559**

1 As of January 1, 2007, the results from the synergies created in the business units are transferred back to the various business areas. Comparison figures for 2006 have been restated.

Volvo Aero was divested in October 1, 2012.

Operating income											
SEK M	2015[5]	2014[4]	2013[3]	2012[2]	2011	2010	2009	2008	2007	2006[1]	2005
Trucks	19,517	4,157	6,145	10,216	18,227	10,112	–10,805	12,167	15,193	13,116	11,717
Buses	860	92	–190	51	1,114	780	–350	–76	231	745	470
Construction Equipment	2,044	652	2,592	5,773	6,812	6,180	–4,005	1,808	4,218	4,072	2,752
Volvo Penta	1,086	724	626	541	825	578	–230	928	1,173	1,105	943
Volvo Aero	–	–	–	767	360	286	50	359	529	359	836
Customer Finance	2,006	1,712	1,522	1,492	969	167	–680	1,397	1,649	1,686	2,033
Other	–2,195	–1,514	–3,557	–1,217	–1,408	–102	–994	–731	–762	–684	–598
Operating income/loss Volvo Group	**23,318**	**5,824**	**7,138**	**17,622**	**26,899**	**18,000**	**–17,013**	**15,851**	**22,231**	**20,399**	**18,153**

Between 2007 and 2011, the benefits from the synergies created in the business units are transferred back to the various business areas. Comparison figures for 2006 have been restated.

1 Operating income in 2006 included adjustment of goodwill of neg 1,712, reported in Trucks.

2 Volvo Aero was divested October 1, 2012.

3 Operating income in 2013 included a revaluation of neg 1,500 related to Volvo Rents, reported in Other.

4 Operating income in 2014 included provisions of 4,450 for pending EU antitrust investigation of 3,790 and expected credit losses of 660.

5 Operating income in 2014 included a capital gain of SEK 4,608 M from a sale of shares in Eicher Motors Limited.

Operating margin											
%	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Trucks	9.1	2.2	3.4	5.3	9.2	6.0	–7.8	6.0	8.1	7.7	7.5
Buses	3.6	0.5	–1.1	0.3	5.1	3.8	–1.9	–0.4	1.4	4.3	2.8
Construction Equipment	4.0	1.2	4.9	9.1	10.7	11.5	–11.2	3.2	7.9	9.7	7.9
Volvo Penta	11.5	9.3	8.3	7.1	9.8	6.6	–2.8	8.1	10.0	10.3	9.6
Volvo Aero	–	–	–	14.7	5.7	3.7	0.6	4.8	6.9	4.4	11.1
Volvo Group Industrial Operations	**7.0**	**1.5**	**2.1**	**5.4**	**8.5**	**6.9**	**–7.8**	**5.2**	**7.8**	**7.9**	**7.9**
Customer Finance	17.9	16.9	16.0	15.3	10.9	1.8	–5.8	16.5	21.4	22.0	26.9
Volvo Group	**7.5**	**2.1**	**2.6**	**5.8**	**8.7**	**6.8**	**–7.8**	**5.2**	**7.8**	**7.9**	**7.5**

Number of employees at year-end											
Number[1, 2, 3]	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Trucks	54,668	58,067	58,542	61,256	62,315	57,796	56,505	64,280	64,390	49,900	50,240
Buses	7,270	6,900	6,648	7,514	8,529	8,685	9,541	8,930	9,290	7,760	7,710
Construction Equipment	13,889	14,901	14,663	14,788	18,422	16,648	16,126	19,810	19,710	11,050	10,290
Volvo Penta	1,470	1,422	1,412	1,361	2,549	2,353	2,928	2,940	3,000	1,650	1,560
Volvo Aero	–	–	–	–	3,179	3,120	3,278	3,510	3,550	3,510	3,460
Financial Services	1,340	1,339	1,355	1,362	1,323	1,235	1,234	1,290	1,150	1,010	1,070
Other	9,827	10,193	12,913	12,436	1,845	572	596	620	610	8,310	7,530
Volvo Group, total	**88,464**	**92,822**	**95,533**	**98,717**	**98,162**	**90,409**	**90,208**	**101,380**	**101,700**	**83,190**	**81,860**

1 Between 2007 and 2011, employees in business units are allocated to the business areas.
2 As of 2009, only regular employees are shown, for previous years also temporary employees were included.
3 As of 2012, employees in business units are not allocated to the business areas.

Environmental performance of Volvo production plants, Industrial operations				
Absolute values related to net sales	2015	2014	2013	2012[1]
Energy consumption (GWh; MWh/SEK M)	2,106; 6.9	2,176; 7.9	2,536; 9.6	2,518; 8.6
CO_2 emissions (1,000 tons; tons/SEK M)	221; 0.7	231; 0.8	280; 1.1	235; 0.8
Water consumption (1,000 m^3; m^3/SEK M)	4,919; 16.2	4,982; 18.1	5,815; 21.9	7,372; 25.2
NO_x emissions (tons; kilos/SEK M)	344; 1.3	332; 1.2	347; 1.3	413; 1.4
Solvent emissions (tons; kilos/SEK M)	1,885; 6.2	2,472; 9.0	2,221; 8.4	2,358; 8.1
Sulphur dioxide emissions (tons; kilos/SEK M)	32.1; 0.1	37.9; 0.1	23.4; 0.1	26; 0.1
Hazardous waste (tons; kg/SEK M)	27,824; 91.6	24,944; 90.4	28,395; 107.0	32,547; 111.4
Net sales, SEK bn	303.6	276.0	265.4	292.2

1 Restated according to new accounting rules.

2 Excluding UD Trucks and Ingersoll Rand Road Development.

Employees

Number[1]	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sweden	20,412	21,384	22,588	23,052	24,663	23,073	22,763	28,190	28,660	27,830	27,070
Europe, excluding Sweden	27,662	29,449	29,746	30,382	30,458	29,239	29,793	32,940	32,780	30,070	29,650
North America	15,534	15,217	16,397	16,569	15,427	12,844	12,640	14,200	15,750	14,820	15,140
South America	5,380	6,353	6,275	5,977	5,234	4,322	4,257	4,380	4,640	3,890	3,690
Asia	17,046	17,793	17,953	20,222	19,924	18,535	18,416	19,090	17,150	4,420	4,210
Other markets	2,430	2,626	2,574	2,515	2,456	2,396	2,339	2,580	2,720	2,160	2,100
Volvo Group total	**88,464**	**92,822**	**95,533**	**98,717**	**98,162**	**90,409**	**90,208**	**101,380**	**101,700**	**83,190**	**81,860**

1 As of 2009, only regular employees are shown, for previous years also temporary employees were included.

Delivered units

Number	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Heavy-duty trucks (>16 tons)	176,589	173,650	170,307	172,798	179,779	123,522	82,675	179,962	172,322	179,089	172,242
Medium-duty trucks (7–15.9 tons)	14,749	15,114	16,779	32,935	34,631	30,657	21,653	30,817	27,933	14,695	18,643
Light trucks (<7 tons)	16,137	14,360	13,188	18,284	23,982	25,811	23,354	40,372	36,101	26,147	23,494
Total trucks	**207,475**	**203,124**	**200,274**	**224,017**	**238,391**	**179,989**	**127,681**	**251,151**	**236,356**	**219,931**	**214,379**

Number		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Trucks	Total Europe	86,448	72,458	82,088	84,355	95,113	65,503	49,145	121,847	128,070	114,417	103,622
	Western Europe	71,169	57,038	64,275	63,730	75,728	56,215	43,919	95,969	100,106	97,074	91,087
	Eastern Europe	15,279	15,420	17,813	20,625	19,385	9,288	5,226	25,878	27,964	17,343	12,535
	North America	64,507	57,714	44,755	47,806	42,613	24,282	17,574	30,146	33,280	70,499	64,974
	South America	11,069	23,741	29,137	23,443	29,274	21,483	12,587	18,092	15,264	11,646	11,248
	Asia	31,979	32,399	28,692	51,514	56,165	53,833	34,800	60,725	39,916	12,817	25,706
	Other markets	13,472	16,812	15,602	16,899	15,226	14,888	13,575	20,341	19,826	10,552	8,829
	Total	**207,475**	**203,124**	**200,274**	**224,017**	**238,391**	**179,989**	**127,681**	**251,151**	**236,356**	**219,931**	**214,379**
Buses	Total Europe	2,431	2,221	2,146	2,491	2,695	2,395	3,164	3,313	3,748	3,570	3,723
	Western Europe	2,274	2,054	2,073	2,427	2,601	2,336	2,896	3,140	3,377	3,081	3,385
	Eastern Europe	157	167	73	64	94	59	268	173	371	489	338
	North America	2,398	1,590	1,752	1,826	3,014	2,092	1,539	1,884	1,547	1,741	1,546
	South America	1,415	2,985	2,434	2,560	2,620	1,174	690	995	1,318	1,236	2,297
	Asia	1,656	1,242	1,822	2,945	3,417	3,477	3,839	3,033	2,757	3,349	2,554
	Other markets	925	721	756	856	1,040	1,091	625	712	546	464	555
	Total	**8,825**	**8,759**	**8,910**	**10,678**	**12,786**	**10,229**	**9,857**	**9,937**	**9,916**	**10,360**	**10,675**

2011	2010	2009	2008	2007[2]	2006	2005
2,471; 8.1	2,315; 9.0	1,888; 9.1	2,530; 8.6	2,426; 9.6	2,612; 10.5	2,683; 11.6
255; 0.8	279; 1.1	213; 1.0	291; 1.0	242; 1.0	282; 11.4	292; 1.3
7,970; 26.2	7,519; 29.2	6,637; 31.8	8,205; 27.8	7,067; 27.9	7,596; 30.6	7,419; 32.1
474; 1.6	719; 2.8	322; 1.5	800; 2.7	542; 2.1	606; 2.4	672; 2.9
2,554; 8.4	2,294; 8.9	1,435; 6.9	1,945; 6.6	1,979; 7.8	2,048; 8.3	1,960; 8.5
34; 0.1	33; 0.1	38; 0.2	64; 0.2	58; 0.2	69; 0.3	209; 0.9
25,943; 85.5	22,730; 88	17,558; 84	27,675; 94	27,120; 107	26,987; 108.8	23,590; 102
303.6	257.4	208.5	294.9	253.2	248.1	231.2

DEFINITIONS

Basic earnings per share
Income for the period attributable to shareholders of the Parent Company divided by the weighted average number of shares outstanding during the period.

Capital expenditures
Capital expenditures include investments in property, plant and equipment, intangible assets and assets under operating leases. Investments in fixed assets included in the Group's cash-flow statement include only capital expenditures that have reduced the Group's liquid funds during the year.

Cash-flow
Combined changes in the Group's liquid funds during the fiscal year. Changes in liquid funds are specified with reference to changes in operations, operating activities, changes depending on investments in equipment, fixed assets etc. and financing activities such as changes in loans and investments.

Diluted earnings per share
Diluted earnings per share is calculated as income for the period attributable to the Parent Company's shareholders divided by the average number of shares outstanding plus the average number of shares that would be issued as an effect of ongoing share-based incentive programs and employee stock option programs.

EBITDA
EBITDA is the operating income before depreciation and amortization of tangible and intangible assets. This key figure is calculated by adding back depreciation and amortization on the operating income of the Industrial operations.

Equity ratio
Shareholders' equity divided by total assets.

Financial targets
Information on how the comparison with competitors is made is available under the heading Investors on www.volvogroup.com.

Gross margin
Gross income divided by net sales.

Interest coverage
Operating income plus interest income and similar credits divided by interest expense and similar charges.

Joint ventures
Companies over which the Company has joint control together with one or more external parties.

Net financial position
Cash and cash equivalents, marketable securities and interest-bearing short- and long-term receivables reduced by short- and long-term interest-bearing liabilities and provisions for post-employment benefits.

Operating margin
Operating income divided by net sales.

Penetration rate
Share of unit sales financed by Volvo Financial Services in relation to total number units sold by the Volvo Group in markets where financial services are offered.

Return on operating capital
Income for the period divided by average operating capital.

Return on shareholders' equity
Income for the period divided by average shareholders' equity.

Self-financing ratio
Cash-flow from operating activities (see Cash-flow statement) divided by net investments in fixed assets and leasing assets as defined in the cash-flow statement.

REPORTING SCOPE AND BOUNDARY

For the reporting scope and boundary for non-financial data, please see the supplementary GRI-report at www.volvogroup.com/responsibility (available from mid-March 2016).

ANNUAL GENERAL MEETING, APRIL 6, 2016

The Annual General Meeting of AB Volvo will be held in Göteborg in Konserthuset, Götaplatsen, Wednesday, April 6, 2016.

Notice

Those who wish to participate must be recorded as shareholders in the share register maintained by Euroclear Sweden AB on March 31, 2016 and give notice of intention to attend the meeting no later than March 31, 2016:

- by telephone, +46 8 402 90 76, notice of intention to attend the meeting could be given by telephone no later than 4.00 p.m. on March 31, 2016
- by mail addressed to AB Volvo (publ), "AGM", P.O. Box 7841, SE-103 98 Stockholm, Sweden
- on AB Volvo's website www.volvogroup.com

When giving notice, shareholders should state their:

- name
- personal registration number (corporate registration number)
- address and telephone number
- name and personal number (registration number) of the proxy, if any
- number of any accompanying assistant(s)

To be entitled to participate in the annual general meeting, shareholders having their shares registered in the name of a nominee must request the nominee to enter the shareholder into the share register. Such registration, which can be temporary, must have been effected by March 31, 2016 and should therefore be requested well in advance of March 31, 2016.

VOLVO'S ELECTION COMMITTEE

The following persons are members of Volvo's Election Committee:

Bengt Kjell	Chairman of the Election Committee, AB Industrivärden
Lars Förberg	Cevian Capital
Pär Boman	Svenska Handelsbanken, SHB Pension Fund, SHB Pensionskassa, SHB Employee Fund and Oktogonen
Yngve Slyngstad	Norges Bank Investment Management
Carl-Henric Svanberg	Chairman of the AB Volvo Board

Among other duties, the Election Committee is responsible for submitting to the Annual General Meeting proposals for candidates to serve as members of the Board of Directors and Chairman of the Board and proposal for auditors if applicable. The Committee also proposes the amount of the fees to be paid to the holders of these positions.

PRELIMINARY PUBLICATION DATES

Annual General Meeting 2016	April 6, 2016
Report on the first quarter 2016	April 22, 2016
Report on the second quarter 2016	July 19, 2016
Report on the third quarter 2016	October 21, 2016
Report on the fourth quarter 2016	February 1, 2017

The reports are available on www.volvogroup.com on date of publication and are also sent electronically to shareholders who have advised Volvo that they wish to receive financial information.

Historical and current time series reflecting the Volvo Group's market information are published regularly on www.volvogroup.com.

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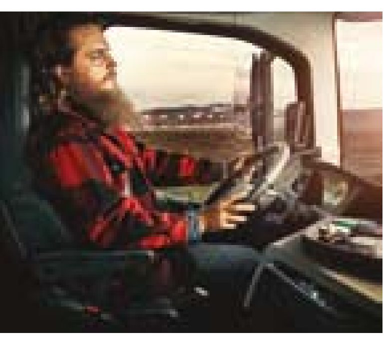
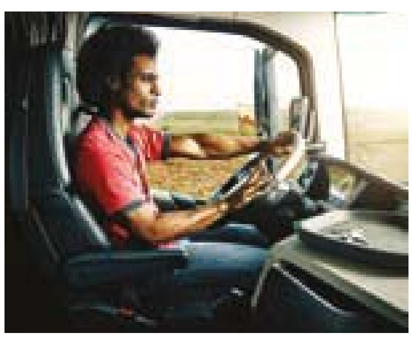
The **Volvo Group** *is one of the world's leading manufacturers of trucks, buses, construction equipment and marine and industrial engines. The Group also provides complete solutions for financing and service. The Volvo Group, with its headquarters in Gothenburg, Sweden employs about* **100,000 people,** *has production facilities in* **18 countries** *and sells its products in more than* **190 markets.**





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