VOLVO CAR GROUP
INTERIM REPORT FOURTH QUARTER AND FULL YEAR 2016

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FOURTH QUARTER

- Volvo Cars retail sales at 155,003 (156,981) units
- Net revenue at MSEK 55,940 (52,646)
- Operating income (EBIT) of MSEK 3,355 (3,684)
- Net income of MSEK 2,349 (2,938)
- Cash flow from operating and investing activities of MSEK 8,769 (9,476)
- New issue of preference shares MSEK 5,000
- New joint venture with Autoliv
- Second bond issued raising MSEK 3,000
- Start of production in Daqing China
- Upgraded credit rating

FULL YEAR

- Volvo Cars retail sales at 534,332 (503,127) units
- Net revenue at MSEK 180,672 (164,043)
- Operating income (EBIT) of MSEK 11,014 (6,620)
- Net income of MSEK 7,460 (4,476)
- Cash flow from operating and investing activities of MSEK 6,515 (7,234)
- Launch and start of production for S90 and V90
- Capital market access
- Agreement signed to establish a joint development project with Uber
- Increased ownership to 50 per cent in Volvofinans Bank
- First car in the autonomous drive pilot project Drive Me produced

Key figures	Q4 2016	Q4 2015	Full year 2016	Full year 2015
Net revenue, MSEK	55,940	52,646	180,672	164,043
Research and development expenses, MSEK	–2,038	–2,484	–9,374	–8,803
Operating income (EBIT), MSEK	3,355	3,684	11,014	6,620
Net income, MSEK	2,349	2,938	7,460	4,476
EBITDA, MSEK	6,035	6,201	21,541	16,019
Cash flow from operating and investing activities, MSEK	8,769	9,476	6,515	7,234
EBIT margin, %	6.0	7.0	6.1	4.0
EBITDA margin, %	10.8	11.8	11.9	9.8

Retail sales (units)	Q4 2016	Q4 2015	Full year 2016	Full year 2015
Western Europe (excl. Sweden)	58,998	60,196	206,144	198,049
China	27,543	24,933	90,930	81,588
US	24,194	23,666	82,726	70,047
Sweden	20,887	24,450	70,268	71,200
Other markets	23,381	23,736	84,264	82,243
Total	**155,003**	**156,981**	**534,332**	**503,127**

All amounts are in MSEK unless otherwise stated. Amounts in brackets refer to the same period for the preceding year, unless otherwise stated. All performance measures are further described in page 24–25.

This report contains statements concerning, among other things, Volvo Car Group's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent Volvo Car Group's future expectations. Volvo Car Group believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include, but may not be limited to: Volvo Car Group's market position; growth in the automotive industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of Volvo Car Group, its associated companies and joint ventures, and the automotive industry in general. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, Volvo Car Group undertakes no obligation to update any of them in light of new information or future events.

CEO COMMENT

Volvo Cars continued the global transformation as the company launched new cars and new technologies, reinforcing leadership in safety and autonomous driving.

The result was a third consecutive year of record sales, with over 534,000 units sold. Revenue grew by 10 per cent, resulting in a significantly increased operating profit of 11 BSEK. I am particularly pleased that we managed a positive cash flow despite ongoing heavy investments in future products and technologies. This is a good reflection of all of our employees' strong efforts throughout the year.

In 2016 we reported growth in all three regions. We confirmed our very positive development in the US, while a strong performance in the last six months led to double-digit growth in China. In Europe we also reported continued growth, especially in important key markets such as the United Kingdom and Germany.

On the production side, we changed model lines in the Torslanda plant at the same time as we increased capacity and ramped up volumes. Combined with very strong demand for our new 90 cars, this affected our delivery times. To further expand capacity, we are building our first ever manufacturing plant in the US, in Charleston, South Carolina, which is planned for completion in 2018. We also expanded our manufacturing in China with the start of S90 production in Daqing and we are developing China into a global manufacturing and export hub.

We have also taken further steps to increase our financial flexibility. Our continued success allowed us to access the capital markets in 2016 and successfully issue the first two corporate bonds in the company's history. We also issued preference shares to three institutional investors, further widening our funding base.

The car industry is changing rapidly, and an agile Volvo Cars has the possibility to take advantage of opportunities in areas like electrification, new mobility concepts, and autonomous driving. Rather than being disrupted, we choose to be part of this transformation. Throughout 2016 we forged new partnerships that position us at the forefront of the change underway in the industry.

An important focus is our three-pillar autonomous driving strategy. Firstly, we co-operate with Uber to develop a car with all the redundant systems necessary for autonomous driving. Secondly, we are establishing a joint venture with Autoliv - Zenuity - developing the software for autonomous driving. Finally, we are considering the consumer perspective through Drive Me, an advanced and ambitious autonomous vehicle test. This year, we will start the roll out of autonomous XC90s to approximately 100 families in Gothenburg, Sweden. They will use the cars in their everyday life, providing feedback to our engineers.

We will continue our transformation in 2017. Now that we have completed the launch of the new 90 series, highlighting the effect of the SPA architecture in terms of design, technology and brand, the stage is set for further launches as we continue to replace our 60 and 40 series cars.

2016 was a positive milestone year for Volvo Cars' development and I would like to thank all employees for their valuable contributions, developing Volvo Cars as a true player in the premium car segment.

Håkan Samuelsson
CEO

THE VOLVO CAR GROUP

Volvo Car AB (publ.), with its registered office in Gothenburg, is majority owned (99 %) by Geely Sweden Holdings AB, owned by Shanghai Geely Zhaoyuan International Investment Co., Ltd., registered in Shanghai, China, owned by Zhejiang Geely Holding Group Ltd., registered in Hangzhou, China.

Volvo Car AB (publ.) holds shares in its subsidiary Volvo Car Corporation and provides the Group with certain financing solutions. Volvo Car AB (publ.) indirectly, through Volvo Car Corporation and its subsidiaries, operates in the automotive industry with business relating to the design, development, manufacturing, marketing and sales of cars and thereto related services. Volvo Car Group and its global operations are referred to as "Volvo Cars".

SALES DEVELOPMENT

Overall

During the full year 2016, Volvo Cars sold 534,332 (503,127) cars, an increase of 6.2 per cent, making 2016 the third consecutive year of record sales for Volvo Cars. Overall sales were supported by strong double-digit growth in two of Volvo Cars' three home markets – the US and China. As part of the planned portfolio renewal, two Volvo models – the V70 and XC70 were discontinued, while two new SPA carlines – the S90/S90L and V90/V90 Cross Country were added to the product lineup and started gradually reaching customers worldwide during the second half of the year.

The XC60 remained the most popular model during the year with 161,092 (159,615) units sold. The second best-selling carline was the V40/V40 Cross Country with sales of 101,380 (106,631) units, followed by the XC90 with 91,522 (40,621) units sold worldwide. The S90/S90L and V90/V90 Cross Country contributed with 7,383 (–) and 7,674 (–) units.

In the fourth quarter, Volvo Cars retail sales decreased slightly by 1.3 per cent to 155,003 (156,981) units. Positive sales momentum continued across the US and China. Growth in these two key territories was partly due to the success of the XC90, with sales during the quarter reaching 25,175 (22,399) units. Sales in Sweden were negatively affected by the phase-out of two classic Volvo models – the V70 and XC70, while the production of the S90 and V90 started ramping up during the fourth quarter.

Volvo Cars' best-selling model in the fourth quarter was the XC60, with 49,155 (43,897) units sold. The second best-selling carline was the V40/V40 Cross Country, with 29,590 (31,134) units sold. In addition, during the same period, the S90/S90L and V90/V90 Cross Country became fully available and reached sales of 4,789 (–) and 6,396 (–) units respectively.

Western Europe

In the fourth quarter, passenger car sales growth in Western Europe slowed down to 1 per cent. Sales in Germany and UK remained flat, while moderate growth was recorded in France, Italy and Spain. Passenger car sales in the Netherlands decreased significantly in comparison to the fourth quarter last year. In line with the overall industry trends, SUV sales continued to outgrow other segments.

In the fourth quarter, Volvo Cars reported retail sales of 58,998 (60,196) units. Double-digit sales growth was delivered by key markets, such as Germany, Belgium, Italy and Spain, despite flat growth in the passenger car market. The slight decrease of 2 per cent in retail sales was mainly a result of weak sales performance in the Netherlands, due to the change in tax rules.

In the fourth quarter, the XC60 continued to be the best-selling model with sales of 18,218 (15,499) units. The V90/V90 Cross Country supported sales with 3,647 (–) units sold.

Retail sales, (units)	Q4 2016	Q4 2015	Change %	Full year 2016	Full year 2015	Change %
Western Europe[1]	58,998	60,196	–2.0	206,144	198,049	4.1
China	27,543	24,933	10.5	90,930	81,588	11.5
US	24,194	23,666	2.2	82,726	70,047	18.1
Sweden	20,887	24,450	–14.6	70,268	71,200	–1.3
Other Markets	23,381	23,736	–1.5	84,264	82,243	2.5
Total	**155,003**	**156,981**	**–1.3**	**534,332**	**503,127**	**6.2**

1) Excluding Sweden

For the full year, Western Europe delivered a 4.1 per cent increase in sales and reported retail sales of 206,144 (198,049) units. Key markets, including Germany, UK and Belgium, all delivered solid growth, while sales in Spain were a highlight growing 26.1 per cent and reaching 13,400 (10,630) units. The XC60 was the best-selling model with retail sales of 61,148 (56,073), while the XC90 strongly supported the overall solid sales performance with 29,086 (16,615) units sold.

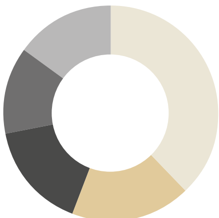
China

Car sales in China increased by 16 per cent in 2016, the fastest pace since 2013, supported by the tax cut on the small-engine vehicles. During the fourth quarter, the industry grew by 19 per cent. The premium segment, offering mainly large engines, enjoyed limited benefits from the tax cut and grew by a softer pace of 5 per cent, for both the fourth quarter as well as the full year. Sport utility vehicles and sedans were driving the industry development.

Volvo Cars' retail sales in China during the fourth quarter reached 27,543 (24,933) units, delivering solid growth of 10.5 per cent and outperforming the industry development of the premium segment. The locally-produced XC60 was the best-selling model, with 11,679 (9,949) units sold.

For the full year, Volvo Cars in China delivered double-digit growth of 11.5 per cent, reaching 90,930 (81,588) units and exceeding the growth pace of the served segment. The XC60 was the best-selling model with retail sales of 39,244 (37,469) units, followed by the S60L with 29,750 (25,772) units sold. The XC90 contributed to the strong volume growth with 7,781 (1,673) units sold.

RETAIL SALES BY MARKET OCT–DEC 2016



RETAIL SALES BY CARLINE OCT–DEC 2016

Sweden

The Swedish car market delivered record sales in 2016, with an increase of 8 per cent. The strong demand for vehicles is explained by the robust economic situation and low interest rate.

For the fourth quarter, Volvo Cars' retail sales in Sweden were largely effected by the discontinuation of the V70 and XC70, and decreased to 20,887 (24,450) units. The best-selling model was the XC60 with 6,020 (4,463) units, followed by the V60/V60 Cross Country with 5,905 (4,940) units sold. The V90/V90 Cross Country started to be delivered to customers in scale and 2,576 (-) units were sold during the quarter.

During the full year, Sweden recorded sales of 70,268 (71,200) units, a slight decrease of 1.3 per cent, due to the anticipated model discontinuation. Despite the slight decrease, Volvo Cars kept its leading market position. The XC60 was the best-selling model with 16,094 (14,977) units sold and the V90/V90 Cross Country contributed with 3,306 (–) units.

US

During the fourth quarter, vehicle sales in the US were flat versus last year but remained at a historically high level, driven by strong consumer confidence, low oil prices and accessible credit. Segments such as the crossover SUVs and pickups continued to grow.

With sales increase of 2.2 per cent during the fourth quarter, Volvo Cars continued its strong sales performance in the US. A total of 24,194 (23,666) cars were delivered to customers. The best-selling model and the main growth driver was the top-of-the-line model XC90, with 8,297 (7,936) units sold. The S90 also contributed to the positive sales with 2,148 (–) units sold.

For the full year, Volvo Cars sold 82,726 (70,047) cars and achieved substantial growth of 18.1 per cent in this competitive market, outperforming the industry. This strong performance was largely on the back of the XC90, with 32,527 (12,664) units sold and 39.3 per cent of the total retail volume.

Other markets

For the fourth quarter, demands for passenger cars in several Other European markets continued to be strong, in particular Poland and Czechia, where vehicle sales grew by 16 per cent and 12 per cent respectively. The vehicle market in Japan continued to recover and grew by 3 per cent. The Russian passenger vehicle demand remained weak and fell by 4 per cent.

In the fourth quarter, Volvo Cars sold 23,381 (23,736) cars in other markets. The slight decrease was mainly due to a weak demand in Russia, while the overall sales were supported by positive performances in Japan, Poland and Canada. The best-selling models were the XC60 and the XC90, with 6,717 (6,486) and 5,465 (3,893) units sold respectively.

For the full year, other markets grew by 2.5 per cent with a total number of 84,264 (82,243) units sold. The XC60 and the V40/V40 Cross Country were the most popular models, while the XC90 supported the overall volume with 18,270 (7,521) units.

Retail sales by model, (units)	Q4 2016	Q4 2015
XC60	49,155	43,897
V40/V40 Cross Country	29,590	31,134
XC90 (All-new)	25,175	22,399
V60/V60 Cross Country	18,852	19,270
S60/S60L/S60 Cross Country	18,193	17,987
V90/V90 Cross Country	6,396	—
S90/S90L	4,789	—
XC70	1,637	9,071
V70	985	8,497
S80/S80L	231	3,750
XC90 (Classic)	—	976
Other models	—	—
Total	**155,003**	**156,981**

Retail sales by model, (units)	Full year 2016	Full year 2015
XC60	161,092	159,617
V40/V40 Cross Country	101,380	106,631
XC90 (All-new)	91,522	40,621
S60/S60L/S60 Cross Country	61,941	64,078
V60/V60 Cross Country	60,637	61,341
XC70	23,714	30,175
V70	14,888	27,841
V90/V90 Cross Country	7,674	—
S90/S90L	7,383	—
S80/S80L	3,172	10,330
XC90 (Classic)	927	2,481
Other models	2	12
Total	**534,332**	**503,127**

Top 10 Retail sales by market, (units)	Q4 2016	Q4 2015
China	27,543	24,933
US	24,194	23,666
Sweden	20,887	24,450
UK	11,841	10,846
Germany	11,824	10,126
Netherlands	5,979	12,248
Belgium	5,729	4,624
Italy	4,988	4,142
France	4,491	4,340
Japan	3,998	3,799

Top 10 Retail sales by market, (units)	Full year 2016	Full year 2015
China	90,930	81,588
US	82,726	70,047
Sweden	70,268	71,200
UK	46,722	43,211
Germany	39,434	35,604
Belgium	20,271	18,125
Italy	18,004	16,230
Netherlands	15,525	23,182
France	15,385	14,095
Japan	14,543	13,493

SIGNIFICANT EVENTS

OCTOBER – DECEMBER 2016

New issue of preference shares
In December, Volvo Cars raised MSEK 5,000 from the sale of newly-issued preference shares to a group of institutional investors. The issuance has been conducted to further diversify Volvo Cars' long term funding sources. The preference shares may be repurchased or converted into listed ordinary shares, both upon the majority shareholder's decision. At this time, no such decision has been taken. The issued preference shares are classified as equity instruments, for further information, refer to Note 5 – Preference shares.

Acquisition of First Rent A Car AB
In December, Volvo Cars called an option to acquire the remaining 55 per cent of the shares in First Rent A Car AB. First Rent A Car Group, with its subsidiaries, operates within car rentals under the Hertz brand, car sharing, and under the Sunfleet brand, fleet management services. It is also a 50 per cent owner of the Swedish dealer group Bra Bil. The completion of the transaction is pending final approvals from relevant authorities, which are expected to be received during the first quarter 2017. During the period from signing to closing, the business of First Rent A Car Group will continue as it has previously. For further information regarding the acquisition, refer to Note 4 – Business Combinations.

New joint venture with Autoliv
In December Volvo Cars and Autoliv signed an Investment Agreement to establish a new joint venture company as announced during the autumn of 2016. The joint venture company is named Zenuity AB and will develop software for autonomous driving and driver assistance systems. Operations are expected to start after obtaining approvals from relevant competition authorities.

New appointments to the Executive Management Team
In December, two new appointments were made to the Executive Management Team:

- Henrik Green was appointed Senior Vice President Research & Development. Mr Green has extensive experience in research and development, powertrain development and other advanced areas of engineering such as software and control systems.

- Atif Rafiq was appointed Senior Vice President IT and Chief Digital Officer. Mr Rafiq joins Volvo Cars from McDonalds Corporation, where he was chief digital officer, building the company's digital efforts from scratch and leading global efforts to transform consumer experience though the use of technology.

Bond issuance
In November, Volvo Cars raised MSEK 3,000 from its second bond issue, in order to further improve the company's financial flexibility and diversify its funding sources. The bond is listed on the Official List of the Luxembourg Stock Exchange, the same list as the bond issued in May 2016, and the proceeds will be used for general corporate purposes.

Production start of the S90 in China
In November, production of the new S90 started in the Daqing plant, China. The S90 Excellence was unveiled on November 2 in Shanghai during the China Manufacturing Strategy Press Conference and its presale started at the Guangzhou Auto Show in the same month – approximately 1,000 units have been ordered, showing great interest from the Chinese large premium sedan buyers.

Upgraded credit rating
In October, Volvo Cars credit rating was upgraded by Moody's from Ba3 positive to Ba2 stable. The rating reflects a strong operating performance over the past 12 months and the expectation of further improvements in Volvo Cars' credit metrics.

JANUARY – SEPTEMBER 2016

Summary of previously reported significant events.

Q3:
- Joint development project with Uber
- Additional 40 per cent acquired in Volvofinans Bank AB
- Large recruitment of engineers
- Letter of intent for a new JV with Autoliv
- The Drive Me pilot was kicked off
- New appointments in the Executive Management Team

Q2:
- Start of production for S90 and V90
- MEUR 500 bond issued
- Public credit ratings

Q1:
- Betsy Atkins was appointed new member of the Board of Directors
- Launch of S90 and V90

FINANCIAL SUMMARY

FOURTH QUARTER 2016 – INCOME AND RESULT

The comparative figures refer to the consolidated income statement of the fourth quarter 2015 if not otherwise stated.

During the fourth quarter, Volvo Car Group generated net revenue of MSEK 55,940 (52,646) an increase of 6.3 per cent compared to the same period in 2015. The increase was primarily driven by volume and a positive sales mix, mainly due to the XC90 and the launch of the S90 and V90, and positive exchange rate development.

Cost of sales increased by MSEK −4,415 to MSEK −45,435 (−41,020), an increase of 10.8 per cent compared to the same period in 2015. The increase was attributable to higher material cost due to the changed sales mix and launch costs related to the introduction of the S90 and V90. Gross income decreased to MSEK 10,505 (11,626).

Research and development expenses recognised in the income statement decreased to MSEK −2,038 (−2,484), including amortisation of capitalised development expenses of MSEK −803 (−609). The decrease is a result of increased capitalised development expenses, offset by higher amortisation of capitalised development expenses and reallocation of IT costs. See table below.

Selling expenses remained flat at MSEK −3,231 (−3,232). Administrative expenses decreased by MSEK 250 to MSEK −1,808 (−2,058), mainly due to reallocation of IT costs.

Other operating income and expense, net, amounted to −233 (−286). Operating income (EBIT) decreased to MSEK 3,355 (3,684), resulting in an operating margin of 6.0 (7.0) per cent.

Net financial items amounted to MSEK −520 (−252). A negative net foreign exchange result on financing activities was partly offset by decreased interest expenses.

Net income amounted to MSEK 2,349 (2,938).

Income Statement (MSEK)	Q4 2016	Q4 2015
Net revenue	55,940	52,646
Gross income	10,505	11,626
Operating income	3,355	3,684
Income before tax	2,835	3,432
Net income	2,349	2,938

R&D spending (MSEK)	Q4 2016	Q4 2015
Capitalised development expenses	1,941	1,277
Research and development expenses	−2,038	−2,484
whereof amortised development expenses	*−803*	*−609*

FULL YEAR 2016 – INCOME AND RESULT

The comparative figures refer to the consolidated income statement of the full year 2015 if not otherwise stated.

During 2016, Volvo Car Group generated net revenue of MSEK 180,672 (164,043), an increase of 10.1 per cent. The increase was primarily driven by volume and a positive sales mix, mainly due to the XC90, partly offset by negative exchange rate development.

Cost of sales increased by MSEK −15,044 to MSEK −143,282 (−128,238), an increase of 11.7 per cent. The increase was attributable to higher material cost due to the changed sales mix and launch costs related to the shift of production to the new S90 and V90. Gross income increased to MSEK 37,390 (35,805), due to improved net revenue, resulting in a gross margin of 20.7 (21.8) per cent.

Research and development expenses recognised in the income statement increased to MSEK −9,374 (−8,803). The increase is related to higher amortisation of capitalised development expenses MSEK −3,025 (−2,263), costs related to the renewal of the product portfolio and reallocation from administrative expenses, offset by received government grants. See table below.

Selling expenses increased by MSEK −1,041 to MSEK −11,992 (−10,951) primarily due to increased marketing and event expenses related to the new car launches and advertising campaigns.

Administrative expenses decreased by MSEK 763 to MSEK −6,471 (−7,234). The decrease is mainly related to reallocation of IT-costs to research and development expenses and cost of sales, previously reported within administrative expenses.

Other operating income and expense, net, amounted to MSEK 1,043 (−2,427), mainly related to a positive result from realised cash flow hedges.

Operating income (EBIT) increased to MSEK 11,014 (6,620), resulting in an operating margin of 6.1 (4.0) per cent.

Net financial items amounted to MSEK −1,493 (−1,231). A negative net foreign exchange result on financing activities was partly offset by decreased interest expenses. Tax expenses increased as a result of the increase in income before tax.

Net income amounted to MSEK 7,460 (4,476).

Income Statement (MSEK)	**Full year 2016**	**Full year 2015**
Net revenue	180,672	164,043
Gross income	37,390	35,805
Operating income	11,014	6,620
Income before tax	9,521	5,389
Net income	7,460	4,476

R&D spending (MSEK)	**Full year 2016**	**Full year 2015**
Capitalised development expenses	6,177	4,494
Research and development expenses	−9,374	−8,803
whereof amortised development expenses	*−3,025*	*−2,263*

FULL YEAR – NET FINANCIAL POSITION AND LIQUIDITY

The comparative figures for the balance sheet items refer to the consolidated balance sheets of December 31, 2015 if not otherwise stated. The comparative figures for the cash flow items refer to the consolidated cash flow statement of the full year 2015 if not otherwise stated.

Cash flow from operating and investing activities amounted to MSEK 6,515 (7,234) for the year.

Cash flow from operating activities increased to MSEK 26,861 (22,576). The improvement is due to an increased operating income and a positive change in working capital. The cash flow from working capital is mainly related to positive effects of increased accounts payable and provisions, primarily related to increased volumes. Furthermore, there are positive cash flow effects from accounts receivable and slightly negative effects from inventory and repurchase commitments.

Cash flow from investing activities amounted to MSEK −20,346 (−15,342), which includes the investment in Volvofinans Bank AB of MSEK −1,849. Investments in tangible assets amounted to MSEK −12,669 (−8,677). The increase is primarily due to the ongoing construction of the US plant and special tool investments related to new car models based on the SPA platform, such as the S90 and V90. Investments in intangible assets amounted to MSEK −6,394 (−4,715) as a result of continuous investments in upcoming new car models.

Cash flow from financing activities amounted to MSEK 5,792 (1,445). The increase is mainly attributable to proceeds from the new bonds of MSEK 7,579 (–) and from the issuance of preference shares of MSEK 4,979 (–) offset by repayment of liabilities to credit institutions of MSEK −7,634 (−6,626).

Cash and cash equivalents including marketable securities increased to MSEK 43,373 (29,135). The revolving credit facility of MEUR 660 remains undrawn. Net cash increased to MSEK −18,873 (−7,721).

Total equity increased by MSEK 8,675 to MSEK 43,310 (34,635), resulting in an equity ratio of 26.8 (26.2) per cent. The change in equity is mainly related to the positive net income of MSEK 7,460 and proceeds from preference shares of MSEK 5,000, offset by negative effects in other comprehensive income, mainly related to change in cash flow hedge reserves of MSEK −3,074 and remeasurement of post-employment benefits of MSEK −1,157.

Cash flow Statement (MSEK)	Full year 2016	Full year 2015
Cash flow from operating activities	26,861	22,576
Cash flow from investing activities	−20,346	−15,342
Cash flow from operating and investing activities	6,515	7,234
Cash flow from financing activities	5,792	1,445
Cash flow for the period	12,307	8,679

Performance measures	Dec 31, 2016	Dec 31, 2015
Net debt (Net cash if negative) (MSEK)	−18,873	−7,721
Equity ratio (%)	26.8	26.2

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

New appointment to the Executive Management Team
In January, Xiaolin Yuan was appointed as Senior Vice President for the Asia Pacific, replacing Lars Danielson who will retire. Mr Yuan brings local knowledge and experience to a role that will be central to Volvo's continuing global development as he leads the company's continued growth in this key region.

RISKS AND UNCERTAINTY FACTORS

Risks are a natural element in all business activities. In order to achieve Volvo Cars' short and long-term objectives, enterprise risk management is part of the daily activities at Volvo Cars. For a more in-depth analysis of risks, see the Volvo Car Group Annual Report 2015 page 53.

OUTLOOK

Revenue growth
The premium segment in our three home markets are expected to continue to develop positively. While continuing the industrial transformation and renewal of our product portfolio, Volvo Cars expects further growth of revenue supported by retail sales growth in 2017.

Operating income
We expect a more premium model mix, following the introduction of the 90 series, however affected by increased expenses for sales and R&D, to maintain a strong profit level.

Investments
In 2017, we will continue to invest in our global manufacturing footprint, the renewal of our product portfolio and new technologies. Capex is therefore predicted to increase slightly.

PRODUCTION

Volvo Cars produced 533,156 (513,384) cars in 2016, an increase of 3.9 per cent.

EMPLOYEES

During 2016, Volvo Car Group employed on average 30,374 (28,119) full-time employees. Furthermore, the Group employed on average 4,190 (3,380) consultants. The increased number of consultants and employees are mainly related to higher production volumes and the continuing development of future models.

PARENT COMPANY

The parent company provides the Group with certain financing solutions but other than that conducts no operations and has no employees. The income statements and balance sheets for the Parent Company are presented on page 19.

CONSOLIDATED INCOME STATEMENTS

MSEK	Q4 2016	Q4 2015	Full year 2016	Full year 2015
Net revenue	55,940	52,646	180,672	164,043
Cost of sales	–45,435	–41,020	–143,282	–128,238
Gross income	**10,505**	**11,626**	**37,390**	**35,805**
Research and development expenses	–2,038	–2,484	–9,374	–8,803
Selling expenses	–3,231	–3,232	–11,992	–10,951
Administrative expenses	–1,808	–2,058	–6,471	–7,234
Other operating income	609	741	2,904	2,005
Other operating expenses	–842	–1,027	–1,861	–4,432
Share of income in joint ventures and associates	160	118	418	230
Operating income	**3,355**	**3,684**	**11,014**	**6,620**
Financial income	65	65	218	238
Financial expenses	–585	–317	–1,711	–1,469
Income before tax	**2,835**	**3,432**	**9,521**	**5,389**
Income tax	–486	–494	–2,061	–913
Net income	**2,349**	**2,938**	**7,460**	**4,476**
Net income attributable to				
Owners of the parent company	1,820	2,663	5,944	3,130
Non-controlling interests	529	275	1,516	1,346
	2,349	**2,938**	**7,460**	**4,476**

CONSOLIDATED COMPREHENSIVE INCOME

MSEK	Q4 2016	Q4 2015	Full year 2016	Full year 2015
Net income for the period	**2,349**	**2,938**	**7,460**	**4,476**
Other comprehensive income, net of income tax				
Items that will not be reclassified subsequently to income statement:				
Remeasurements of provisions for post-employment benefits	991	392	–1,157	1,321
Items that may be reclassified subsequently to income statement:				
Translation difference on foreign operations	–25	–241	514	–175
Translation difference of hedge instruments of net investments in foreign operations	25	75	–124	100
Change in cash flow hedge	–1,819	694	–3,074	1,617
Other comprehensive income, net of income tax	**–828**	**920**	**–3,841**	**2,863**
Total comprehensive income	**1,521**	**3,858**	**3,619**	**7,339**
Total comprehensive income attributable to				
Owners of the parent company	961	3,626	2,070	6,005
Non-controlling interests	560	232	1,549	1,334
	1,521	**3,858**	**3,619**	**7,339**

CONSOLIDATED BALANCE SHEETS

MSEK	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
Non-current assets			
Intangible assets		25,368	22,834
Property, plant and equipment		45,468	37,428
Assets held under operating leases		2,483	2,172
Receivables on parent company		54	—
Investments in joint ventures and associates		2,498	701
Other long-term securities holdings		79	15
Deferred tax assets		4,112	3,841
Other non-current assets		2,013	1,326
Total non-current assets		**82,075**	**68,317**
Current assets			
Inventories		21,198	20,306
Accounts receivable	3	8,717	8,805
Receivables on parent company		—	54
Current tax assets		293	307
Other current assets		5,757	5,393
Marketable securities		4,738	3,512
Cash and cash equivalents		38,635	25,623
Total current assets		**79,338**	**64,000**
TOTAL ASSETS		**161,413**	**132,317**
EQUITY & LIABILITIES			
Equity			
Equity attributable to owners of the parent company		39,536	32,550
Non-controlling interests		3,774	2,085
Total equity		**43,310**	**34,635**
Non-current liabilities			
Provisions for post-employment benefits		6,348	4,701
Deferred tax liabilities		1,209	1,768
Other non-current provisions		6,995	5,909
Liabilities to credit institutions		13,910	15,168
Bonds		7,699	—
Other non-current liabilities	3	5,818	2,927
Total non-current liabilities		**41,979**	**30,473**
Current liabilities			
Current provisions		15,371	12,456
Liabilities to credit institutions		2,813	6,246
Advance payments from customers		652	534
Accounts payable	3	30,508	26,282
Current tax liabilities		626	446
Other current liabilities	3	26,154	21,245
Total current liabilities		**76,124**	**67,209**
TOTAL EQUITY & LIABILITIES		**161,413**	**132,317**

CONDENSED CHANGES IN CONSOLIDATED EQUITY

MSEK	Dec 31, 2016	Dec 31, 2015
Opening balance	**34,635**	**34,268**
Net income	7,460	4,476
Other comprehensive income, net of income tax	–3,841	2,863
Total comprehensive income	**3,619**	**7,339**
Transactions with owners[1]	5,056	–6,972
Closing balance	**43,310**	**34,635**
Attributable to		
Owners of the parent company	39,536	32,550
Non-controlling interests	3,774	2,085
Closing balance	**43,310**	**34,635**

1) Refer to note 4 and 5.

CONSOLIDATED STATEMENTS OF CASH FLOWS

MSEK	Note	Q4 2016	Q4 2015	Full year 2016	Full year 2015
OPERATING ACTIVITIES					
Operating income		3,355	3,684	11,014	6,620
Depreciation and amortisation of non-current assets		2,680	2,517	10,527	9,399
Interest and similar items received		64	28	218	141
Interest and similar items paid		–442	–429	–953	–1,022
Other financial items		–308	–56	–418	–176
Income tax paid		–302	–367	–1,705	–1,645
Adjustments for items not affecting cash flow		861	–395	522	–235
		5,908	**4,982**	**19,205**	**13,082**
Movements in working capital					
Change in inventories		2,106	3,191	–231	–1,742
Change in accounts receivable		–158	–226	730	–994
Change in accounts payable		3,742	1,477	4,023	7,658
Change in items relating to repurchase commitments		–234	–159	–342	29
Change in provisions		1,997	1,565	3,497	1,979
Change in other working capital assets/liabilities		1,965	2,370	–21	2,564
Cash flow from movements in working capital		**9,418**	**8,218**	**7,656**	**9,494**
Cash flow from operating activities		**15,326**	**13,200**	**26,861**	**22,576**
INVESTING ACTIVITIES					
Investments in shares and participations, net	4	177	–62	–1,462	–2,239
Dividends received from joint ventures and associates		183	—	187	26
Investments in intangible assets		–2,047	–1,327	–6,394	–4,715
Investments in property, plant and equipment		–4,867	–2,435	–12,669	–8,677
Disposal of property, plant and equipment		—	100	—	263
Other		–3	—	–8	—
Cash flow from investing activities		**–6,557**	**–3 724**	**–20,346**	**–15,342**
Cash flow from operating and investing activities		**8,769**	**9,476**	**6,515**	**7,234**
FINANCING ACTIVITIES					
Proceeds from credit institutions		1,217	1,581	1,696	5,935
Proceeds from bond issuance		2,982	—	7,579	—
Proceeds from issuance of preference shares		4,979	—	4,979	—
Repayment of liabilities to credit institutions		–3,439	–2,591	–7,634	–6,626
Received shareholders' contribution		—	—	—	3,992
Investments in marketable securities, net		257	–1,520	–1,189	–2,488
Other		193	176	361	632
Cash flow from financing activities		**6,189**	**–2,354**	**5,792**	**1,445**
Cash flow for the period		**14,958**	**7,122**	**12,307**	**8,679**
Cash and cash equivalents at beginning of period		**23,598**	**18,917**	**25,623**	**17,002**
Exchange difference on cash and cash equivalents		79	–416	705	–58
Cash and cash equivalents at end of period		**38,635**	**25,623**	**38,635**	**25,623**

CONDENSED PARENT COMPANY INCOME STATEMENTS

MSEK	Q4 2016	Q4 2015	Full year 2016	Full year 2015
Administrative expenses	–2	—	–10	—
Operating income	**–2**	**—**	**–10**	**—**
Financial income	47	—	107	—
Financial expenses	–340	—	–414	—
Income before tax	**–295**	**—**	**–317**	**—**
Income tax	69	—	71	—
Net income for the period	**–226**	**—**	**–246**	**—**

CONDENSED PARENT COMPANY BALANCE SHEETS

MSEK	Dec 31, 2016	Dec 31, 2015
ASSETS		
Non-current assets	20,100	12,300
Current assets	5,021	—
TOTAL ASSETS	**25,121**	**12,300**
EQUITY & LIABILITIES		
Equity		
Restricted equity[1)]	51	0
Non-restricted equity	7,614	2,995
Total equity	**7,665**	**2,995**
Non-current liabilities	17,338	9,305
Current liabilities	118	—
TOTAL EQUITY & LIABILITIES	**25,121**	**12,300**

1) Restricted equity amounted to SEK 50,500,000 (100,000).

NOTE 1 – ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 - Interim Financial Reporting and the Swedish Annual Accounts Act. The parent company applies the Swedish Annual Accounts Act and RFR 2 – Reporting for legal entities. The Volvo Car Group applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. The accounting principles adopted are consistent with those described in the Volvo Car Group Annual Report 2015 Note 1 – Accounting Principles (available at www.volvocars.com) together with the following additions:

- The preference shares issued in December are included in equity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Preference shares are equity instruments as long as fundamental criteria for classification as equity is fulfilled, as stipulated in IAS 32 – Financial Instruments – Presentation. Preference shares have a preferential status compared to common shares, in terms of priority to dividends and priority to net assets in case of a liquidation. However, preference shares are subordinated to financial liabilities. For further information, refer to Note 5 – Preference shares.

- The bond issued in May is recorded at amortised cost with a fair value adjustment related to the interest component of the bond. Changes to fair value of the interest component of the bond is hedged through a fair value hedge by means of interest rate swaps, for which accounting principles are described in the Annual report 2015. The bond issued in November 2016 is recorded at amortised cost. No hedge accounting is applied on this bond issue.

Certain disclosures, required by IAS 34 – Interim financial reporting, may be given within this interim report, but outside of the formal interim financial statements.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The valuation principles for financial instruments, as described in the Volvo Car Group Annual Report 2015 Note 1 – Accounting Principles and Note 21 – Financial risks and financial instruments, have been consistently applied throughout the reporting period.

In Volvo Car Group's balance sheet, financial instruments reported at fair value through the income statement consist of derivatives as well as marketable securities (excluding time deposits in banks). Fair value of financial instruments is established according to three levels, depending on the market information available. All financial instruments reported at fair value through the income statement that Volvo Car Group holds as of December 31, 2016 belong to level 2. No transfers between the levels of the fair value hierarchy have occurred during the reporting period. Valuation of financial instruments at fair value is based on prevailing market data and on a discounting of estimated cash flows using the deposit/swap curve of the cash flow currency. For currency option instruments, the valuation is based on Black & Scholes formula. Fair value of commodity contracts is calculated by discounting the difference between the contracted forward price and the contracted forward price that can be obtained on the balance sheet date for the remaining contract period.

Derivatives with positive fair values amounted to MSEK 1,078 (1,557), whereof MSEK 406 (464) are included in other non-current assets and MSEK 672 (1,093) are included in other current assets. Derivatives with negative fair values amounted to MSEK 3,905 (496), whereof MSEK 1,842 (117) are included in other non-current liabilities and MSEK 2,063 (379) are included in other current liabilities. Marketable securities (excluding time deposits in banks) amounted to MSEK 7,537 (4,446), whereof MSEK 2,720 (3,512) are reported as marketable securities and MSEK 4,817 (934) are reported as cash and cash equivalents. Time deposits in banks (not recognised at fair value) amounted to MSEK 2,018 (–) and are included in marketable securities.

For financial liabilities valued at amortised cost, reported as current and non-current liabilities to credit institutions and as bonds, the carrying amount totalled MSEK 24,422 (21,414). The carrying amount is a good estimate of the fair value since the interest rates in existing loan agreements on December 31, 2016 were estimated to be in par with credit market interest rates. The fair value therefore corresponds, in every significant aspect, with the carrying amount. Fair value of financial instruments such as accounts payables and other non-interest bearing financial liabilities that are valued at amortised cost is regarded as coinciding with the carrying amount.

Carrying amount of financial liabilities recorded at amortised cost, as stated in the paragraph above, include the bond issued in May 2016. The carrying amount of the bond is MSEK 4,717 (–). A fair value adjustment related to the interest component of the bond is included in the carrying amount of the bond. The fair value component of the carrying value amounts to MSEK 6 (-). Changes to fair value of the interest component of the bond is hedged through a fair value hedge by means of interest rate swaps. The interest rate component of the issued bond, level 2, is calculated by discounting the future coupon payments and face value of the bond, using the deposit/swap curve of the cash flow. The bond issued in November 2016 is recorded at amortised cost. No hedge accounting is applied on this bond issue.

NOTE 3 – RELATED PARTY TRANSACTIONS

During the fourth quarter and full year 2016, Group companies entered into the following trading transactions with related parties that are not consolidated in the Group. The information in the table below includes all trading assets and liabilities to related parties. Besides from other non-current liabilities of MSEK 1,383 (941) all assets and liabilities are current.

Sales of goods services and other, MSEK	Q4 2016	Q4 2015	Full year 2016	Full year 2015
Related companies[1]	522	191	1,738	1,034
Associated companies and joint ventures[2]	53	44	162	105

Purchases of goods services and other, MSEK	Q4 2016	Q4 2015	Full year 2016	Full year 2015
Related companies[1]	889	226	1,241	864
Associated companies and joint ventures[2]	268	266	926	616

	Receivables from		Payables to	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Related companies[1]	3,486	4,213	3,726	4,377
Associated companies and joint ventures[2]	780	484	127	153

1) Related companies are companies outside the Group but within the Geely sphere of companies.
2) Associated companies and joint ventures are companies in which Volvo Car Group has a significant but not controlling influence, which generally is when Volvo Car Group holds between 20 and 50 per cent of the shares. In 2016, the method of computing sales and purchase transactions from associated companies has been refined, with a similar method being applied to 2015 comparative figures.

NOTE 4 – BUSINESS COMBINATIONS

First Rent A Car
On December 28, 2016 Volvo Car Group, through one of its wholly owned subsidiaries Volvo Personvagnar Norden AB, exercised a call option and entered into an agreement to acquire the remaining 55 per cent of the shares in the car hire company First Rent A Car AB, the Swedish license holder to Hertz International Ltd. At the same time the terms of the option was finally negotiated and agreed with the seller. The finalisation of the transaction is depending on an approval from the European Commission, which is expected during the first quarter 2017. At finalisation of the transaction, Volvo Car Group will have a 100 per cent shareholding in First Rent A Car AB. Based on the agreement with the selling party, Volvo Cars has assessed to have the power of control, from an accounting perspective, of First Rent A Car AB from the time of the agreement and hence, First Rent A Car Group has been consolidated into Volvo Car Group as of December 31, 2016.

Apart from the parent company, First Rent A Car Group consists of the wholly owned subsidiaries First Rent Invest AB (with 50 per cent interest in Bra Bil Sverige AB), First Rent Holding Group (including the wholly owned subsidiaries, First Rent A Car Norway AS and First Rent A Car A/S, Denmark), Sunfleet Carsharing AB and the Biltween Group.

After the acquisition, Volvo Car Group holds, through the First Rent A Car Group, 50 per cent of the shares in Bra Bil Group. First Rent A Car Group is assessed to have the power of control over Bra Bil Group, through its 50 per cent ownership in combination with a shareholder agreement. As a result, Bra Bil Group is classified as a subsidiary and fully consolidated into Volvo Car Group, as a part of First Rent A Car Group, with a non-controlling interest of 50 per cent. During the period from signing to approval from the European Commission, First Rent A Car Group will conduct as previously.

The acquisition of First Rent A Car is in-line with Volvo Car Group's strategy to strengthen its customer focus and meet new changing consumer expectations around how to own and engage with cars. First Rent A Car's product offering of on-demand mobility solutions is highly complementary with Volvo Cars' product portfolio and will enhance, but also provide an opportunity to expand, the Group's car ownership models.

MSEK	2016
Purchase price	
Purchase consideration	15
Fair value of investment in associated company held before the business combination	76
Total cost of the combination	**91**
Acquired assets and liabilities at fair value	
Intangible assets	14
Tangible assets	746
Financial assets	927
Inventories	230
Current receivables	684
Other current assets	45
Cash and cash equivalents	177
Non-controlling interest	–140
Deferred tax liabilities	–38
Other non-current liabilities	–1,480
Current liabilities	–961
Total fair value of net assets acquired	**204**
Negative goodwill	**–113**
Cash effect on business combination	
Cash paid for acquisitions during the year	—
Acquired cash and cash equivalents	177
Change in cash and cash equivalents due to acquisitions	**177**

Volvo Car Groups' assessment is that the carrying value, of the previously held equity interest, is a reasonable estimate of the fair value and as a consequence no adjustments have been made. The business combination results in a negative goodwill of MSEK 113, since the fair value of the net assets exceeds the total cost of the combination. Volvo Car Group has recognised the gain in other operating income. The negative goodwill on the acquisition is primarily related to the exercise of a call option where the purchase price of the shares has been finally determined in negotiations connected with the call of the option. Acquisition-related costs amounted to MSEK 1 and have been recognised as administration costs. Contingent liabilities assumed and collateral pledged, arising from the acquisition, amounted to MSEK 584. The fair value of the acquired receivables (which primarily comprises account receivables) corresponds to the gross contractual value and amounts to MSEK 684. All receivables are expected to be collectible. The acquired business has not contributed to any net revenue or net income in the Group during the period December 28, to December 31, 2016.

The total cost of combination and fair values have been determined provisionally, thus, the acquisition analyses may be subject to adjustment during a twelve-month period.

NOTE 5 – PREFERENCE SHARES

In December 2016, a directed new issue of 500,000 preference shares was made, whereby MSEK 5,000 was added to the equity of Volvo Car AB (publ.). Pricing of the new shares has taken into consideration the preferential status of these shares over ordinary shares (priority over ordinary shares in the payment of dividends and upon liquidation), a pre-stated size of yearly dividend and a future conversion of preference shares to listed ordinary shares in a structure that is not 1:1[1].

The preference shares constitute equity instruments, since payment of dividends, SEK 250[2] per share, is subject to a decision by a general meeting of the shareholders and a possible redemption (exercising of an embedded call option) of preference shares is on Volvo Car AB (publ.)'s initiative. Thus, it is discretionary for the entity whether payment of dividends or redemption of these preference shares occurs and consequently no contractual obligation exists to pay out funds. In addition, in the event of conversion of the preference shares into ordinary shares, the conversion ratio is fixed 1:1[1].

A conversion of preference shares to ordinary shares is subject to a decision by the annual general meeting. Subject to such a decision, a conversion is mandatory for the shareholders. At conversion, the preferential status of the preference shares would cease.

1) Subject to certain contractual conditions are being met and subject to a decision by the annual general meeting of the shareholders of Volvo Car AB (publ.), the main owner of Volvo Car AB (publ.), Geely Sweden Holdings AB, shall reallocate shares to the investors. If a conversion is carried out, the transaction will occur outside of the Volvo Car Group. The number of potential shares to be transferred is dependent on certain conditions at the time of the conversion.

2) 36 months after the issue, increased to at least SEK 750 per share.

DEFINITIONS

Volvo Car Group and Volvo Cars
Volvo Car AB (publ.), Volvo Car Corporation and all its subsidiaries.

Joint venture companies
Joint ventures refer to companies in which Volvo Car Group, through contractual cooperation together with one or more parties, has a joint control over the operational and financial management.

Western Europe
Norway, Denmark, Finland, Netherlands, Belgium, France, Spain, Italy, Germany, Switzerland, Austria, Ireland, UK, Greece and Portugal.

Retail sales
Retail sales refer to sales to end customers and is a relevant measure of the demand for Volvo Cars from an end customer point of view.

DEFINITIONS OF PERFORMANCE MEASURES

Performance measures disclosed in the interim report are those that are deemed to give the most true and fair as well as relevant view of Volvo Car Group's financial performance for a reader of the interim report. For reconciliation of performance measures, refer to page 21.

EBIT
EBIT represents earnings before interest and taxes. EBIT is synonymous with operating income which measures the profit Volvo Car Group generates from its operations.

EBIT margin
EBIT margin is EBIT as a percentage of net revenue and measures Volvo Car Group's operating efficiency.

EBITDA
EBITDA represents earnings before interest, taxes, depreciations and amortisation, and is another measurement of the operating performance. It measures the profit Volvo Car Group generate from its operations without effect from previous periods capitalisation levels.

EBITDA margin
EBITDA margin is EBITDA in percentage of net revenue.

Equity ratio
Total equity divided by total assets, is a measurement of Volvo Car Group's long-term solvency and financial leverage.

Net cash/net debt
Net cash/net debt is an indicator of Volvo Car Group's ability to meet its financial obligations. It is represented by liabilities to credit institutions, bonds and other interest-bearing non-current liabilities, less cash and cash equivalents and marketable securities. If negative, the performance measure is referred to as net cash and if positive the performance measure is referred to as net debt.

RECONCILIATION TABLES OF PERFORMANCE MEASURES

EBIT Margin	Q4 2016	Q4 2015	Full year 2016	Full year 2015
Operating income (EBIT) in % of net revenue	**6.0**	**7.0**	**6.1**	**4.0**

EBITDA/EBITDA Margin	Q4 2016	Q4 2015	Full year 2016	Full year 2015
Operating income	3,355	3,684	11,014	6,620
Depreciation and amortisation of non-current assets	2,680	2,517	10,527	9,399
EBITDA	**6,035**	**6,201**	**21,541**	**16,019**
EBITDA in % of net revenue	**10.8**	**11.8**	**11.9**	**9.8**

EQUITY RATIO	Dec 31, 2016	Dec 31, 2015
Total equity	43,310	34,635
Total assets	161,413	132,317
Equity in % total assets	**26.8**	**26.2**

NET DEBT/NET CASH (MSEK)	Dec 31, 2016	Dec 31, 2015
Liabilities to credit institutions (non-current)	13,910	15,168
Bonds[1]	7,693	—
Other interest-bearing non-current liabilities	84	—
Liabilities to credit institutions (current)	2,813	6,246
Marketable securities	−4,738	−3,512
Cash and cash equivalents	−38,635	−25,623
Net Debt (Net cash if negative)	**−18,873**	**−7,721**

1) The bonds are presented above at amortised cost. The bond issued in May is recognised in the balance sheet with a fair value adjustment and the fair value component amounted to MSEK 6 (-).

The President and Chief Executive Officer certifies that the interim report gives a fair view of the performance of the business, position and income statements of the parent company and the Group, and describes the principal risks and uncertainties to which the Group are exposed.

Gothenburg, February 7, 2017

Håkan Samuelsson
President and Chief Executive Officer

This report has not been subject to review by Volvo Car AB's auditors.

The Volvo Car Group annual report 2016 will be published in March 2017.
The Volvo Car Group interim report on the first quarter 2017 will be published on April 28th, 2017 at 06.00 AM CEST.

CONTACT

Nils Mösko
Vice President, Head of Investor Relations
+46-(0)31-59 21 09
investors@volvocars.com

Volvo Car Group Headquarters
405 31 Gothenburg
www.volvocars.com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