H2/FY

VOLVO CAR GROUP INTERIM REPORT
SECOND HALF YEAR REPORT & FULL YEAR REPORT 2015

JULY - DECEMBER 2015

- Volvo Cars retail sales at 270,843 (236,853) units
- Net revenue at MSEK 88,828 (70,608)
- Operating income (EBIT) of MSEK 4,959 (1,160)
- Net income of MSEK 3,599 (243)
- Cash flow from operating and investing activities of MSEK 8,278 (736)
- Start of construction of the new manufacturing plant in Berkeley County, South Carolina, US

JANUARY - DECEMBER 2015

- Volvo Cars retail sales at 503,127 (465,866) units
- Net revenue at MSEK 164,043 (137,590)
- Operating income (EBIT) of MSEK 6,620 (2,128)
- Net income of MSEK 4,476 (508)
- Cash flow from operating and investing activities of MSEK 7,234 (-4,766)
- Consolidation of the Chinese industrial entities
- More than 88,000 placed orders for the all-new XC90

Key figures	**H2 2015**	**H2 2014***	**Full year 2015**	**Full year 2014***
Net revenue, MSEK	88,828	70,608	164,043	137,590
Research and development expenses, MSEK	-4,825	-3,883	-8,803	-7,193
Operating income, EBIT, MSEK	4,959	1,160	6,620	2,128
Net income, MSEK	3,599	243	4,476	508
EBITDA, MSEK	9,933	4,689	16,019	9,491
Cash flow from operating and investing activities, MSEK	8,278	736	7,234	-4,766
EBIT margin, %	5.6	1.6	4.0	1.5
EBITDA margin, %	11.2	6.6	9.8	6.9
Equity ratio, %	26.2	27.8	26.2	27.8
Net debt (Net cash if negative), MSEK	-7,721	856	-7,721	856

Retail Sales (units)	**H2 2015**	**H2 2014**	**Full year 2015**	**Full year 2014**
Western Europe	104,651	94,527	198,049	182,157
China	43,296	42,823	81,588	81,574
Sweden	38,740	30,846	71,200	61,357
US	40,680	27,040	70,047	56,371
Other markets	43,476	41,617	82,243	84,407
Total	270,843	236,853	503,127	465,866

* The comparative figures for 2014 are restated. As the incorporation of the Chinese entities is a common control transaction Volvo Car Group has elected to apply predecessor accounting, meaning that the comparative information is presented in the report as if the incorporated entities had always been controlled by Volvo Car Group.

CEO Comment

I am pleased to report that in 2015 we sold more than half a million cars for the first time in the company's history. At the same time we trebled the profit to MSEK 6,620. Now, with a successful 2015 behind us, Volvo Cars is about to enter the second phase of its global transformation. Once completed, the company will take its place as a truly premium car company in all segments.

Volvo Cars has made significant progress since being acquired by Geely Holdings in 2010, not least in expanding its industrial footprint. Last year's announcement of the new US factory in South Carolina means that Volvo Cars will have an industrial presence in all three key global regions – Asia, Europe and the US. This will provide us with a good balance against market fluctuations. Sales have hit a series of record heights and in 2015 we reached 503,127 cars, helped by strong growth in Europe and an impressive turnaround in the US.

Financially, the operating profit was MSEK 6,620 and the fact that Volvo Cars has been profitable every year since 2010, highlights its ability to reform and grow at the same time. The operating profit margin of 4 per cent is a substantial increase on 2014. In the second part of 2015 after the introduction of the XC90 on the market, we reached an operating margin of 5.6 per cent.

Over the last four years, Volvo Cars has invested in the development of its SPA architecture for larger cars. In 2015 we started seeing the fruits of these investments in the shape of the XC90 and the S90 sedan. The XC90 has won over 50 awards and even more important received 88,000 orders in 2015, far exceeding our expectations.

This means that customers like our cars and want to own them which bodes well for the future.

These cars have allowed us to rejuvenate the brand, giving it a distinctive identity in the premium segment. They are the first members of a new Volvo generation. In the next three years, the entire product line up will be renewed, with a positive impact on both sales and profitability.

We have also developed the Drive-E engine family, with the best balance between power and fuel efficiency on the market, and we have committed to a three and four cylinder strategy across the range. We are the only premium car manufacturer to have taken this bold decision.

In 2015, we strengthened our executive management and corporate structure by creating three operating regions, improving our commercial focus. We have also restructured the company to more accurately reflect the way it does business by fully consolidating our China business.

We are in the most intense period of investment and transformation in the company's history.

Volvo Cars is a company that has set itself high goals. We will continue our strategy to reach them in the coming years.

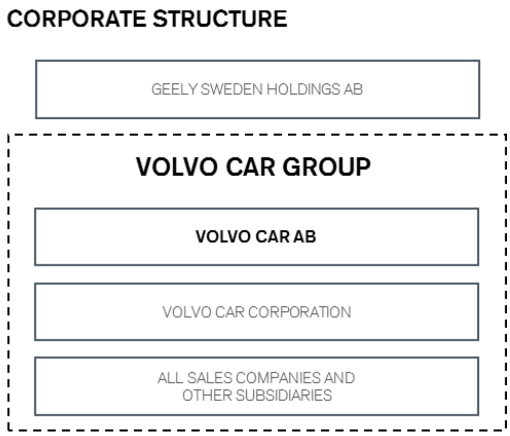
Håkan Samuelsson
President and Chief Executive Officer

The Volvo Car Group

Volvo Car AB, with its registered office in Stockholm, is 100 per cent owned by Geely Sweden Holdings AB, owned by Shanghai Geely Zhaoyuan International Investment Co., Ltd., registered in Shanghai, China, with ultimate majority ownership held by Zhejiang Geely Holding Group Ltd., registered in Hangzhou, China.

Volvo Car AB does not conduct any direct business other than holding shares in its subsidiary Volvo Car Corporation. Volvo Car AB indirectly, through Volvo Car Corporation and its subsidiaries operate in the automotive industry with business relating to the design, development, manufacturing, marketing and sales of cars. Volvo Car Group and its operations are normally referred to as "Volvo Cars".

The new corporate structure looks as described below.



Sales development

PASSENGER CAR MARKET DEVELOPMENT

Western Europe

During 2015, Western European passenger car sales continued to grow at a robust pace of 9 per cent, driven by positive economic development in major markets. Key markets such as Germany, France, Italy and Spain showed strong new-car sales. The UK passenger car market reached full-year record volume of 2.63 million cars sold in 2015, an 8 per cent growth compared to 2014, and the growth rate in Sweden was 14 per cent. The positive sales development in Western Europe was mainly attributable to an increase in the SUV segment, as well as an increased demand for Sedans.

China

In China, the car industry is adjusting to a lower growth rate in the passenger car market, but still sees a strong demand for SUV's and compact crossovers. In 2015, the demand for passenger vehicles in China increased by 7 per cent, mainly related to a late increase in sales triggered by the government's purchase tax cut on small cars.

US

Following the upward market trend set out in the summer the demand for light-vehicles remained strong in the second half of the year. The passenger car market increased by 6 per cent in 2015. For most brands, growth was driven by strong SUV and compact crossover sales.

Other Markets

In 2015, the macroeconomic conditions in Russia showed little signs of recovery, which continued to impact the light-vehicle market. The Russian passenger vehicle market fell by 36 per cent. The downward sales trend in Japan continued with a market decrease of 10 per cent while positive market conditions were present in both Australia and Turkey, with market growth of 4 and 26 per cent respectively.

VOLVO CARS SALES DEVELOPMENT

For the second half year, Volvo Cars retail sales increased by 14.4 per cent to 270,843 (236,853) units. The growth was mainly attributable to the positive momentum in Sweden and the US. The all-new XC90 was driving the overall increase and reached sales of 33,902 (0) units. Volvo Cars most sold model, the XC60, continued to deliver with an increase of 14.6 per cent and reached sales of 81,551 (71,152) units.

During the second half year the second best-selling car line V40/V40 Cross Country decreased slightly to 55,124 (58,391) units sold. The S60 Cross Country was available to order for customers in US, Canada, Russia and Europe in the third quarter, following the introduction of the V60 Cross Country which contributed to the second half year with 7,993 (0) units.

In 2015, Volvo Cars reported retail sales record of 503,127 (465,866) units, an increase of 8 per cent. The US and Sweden both showed substantial growth throughout the year. The sales increase was mainly driven by the all-new XC90 and the XC60. The all-new XC90 received more than 88,000 placed factory orders since launch. China, however, was flat on a full year basis, but picking up in the later part of the year, and Russia reported a decrease in retail sales following the negative market development.

Volvo Cars' XC model range continues to deliver. The XC60 was the best-selling model with 159,617 (136,993) units sold, an increase of 17 per cent. The largest market for the XC60 was China, followed by the US and Sweden. During 2015, the all-new XC90 contributed with 40,621 (0) units, and was the main driver behind the sales increase in most markets.

The second best-selling car line was the V40/V40 Cross Country with sales of 106,631 (110,864) units, followed by the S60/S60L/S60 Cross Country with 64,078 (67,623) units.

Western Europe

Volvo Cars continued its strong performance in Western Europe and reported retail sales of 104,651 (94,527) units, an increase of 10.7 per cent, for the second half year. Germany, Spain and the Netherlands were the main drivers behind the positive development. With sales of 34,347 (37,726) the V40/V40 Cross Country continued to be the best-selling model, followed by the XC60 which increased by 11.0 per cent to 28,111 (25,331) units sold.

In 2015, Western Europe delivered an 8.7 per cent increase in sales and reported retail sales of 198,049 (182,157) units. Several key markets, including Germany, UK, Italy and France all showed solid growth. Spain saw a remarkable sales increase of 31 per cent compared to 2014. The V40/V40 Cross Country remained the best-selling model in Western Europe with retail sales of 67,411 (68,282), followed by the XC60 with 56,077 (46,325) units.

China

Volvo Cars' retail sales in China, during the second half year, were up by 1.1 per cent to 43,296 (42,823), recovering somewhat from the first half year.

The pickup in the latter part of 2015 meant Volvo Cars' full year retail sales in China remained flat compared to 2014, thus reaching 81,588 (81,574) units. The XC60 was the best-selling model with retail sales of 37,469 (32,935) followed by the S60L with 25,772 (23,368) units. The modest sales increase was mainly due to weaker demand for the V60, the V40 and the discontinued S80L.

Sweden

During the second half year, Volvo Cars' retail sales saw a substantial growth of 25.6 per cent to 38,740 (30,846) units sold. The most sold model was the V70 with 8,184 (6,789) units, closely followed by the XC60 which reached 7,110 (5,610) units.

In 2015, sales in Sweden experienced a double-digit increase of 16.0 per cent to 71,200 (61,357) units and Volvo Cars kept its leading market position with a market share of 20.6 per cent. Strong demand for Volvo Cars' XC carlines continued to support a positive sales performance in Volvo Cars' home market. Sales of the XC carlines accounted for 43.4 per cent of the sales and recorded a substantial increase of 35.1 per cent to 30,916 (22,879) units.

US

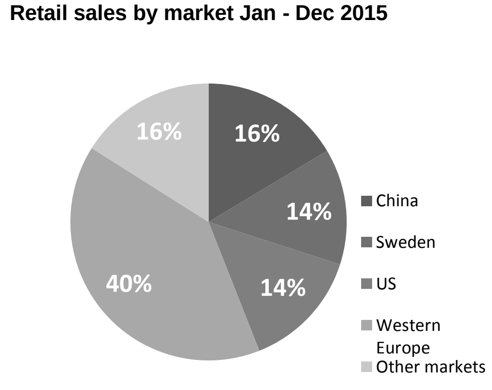
In the second half year the results of the US revival program laid out in 2014 were reflected in a 50.4 per cent increase in sales to 40,680 (27,040) units. In two consecutive months (November and December) Volvo Cars recorded a sales increase of around 90 per cent compared with the same period in 2014. The main driver behind the sales increase is the all-new XC90, which fully reached the market in the summer and reached sales of 11,211 (0) units during the second half year. The XC60 remained the best-selling model with 14,224 (10,494) units sold.

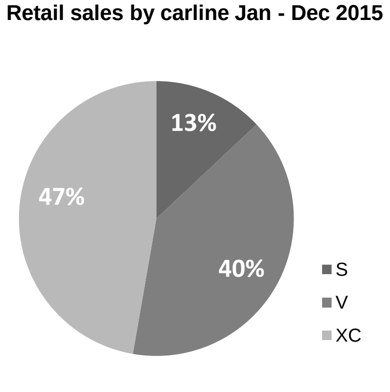
Volvo Cars' sales in the US market started to show strong signs of recovery in 2015, compared to the decreasing sales development in recent years. In 2015, retail sales increased by 24.3 per cent to 70,047 (56,371) units. The increase was driven by strong demand for the all-new XC90 and the XC60. The XC90 reached a sales volume of 12,664 (0) units while the XC60 was the best-selling model with sales of 26,134 (19,278) units, an increase of 35.6 per cent.

Other Markets

In 2015, the total sales for Other Markets was still 2.6 per cent behind the level of the previous year, reaching 82,243 (84,407) units, mainly due to the 49.2 per cent decline in Russia. The sales decrease in Russia followed the turbulent local macroeconomic and market conditions. The decrease was partially offset by positive sales development trends in Korea, Brazil, Poland and Turkey.

The XC60 and the V40/V40 Cross Country were the most popular models and their performance remained stable, compared to 2014





Retail sales, (units)	**H2 2015**	**H2 2014**	**Change %**	**Full Year 2015**	**Full Year 2014**	**Change %**
Western Europe[1)]	104,651	94,527	10.7	198,049	182,157	8.7
China	43,296	42,823	1.1	81,588	81,574	0.0
Sweden	38,740	30,846	25.6	71,200	61,357	16.0
US	40,680	27,040	50.4	70,047	56,371	24.3
Other Markets	43,476	41,617	4.5	82,243	84,407	-2.6
Total	**270,843**	**236,853**	**14.4**	**503,127**	**465,866**	8.0

1) Excluding Sweden

Retail sales by model, (units)	**H2 2015**	**H2 2014**	**Full Year 2015**	**Full Year 2014**
S60	15,607	20,630	35,962	44,255
S60L	15,938	14,979	27,352	23,368
S60 Cross Country	764	-	764	-
S80	3,270	3,745	6,761	7,668
S80L	2,140	2,210	3,569	4,821
V40	43,718	44,980	83,357	84,771
V40 Cross Country	11,406	13,411	23,274	26,093
V60	23,847	30,398	51,333	61,977
V60 Cross Country	7,993	-	10,008	-
V70	14,414	13,983	27,841	27,795
XC60	81,551	71,152	159,617	136,993
XC70	14,919	14,777	30,175	29,092
XC90 (Classic)	1,372	6,501	2,481	17,869
XC90 (All-new)	33,902		40,621	-
Other models	2	87	12	1,164
Total	**270,843**	**236,853**	**503,127**	**465,866**

Top 10 Retail sales by market, (units)	**H2 2015**	**H2 2014**
China	43,186	42,666
USA	40,680	27,040
Sweden	38,740	30,846
UK	22,197	21,165
Germany	18,743	16,195
Netherlands	16,760	13,417
Belgium	8,416	7,577
Italy	7,494	7,189
Japan	7,239	6,213
France	7,080	6,604

Top 10 Retail sales by market, (units)	**Full Year 2015**	**Full Year 2014**
China	81,336	81,221
Sweden	71,200	61,357
USA	70,047	56,371
UK	43,211	40,808
Germany	35,604	31,575
Netherlands	23,182	21,660
Belgium	18,125	16,846
Italy	16,230	14,524
France	14,095	12,611
Japan	13,493	13,264

Significant events

JULY - DECEMBER 2015

Volvo Cars began construction of its first plant in the US

In September 2015, the first steps towards construction of the new car manufacturing facility in Berkeley County, South Carolina, US were taken. The new plant will produce the next-generation Volvo cars, based on Volvo Cars' new Scalable Product Architecture (SPA). The new facility will initially have a capacity of up to 100,000 cars per year. The first South Carolina-built Volvo cars are expected to roll off the assembly line in late 2018.

Volvo Cars sold its Floby component plant

In July 2015, Volvo Cars announced that its component plant in Floby, Sweden would be sold to Amtek Group, a global manufacturer of automotive components. The Floby plant produces brake discs, wheel hubs and connecting rods for passenger cars and commercial vehicles. The plant employs 441 people, all of whom have retained their positions under new ownership. The transaction was completed on December 30th.

Acquisition of Polestar

In July 2015, Volvo Cars acquired 100 per cent of Polestar Performance AB, the Swedish high performance car company, and Polestar Holding AB, which is the owner of the Polestar trademarks. Polestar is used as the model name for special high performance Volvo cars. Volvo Cars and Polestar share a long history. They have been working in motor sport since 1996 and in recent years signed a cooperation agreement to jointly develop Polestar versions of Volvo cars.

Change of Board Members

In March, Dr. Herbert H. Demel left the Board of Directors. In October, Hans-Olov Olsson left the Board of Directors of Volvo Car Corporation. Hans-Olov Olsson held the position as Vice-Chairman of the Board since the acquisition by Geely in 2010 and was the President and CEO of Volvo Car Corporation between 2000 and 2005. Mikael Olsson, member of the Board since 2013, has replaced Hans-Olov Olsson as Vice-Chairman.

In December 2015, all members of the Board of Volvo Car Corporation shifted to being members of the Board of the new parent company Volvo Car AB. For further explanation of the group structure, please see section "The Volvo Car Group" on page 3.

All-new Volvo S90 pre-launch

In December 2015, Volvo Cars pre-launched the all new S90 in Gothenburg and it was publically unveiled at the NAIAS in Detroit in January 2016. With the S90, Volvo Cars introduces a range of new technical solutions, from safety to cloud-based apps and services. The launch of the S90 clearly moves Volvo Cars into the premium sedan segment.

Volvo Cars to acquire additional shares in Volvofinans

In December 2015, Volvo Cars reached an agreement with the Swedish Sixth AP Fund to acquire an additional 40 per cent of the shares in Volvofinans Bank AB, thus increasing its ownership from 10 to 50 per cent. A letter of intent was signed and the transaction will be carried out after approval by the regulatory authorities. In Sweden, Volvofinans Bank AB is the leading bank within vehicle financing services.

Insurance Captive

Volvo Cars has started its own insurance company, Volvo Car Insurance, in December. Volvo Car Insurance insures the groups' risks in relation to Property Damage & Business Interruption, General & Products Liability and Transport. The Volvo Cars' owned insurance company (captive) provides opportunities to reduce costs and enhance risk management while increase control over the Volvo Cars' insurance programs.

JANUARY - JUNE 2015

Summary of previously reported significant events.

- Maastricht operations moved to Ghent
- Acquisitions of assets in DSV
- New board member Thomas Johnstone appointed
- Start of production of all-new XC90 in Torslanda on the new SPA architecture
- New Senior Management structure
- Announcement of construction of first plant in the US
- Third shift in the Torslanda plant started
- Incorporation of China Industrial entities

Financial summary

JULY – DECEMBER 2015 INCOME AND RESULT

The comparative figures refer to the restated consolidated income statement of H2 2014 if not otherwise stated. The consolidated income statement for 2015 includes the result of the acquired Chinese industrial entities for the period starting from January 1, 2015.

During the second half year, Volvo Car Group generated net revenue of MSEK 88,828 (70,608), an increase of 25.8 per cent compared to the same period in 2014, primarily related to higher sales volumes and a strong sales mix, mainly driven by the all-new XC90 and the XC60, and positive exchange rate development.

Cost of sales increased by MSEK 10,834 to MSEK -69,118 (-58,284), an increase of 18.6 per cent compared to the same period in 2014. This increase is primarily attributable to higher sales volumes and the sales mix, resulting in higher material costs, which is partially offset by freight and distribution cost reductions through localized production in China.

Research and development expenses recognised in the income statement increased to MSEK -4,825 (-3,883), including amortisation of capitalised development expenses of MSEK -1,190 (-618) The increase is primarily related to higher product development costs and higher amortisation of capitalised development expenses mainly related to the XC90. See table below.

Selling expenses increased by MSEK 1,201 to MSEK -5,817 (-4,616) due to increased marketing and event expenses, in Europe and Asia as well as increased expenses for the US turnaround plan.

Administrative expenses increased by MSEK 836 to -3,971 (-3,135), due to increased salary expenses and increased number of employees, as part of the continuing ramp up in China.

Other operating income and expense, net has increased to MSEK -311 (333) compared to the same period in 2014. The increase is mainly explained by a negative net foreign exchange result which in turn implies a positive currency effect in the underlying business.

Operating income (EBIT) increased to MSEK 4,959 (1,160), resulting in an operating margin of 5.6 (1.6) per cent. Net financial items amounted to MSEK -675 (-534). This increase is due to higher interest charges, as a result of increased in liabilities to credit institutions. Tax expense increased based on the increase in EBIT. Net income amounted to MSEK 3,599 (243).

R&D spending (MSEK)	**H2 2015**	**H2 2014***	**Full year 2015**	**Full year 2014***
Capitalised development expenses	2,276	2,392	4,494	4,748
Research and development expenses	-4,825	-3,883	-8,803	-7,193
whereof amortised development expenses	*-1,190*	*-618*	*-2,263*	*-1,378*

JANUARY – DECEMBER 2015 INCOME AND RESULT

The comparative figures refer to the restated consolidated income statement for 2014 if not otherwise stated. The consolidated income statement for 2015 includes the result of the acquired Chinese industrial entities for the period starting from January 1, 2015.

For the full year 2015, Volvo Car Group generated net revenue of MSEK 164,043 (137,590), an increase of 19.2 per cent compared to 2014, primarily related to higher sales volumes and a strong sales mix, mainly driven by the all-new XC90 and the XC60, and positive exchange rate development.

Cost of sales increased by MSEK 14,218 to MSEK -128,238 (-114,019), an increase of 12.5 per cent compared to 2014. This increase is primarily attributable to increased production volumes due to higher sales volumes and the sales mix. This has resulted in higher material costs, which is partially offset by freight and distribution cost reductions through localized production in China.

Research and development expenses recognised in the income statement increased to MSEK -8,803 (-7,193), including amortisation of capitalised development expenses of MSEK -2,263 (-1,378). The increase is related to higher product development costs and higher amortisation expenses. Capitalised development expenses decreased by MSEK 254 to MSEK -4,494 (-4,748), see table on previous page.

Selling expenses increased by MSEK 2,243 to MSEK -10,951 (-8,708) due to increased salary expenses, marketing and event expenses in all regions.

Administrative expenses increased by MSEK 1,291 to MSEK -7,234 (-5,943), due to increased salary expenses, increased number of consultants, and increased IT expenses.

Other operating income and expense, net has increased to MSEK -2,427 (210) compared to the same period in 2014. The net change is explained by a negative result from realised cash flow hedges which in turn implies a positive currency effect in the underlying business.

Operating income (EBIT) increased to MSEK 6,620 (2,128), resulting in an operating margin of 4.0 (1.5) per cent. Net financial items amounted to MSEK -1,231 (-973). This increase is due to higher interest charges, as a result of the increase in liabilities to credit institutions, as well as the net foreign exchange result on financing activities. Tax expense increased based on the increase in EBIT. Net income amounted to MSEK 4,476 (508).

Income Statement (MSEK)	**H2 2015**	**H2 2014***	**Full year 2015**	**Full year 2014***
Net revenue	88,828	70,608	164,043	137,590
Gross income	19,710	12,324	35,805	23,571
Operating income	4,959	1,160	6,620	2,128
Income before tax	4,285	626	5,389	1,155
Net income	3,599	243	4,476	508

NET FINANCIAL POSITION AND LIQUIDITY

The presented figures refer to the consolidated full year figures for 2015 if not otherwise stated. The comparative figures for the cash flow items refer to the restated consolidated cash flow statement for 2014 if not otherwise stated. The comparative figures for the balance sheet items refer to the restated consolidated balance sheets of December 31, 2014 if not otherwise stated.

Cash flow from operating activities amounted to MSEK 22,576 (8,839), an increase of MSEK 13,737 for the year. The increase is mainly related to the positive change in EBIT, as well as positive working capital development. The change in working capital is mainly related to the increase in accounts payables, provisions and other current liabilities due to increased production volumes. This is slightly offset by the increase in inventories as a result of the increased production volumes during the year. For the second half of the year, inventories decreased due to increased sales volumes which in turn had a positive effect on working capital.

Cash flow from investing activities amounted to MSEK -15,342 (-13,605), which includes the acquisition of the Chinese joint venture companies of MSEK -2,197. Investments in tangible assets is primarily due to special tool investments related to the all-new XC90 and the SPA platform, amounting to MSEK -8,677. Investments in intangible assets includes the investments in upcoming car models on the SPA platform, amounting to MSEK -4,715.

Cash flow from financing activities amounted to MSEK 1,445 (3,641) and is mainly attributable to the received capital contribution from Shanghai Geely Zhaoyuan International Investment Co., Ltd of MSEK 3,992 (1,555). Liabilities to credit institutions amounted to MSEK 21,414 (18,905). Through the incorporation of the Chinese industrial entities, Volvo Car Group obtained the funding responsibility, which resulted in replacing liabilities to the parent company with external bank loans of MSEK 5,395 (7,270), explaining the majority of the increase in liabilities to credit institutions. Liabilities to the parent company have accordingly decreased by MSEK 2,794 to zero. Repayment of liabilities to credit institutions amounted to MSEK 6,626 (5,101) during the year. Net cash at the end of the year amounted to MSEK -7,721 (856). Cash flow from financing activities also includes investments in marketable securities resulting in a cash outflow of to MSEK -2,488 (-978).

Cash and cash equivalents including marketable securities increased by MSEK 11,085 to MSEK 29,134 (18,049). The revolving credit facility of MEUR 660 remains undrawn.

Total equity has increased by MSEK 367 to MSEK 34,635 (34,268), resulting in an equity ratio of 26.2 (27.8) per cent. The change in equity is partly due to a decrease of MSEK -8,767 related to the group contribution made to Geely Sweden Holdings AB at year end, offset by an increase related to the positive effects included in other comprehensive income related to revaluation of post-employment benefits and cash flow hedge reserves. The positive effects related to revaluation of post-employment benefits result from increased discount rates. Total equity also increased due to received shareholders contribution, offset by the purchase price for the acquisition of the additional 20 per cent in Volvo Cars' Chinese joint ventures.

PARENT COMPANY

The comparative figures refer to the income statement of H2 2014 if not otherwise stated. The comparative figures for the balance sheet items refer to the balance sheet of December 31, 2014 if not otherwise stated.

In December, in order to simplify the organisational structure, Geely Sweden AB was merged into Volvo Car Corporation (legal name Volvo Personvagnar AB) and Geely Automotive Sweden AB become the new parent of Volvo Car Group and changed name to Volvo Car AB. The change of parent company has had no significant effects on the consolidated financial statements.

Operating income amounted to TSEK -85 (-52). Net financial items amounted to TSEK -16 (-15) and net income for the period amounted to TSEK -79 (374).

Total equity decreased by MSEK 7,207 to MSEK 2,995 (10,202) attributable to a group contribution made to Geely Sweden Holdings AB in the amount of MSEK 7,207. This resulted in a non-interest bearing liability to group companies amounting to MSEK 9,240, as well as a corresponding deferred tax asset thereby increasing non-current assets by MSEK 2,033.

The Parent Company had no other significant transactions during the period.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

New Board member appointed

As of January 1, 2016, Betsy Atkins has been appointed new member of the Board of Directors of Volvo Car AB. Ms. Atkins joined the board from Silicon Valley where she has been a leading entrepreneur building global technology companies in Internet Infrastructure, Big Data Analytics, Mobile Enablement and E-commerce.

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 2014 page 38. No significant changes have been assessed subsequently.

EMPLOYEES

In 2015, Volvo Car Group employed on average 28,119 (26,101) full time employees which is an increase of 2,379 employees compared with 2014.

The group employed on average 3,380 (2,442) consultants in 2015. The increased number of consultants and employees are mainly related to higher production volumes and the continuing development of future models.

CONSOLIDATED INCOME STATEMENTS

MSEK	H2 2015	Restated H2 2014	Full year 2015	Restated Full year 2014
Net revenue	88,828	70,608	164,043	137,590
Cost of sales	-69,118	-58,284	-128,238	-114,019
Gross income	19,710	12,324	35,805	23,571
Research and development expenses	-4,825	-3,883	-8,803	-7,193
Selling expenses	-5,817	-4,616	-10,951	-8,708
Administrative expenses	-3,971	-3,135	-7,234	-5,943
Other operating income	1,685	1,262	2,005	1,745
Other operating expenses	-1,996	-929	-4,432	-1,535
Share of income in joint ventures and associates	173	137	230	191
Operating income	4,959	1,160	6,620	2,128
Financial income	65	159	238	342
Financial expenses	-740	-693	-1,469	-1,315
Income before tax	4,284	626	5,389	1,155
Income tax	-685	-383	-913	-647
Net income for the period	3,599	243	4,476	508
Net income attributable to				
Owners of the parent company	2,957	113	3,130	540
Non-controlling interests	642	130	1,346	-32
	3,599	243	4,476	508

CONSOLIDATED COMPREHENSIVE INCOME

MSEK	H2 2015	Restated H2 2014	Full year 2015	Restated Full year 2014
Net income for the period	3,599	243	4,476	508
Other comprehensive income, net of income tax				
Items that will not be reclassified subsequently to income statement:				
Remeasurements of provisions for post-employment benefits	270	-939	1,321	-1,641
Items that may be reclassified subsequently to income statement:				
Translation difference on foreign operations	-325	529	-175	874
Translation difference of hedge instruments of net investments in foreign operations	13	-100	100	-192
Change in cash flow hedge	1,291	-428	1,617	-893
Other comprehensive income, net of income tax	1,249	-938	2,863	-1,852
Total comprehensive income for the period	4,848	-695	7,339	-1,344
Total comprehensive income attributable to				
Owners of the parent company	4,297	-916	6,005	-1,412
Non-controlling interests	551	221	1,334	68
	4,848	-695	7,339	-1,344

CONSOLIDATED BALANCE SHEETS

MSEK	Dec 31, 2015	Restated Dec 31, 2014	Restated Jan 1, 2014
ASSETS			
Non-current assets			
Intangible assets	22,834	20,649	17,813
Property, plant and equipment	37,428	36,122	28,464
Assets held under operating leases	2,172	1,942	1,890
Investments in joint ventures and associates	701	612	645
Other long-term securities holdings	15	13	10
Deferred tax assets	3,841	3,107	2,599
Other non-current assets	1,326	11,656	1,077
Total non-current assets	**68,317**	**74,101**	**52,498**
Current assets			
Inventories	20,306	17,724	14,969
Accounts receivable	8,859	7,674	4,954
Current tax assets	307	355	97
Other current assets	5,393	5,332	3,390
Marketable securities	3,512	1,047	88
Cash and cash equivalents	25,623	17,002	17,533
Total current assets	**64,000**	**49,134**	**41,031**
TOTAL ASSETS	132,317	123,235	93,529
EQUITY & LIABILITIES			
Equity			
Equity attributable to owners of the parent company	32,550	32,804	24,601
Non-controlling interests	2,085	1,464	562
Total equity	**34,635**	**34,268**	**25,163**
Non-current liabilities			
Provisions for post-employment benefits	4,701	6,186	3,641
Deferred tax liabilities	1,768	3,337	1,759
Other non-current provisions	5,909	5,857	5,465
Liabilities to credit institutions	15,168	17,345	12,593
Liabilities to parent company	-	1,143	1,663
Other non-current liabilities	2,927	1,601	1,212
Total non-current liabilities	**30,473**	**35,469**	**26,333**
Current liabilities			
Current provisions	12,456	10,484	8,274
Liabilities to credit institutions	6,246	1,560	1,976
Advance payments from customers	534	379	330
Accounts payable	26,282	18,563	14,336
Current tax liabilities	446	627	658
Liabilities to parent company	-	1,651	746
Other current liabilities	21,245	20,234	15,713
Total current liabilities	**67,209**	**53,498**	**42,033**
TOTAL EQUITY & LIABILITIES	132,317	123,235	93,529

CHANGES IN CONSOLIDATED EQUITY

SEK million	Share capital[1]	Share premium	Other contributed capital	Currency translation reserve	Other reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
Balance at January 1, 2014 (as previously reported)	-	6,509	3,199	-838	147	15,621	24,638	-	24,638
Effect of business combinations under common control within the Geely group	-	-	-	-	-	477	477	562	1,039
Effect of previous equity accounting of acquired joint ventures	-	-	-	-	-	-514	-514	-	-514
Balance at January 1, 2014 (change of comparative figures)	-	6,509	3,199	-838	147	15,584	24,601	562	25,163
Net income for the year	-	-	-	-	-	540	540	-32	508
Other comprehensive income									
Remeasurements of provision for post-employment benefits	-	-	-	-	-	-2,172	-2,172	-	-2,172
Translation difference on foreign operations	-	-	-	774	-	-	774	100	874
Translation difference of hedge instruments of net investments in foreign operations	-	-	-	-246	-	-	-246	-	-246
Change in cash flow hedge, recognised in other comprehensive income	-	-	-	-	-1,144	-	-1,144	-	-1,144
Tax attributable to items recognised in other comprehensive income	-	-	-	54	251	531	836	-	836
Other comprehensive income	-	-	-	582	-893	-1,641	-1,952	100	-1,852
Total comprehensive income	-	-	-	582	-893	-1,101	-1,412	68	-1,344
Transactions with owners									
Group contribution [2]	-	-	8,808	-	-	-	8,808	-	8,808
Unconditional shareholders' contribution	-	-	802	-	-	-	802	753	1,555
Effect of previous equity accounting of acquired joint ventures	-	-	-	-	-	-49	-49	-	-49
Effect of business combinations under common control within the Geely group	-	-	-	-	-	81	81	81	162
Other changes	-	-	-	-	-	-27	-27	-	-27
Transactions with owners	-	-	9,610	-	-	5	9,615	834	10,449
Balance at December 31, 2014	-	6,509	12,809	-256	-746	14,488	32,804	1,464	34,268
Net income for the year	-	-	-	-	-	3,130	3,130	1,346	4„476
Other comprehensive income									
Remeasurements of provision for post-employment benefits	-	-	-	-	-	1,705	1,705	-	1,705
Translation difference on foreign operations	-	-	-	-163	-	-	-163	-12	-175
Translation difference of hedge instruments of net investments in foreign operations	-	-	-	128	-	-	128	-	128
Change in cash flow hedge, recognised in other comprehensive income	-	-	-	-	2,073	-	2,073	-	2,073
Tax attributable to items recognised in other comprehensive income	-	-	-	-28	-456	-384	-868	-	-868
Other comprehensive income	-	-	-	-63	1,617	1,321	2,875	-12	2,863
Total comprehensive income	-	-	-	-63	1,617	4,451	6,005	1,334	7,339
Transactions with owners									
Group contribution[2]	-	-	-8,767	-	-	-	-8,767	-	-8,767
Unconditional shareholders' contribution	-	-	3,992	-	-	-	3,992	-	3,992
Capital transaction under common control	-	-	-	-	-	-1,484	-1,484	-713	-2,197
Transactions with owners	-	-	-4,775	-	-	-1,484	-6,259	-713	-6,972
Balance at December 31, 2015	-	6,509	8,034	-319	871	17,455	32,550	2,085	34,635

1) Share capital amounts to SEK 100,000.
2) Group contribution before tax amounted to MSEK -11,240 (11,293).

CONSOLIDATED STATEMENTS OF CASH FLOWS

MSEK	H2 2015	Restated H2 2014	Full year 2015	Restated Full year 2014
OPERATING ACTIVITIES				
Operating income	4,960	1,160	6,620	2,128
Depreciation and amortisation of non-current assets	4,974	3,529	9,399	7,363
Interest and similar items received	59	67	141	149
Interest and similar items paid	-524	-491	-1,022	-875
Other financial items	-93	-52	-176	-40
Income tax paid	-1,072	-437	-1,645	-1,293
Adjustments for items not affecting cash flow	-661	-192	-235	-552
	7,643	3,584	13,082	6,880
Movements in working capital				
Change in inventories	1,252	1,699	-1,742	-2,272
Change in accounts receivable	112	802	-994	-2,720
Change in accounts payable	2,207	-822	7,658	4,227
Change in items relating to repurchase commitments	-388	-186	29	-193
Change in provisions	1,725	2,692	1,979	2,507
Change in other working capital assets/liabilities	2,280	77	2,564	410
Cash flow from movements in working capital	7,188	4,262	9,494	1,959
Cash flow from operating activities	14,831	7,846	22,576	8,839
INVESTING ACTIVITIES				
Investments in shares and participations	-99	-2	-2,213	275
Investments in intangible assets	-2,364	-2,805	-4,715	-5,234
Investments in property, plant and equipment	-4,190	-4,303	-8,677	-8,646
Disposal of property, plant and equipment	100	-	263	-
Cash flow from investing activities	-6,553	-7,110	-15,342	-13,605
Cash flow from operating and investing activities	8,278	736	7,234	-4,766
FINANCING ACTIVITIES				
Proceeds from credit institutions	2,135	4,045	5,935	7,270
Repayment of liabilities to credit institutions	-2,639	-4,014	-6,626	-5,101
Received shareholders' contribution	-	1,506	3,992	1,555
Investments in marketable securities, net*	-3,147	-929	-2,488	-978
Other	219	584	632	895
Cash flow from financing activities	-3,432	1,192	1,445	3,641
Cash flow for the period	4,846	1,928	8,679	-1,125
Cash and cash equivalents at beginning of period	21,127	14,659	17,002	17,533
Exchange difference on cash and cash equivalents	-350	415	-58	594
Cash and cash equivalents at end of period	25,623	17,002	25,623	17,002

*Investments in marketable securities, net, has been reclassified from investing activities to financing activities, along with comparative figures for 2014. These investments are an integrated part of the cash management program in the group, included in the groups financing activities. This reclassification has no impact on the net cash for the year

CONDENSED PARENT COMPANY INCOME STATEMENTS

TSEK	H2 2015	H2 2014	Full year 2015	Full year 2014
Administrative expenses	-62	-26	-85	-52
Operating income	-62	-26	-85	-52
Financial income	-	547	-	547
Financial expenses	-9	-8	-16	-15
Income before tax	-71	513	-101	532
Income tax	15	-113	22	-106
Net income for the period	-56	400	-79	374

Other comprehensive income and net income are consistent since there are no items in other comprehensive income.

CONDENSED PARENT COMPANY BALANCE SHEETS

TSEK	Dec 31, 2015	Dec 31, 2014
ASSETS		
Non-current assets	12,300,291	10,202,929
Current assets	51	51
TOTAL ASSETS	12,300,342	10,202,980
EQUITY & LIABILITIES		
Equity		
Restricted equity	100	100
Non-restricted equity	2,995,053	10,202,332
Total equity	2,995,153	10,202,432
Non-current liabilities	9,304,542	-
Current liabilities	647	548
TOTAL EQUITY & LIABILITIES	12,300,342	10,202,980

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. RFR 2 in the parent company has been implemented in 2015. The only impact on the financial statements and comparative figures, relates to accounting for group contributions as financial income instead of as previously within appropriations in the income statement. 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 2014 Note 1 – Accounting Principles (available at www.volvocars.com). There are no new accounting principles applicable from 2015 that significantly affects the Volvo Car Group, with the exception of the following.

The incorporation of the Chinese entities, as described in Note 5 - Business combinations under common control, is a common control transaction. Common control transactions are not explicitly regulated under IFRS and therefore the company need to choose a principle which is considered to best reflect the transaction. Volvo Car Group has elected to apply predecessor accounting, meaning that the comparative information is presented in the report as if the incorporated entities had always been controlled by Volvo Car Group. Therefore, the comparative information is restated to show the new Volvo Car Group structure including the acquired Chinese entities. As a consequence, the consolidated income statement for 2015 includes the result of the acquired Chinese industrial entities for the period starting from January 1, 2015.

Development costs shared with other parties

The accounting principle for development costs shared with other parties is unchanged compared to previous periods.
The following is a more detailed description compared to previous financial reports.

Development costs incurred by the Volvo Car Group that are contractually shared with other parties and where the Volvo Car Group remain in control of a share of the developed product, either through a license or through ownership of patents, are accounted for as intangible assets. This to reflect the relevant proportion of Volvo Car Group interests, to the extent they are: part of the asset controlled by the Volvo Car Group, are incurred in the product development phase and the conditions for capitalisation are met.

Development costs that are incurred on behalf of another party, charged to the other party including a margin, and do not constitute the share of the developed product controlled by the Volvo Car Group are accounted for as service revenue. The revenue is presented as Other operating income in the income statement since it is not considered part of the course of the normal revenue streams of the group, such as are presented in the item Net revenue. Development costs that will be charged to another party as other operating income are accounted for as R&D expenses. These R&D expenses are considered to have a future benefit for the Volvo Car Group and are therefore not classified differently from other R&D spending. The income from the development services contract is recognised through the percentage of completion method. The degree of completion is based on costs incurred to date.

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Valuation principles for financial instruments as described in Volvo Car Group Annual Report 2014 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 profit or loss consists of derivatives, marketable securities and liabilities for share-based payment programs. 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 profit or loss that Volvo Car Group holds as at December 31, 2015 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 markets and on a discounting of estimated cash flows using the deposit/swap curve of the cash flow currency and include risk assumptions.

Derivatives with positive fair values amounted to MSEK 1,558 (665), whereof MSEK 465 (0) are included in Other non-current assets and MSEK 1,093 (665) are included in Other current assets. Derivatives with negative fair values amounted to MSEK 496 (1,176), whereof MSEK 117 (0) are included in Other non-current liabilities and MSEK 379 (1,176) are included in Other current liabilities. Marketable securities amounted to MSEK 4,446 (1,522), whereof MSEK 3,512 (1,047) are reported as Marketable securities and MSEK 934 (475) are reported as Cash and cash equivalents.

For financial liabilities valued at amortised cost, reported as current and non-current liabilities to credit institutions, the carrying amount totalled MSEK 21,414 (18,905). The carrying amount is a good estimate of the fair value since the interest rates in existing loan agreements on December 31, 2015 were estimated to be in par with credit market interest rates. The fair value therefore corresponds, in every significant respect, 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.

NOTE 3 - RELATED PARTY TRANSACTIONS

During the second half year and full year 2015, Group companies entered into the following trading transactions with related parties that are not consolidated in the Group:

Sales of goods services and other

	H2 2015	Restated H2 2014	Full year 2015	Restated Full year 2014
Related companies[1)]	650	604	1,032	728
Associated companies and joint ventures[2)]	824	833	1,588	1,699

Purchases of goods services and other

MSEK	H2 2015	Restated H2 2014	Full year 2015	Restated Full year 2014
Related companies[1)]	916	449	934	449
Associated companies and joint ventures[2)]	983	576	1,785	1,252

	Receivables from		Payables to	
MSEK	Full year 2015	Restated Full year 2014	Full year 2015	Restated Full year 2014
Related companies[1)]	2,330	1,038	4,377	502
Associated companies and joint ventures[2)]	24	30	149	71

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, but it also includes investments with less participation if significant influence is proven.

The related party information includes development projects that Volvo Car Group has entered into with Geely Group where costs are contractually shared. In cases where the developed product is remaining under the control of Volvo Car Group it is accounted for as intangible assets, reflecting the relevant proportion of Volvo Car Group interests. Development costs that are incurred on behalf of another party, charged to the other party including a margin, and do not constitute the share of the developed product controlled by the Volvo Car Group are accounted for as Other operating income.

During the second quarter, a related party transaction related to the business combination under common control has taken place, please see further described in Note 5 – Business combinations under common control.

Further group contributions to Geely Sweden Holdings AB in the amount of MSEK -11,240 (11,293) before tax, has been decided.

<u>Share-based incentive program</u>

In August 2015 Volvo Car Group has implemented a share-based incentive program. The Group's subsidiary Volvo Personvagnar AB has issued warrants with the right to subscribe for shares in the Company, which the Investor has decided to offer to a number of members of Group management and Board of Directors to purchase. The purchase has been made at fair market value in accordance with an external valuation according to the Black & Scholes formula. Each warrant gives the right to subscribe for one share in Volvo Personvagnar AB for a predetermined amount under certain periods during the years 2016-2021.

Considering a weighted assessment of the conditions in the agreement the program is considered as a share-based payment program in accordance with IFRS 2 that will be cash-settled and is therefore accounted for as a financial liability at fair value through the income statement.

As the participants have been offered to purchase the warrants at fair market value the program has not resulted in any costs.

NOTE 4 – BUSINESS COMBINATIONS

Polestar - 2015

On July 8, 2015, Volvo Car Group acquired 100 per cent of Polestar Performance AB, the Swedish high performance car company and Polestar Holding AB, which is the owner of the Polestar trademarks. Polestar will now be used as the model name for special high performance Volvo Cars.

MSEK Purchase price	**2015**
Purchase consideration	536
Total cost of the combination	536
Acquired assets and liabilities at fair value	
Intangible assets	24
Current receivables	19
Cash and cash equivalents	76
Deferred tax liabilities	-5
Current liabilities	-61
Total fair value of net assets acquired	53
Goodwill	483
Cash effect on business combination	
Cash paid for acquisitions during the year	236
Less acquired cash and cash equivalents	-76
Change in cash and cash equivalents due to acquisition	160

Goodwill arises since the acquisition is considered to strengthen Volvo Cars' existing car model portfolio including special high performance cars. The goodwill amount is also related to estimated synergies in the form of cost reductions and increased income over time when the Polestar operations are included in the Volvo Car Group. Acquisition-related costs for 2015 amounted to MSEK 2 and have been reported as administration costs in the income statement. There were no contingent liabilities assumed or collateral pledged arising from the acquisition. The fair value of acquired receivables (which principally comprised trade receivables) is MSEK 19. The gross contractual amount is MSEK 19 of which all is expected to be collectible.

The acquired business contributed revenues of MSEK 89 and net loss of MSEK 19 to the group for the period from 1 July to 31 December 2015. The total cost of combination and fair values have been determined provisionally, thus, the acquisition analyses may be subject to adjustment during a twelve months period.

Other minor acquisitions

In January 2015, Volvo Car Group acquired assets in DSV Solutions NV in Ghent, to a value of MSEK 38, to further strengthen the value chain and provide efficiency benefits.

In October, 2015, Volvo Car Group acquired 100 per cent of VCG Investment Management AB, which handles Volvo Cars' pension fund management to a value of MSEK 3.

NOTE 5 - BUSINESS COMBINATIONS UNDER COMMON CONTROL

Chinese industrial entities - 2015

On June 25, 2015, Volvo Car Group has, through one of its wholly owned subsidiaries, Volvo Cars (China) Investment Co., Ltd, acquired an additional 20 per cent in Volvo Cars' Chinese joint ventures Daqing Volvo Car Manufacturing Co., Ltd, Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd and Shanghai Volvo Car Research and Development Co., Ltd. Additionally, the Chinese entity Daqing Volvo Car Manufacturing Co., Ltd has acquired 100 per cent of the shares in three other companies from Shanghai Geely Zhaoyuan International Investment Co., Ltd, among them Volvo Car (Asia Pacific) Investment Holding Co., Ltd (formerly Zhongjia Automobile Manufacturing (Shanghai) Co., Ltd) which holds 100 per cent of Zhongjia Automobile Manufacturing (Chengdu) Co., Ltd.

After the acquisitions, Volvo Car Group now holds 50 per cent of Volvo Cars' Chinese industrial entities and has gained the power to control these entities through shareholder agreements. Volvo Car Group obtained the full funding responsibility for the acquired entities. The entities are as a result classified as subsidiaries and are thus fully consolidated into Volvo Car Group. Zhejiang Geely Holding Group Co., Ltd is the minority shareholder of the remaining 50 per cent of the shares. The incorporation of the Chinese entities is an important step towards the long term objectives of capturing growth and sourcing potential in China whilst simplifying the legal structure.

The acquisition of the Chinese entities is considered to be a common control transaction. Volvo Car Group has chosen to apply predecessor accounting, which assumes that the entities had always been combined. The acquired entities are therefore included in the consolidated financial statements for the full year and for the comparative year. Assets and liabilities are recognised upon consolidation at their carrying value in the consolidated financial statements of the ultimate parent entity Shanghai Geely Zhaoyuan International Investment Co., Ltd. Any difference between the cost of the acquisition (i.e. the fair value of the consideration paid), and the amounts at which the assets and liabilities are recorded is recognised directly in equity within retained earnings.

MSEK	
Purchase price	**2015**
Cash consideration	2,197
Carrying value of investments in joint ventures held before the business combination	563
Total cost of the combination	2,760
Acquired assets and liabilities at carrying value	
Intangible assets	966
Tangible assets	7,506
Deferred tax assets	721
Other non-current assets (restricted cash)	130
Inventories	3,141
Current receivables	2,782
Cash and cash equivalents	4,161
Non-controlling interest	-1,534
Other non-current liabilities	-2,280
Current liabilities	-14,020
Total carrying value of net assets acquired	1,573
Excess of consideration paid recognised in equity attributable to owners of the parent	1,187
Cash effect on business combination	
Cash paid for acquisitions during the year	2,197
Received shareholders' contribution	-3,992
Less acquired cash and cash equivalents	-4,161
Change in cash and cash equivalents due to acquisitions	-5,956

Acquisition-related costs for 2015 amounted to MSEK 2 (0) and have been reported as administration costs in the income statement. For the Chinese entities there are restrictions on the Volvo Car Group's ability to access or use cash from these entities outside China, for more information on cash that is not available outside China or with other limitations, see Note 22 - Marketable securities and cash and cash equivalents in the Volvo Car Group Annual Report 2014. There were no contingent liabilities assumed or collateral pledged arising from the acquisition.

The total cost of combination and fair values have been determined provisionally, thus, the purchase price accounting may be subject to adjustment during a twelve months period.

NOTE 6 – RESTATEMENT

As described in Note 5, Volvo Car Group has chosen to apply predecessor accounting for the common control acquisition of the Chinese entities. According to this accounting principle it is assumed that the entities have always been combined, and the net effect is recorded directly in equity at the opening period.

The below tables summarises the effects in the financial statements, line by line, in the consolidated income statements and balance sheets, in the restated opening balance per 2014-01-01 and the restated closing balance per 2014-12-31, compared to the previously reported financial statements in the annual report for 2014. The opening balance for the restatement is 2014-01-01, and the accumulated effect as of 2013-12-31 has been recorded in equity as of 2014-01-01.

The change in shareholders' equity as an effect of the consolidation of the Chinese entities and the application of predecessor accounting to the opening and closing balances are described in separate tables below.

Equity effects

Closing Balance 2013-12-31	24,638
Effect of business combinations under common control within the Geely group	1,039
Effect of previous equity accounting of acquired joint ventures	-514
Restated Opening Balance 2014-01-01	25,163

Closing Balance 2014-12-31	32,702
Effect in opening balance 2014-01-01	525
Change in Net income due to Chinese entities	-326
Change in translation difference on foreign operations due to Chinese entities	193
Change in Unconditional shareholders contribution due to Chinese entities	1,061
Effect of previous equity accounting of acquired joint ventures	-49
Effect of business combinations under common control within the Geely group	162
Restated Closing Balance 2014-12-31	34,268

Consolidated balance sheets

MSEK ASSETS	Closing Balance Dec 31,2013	Effects of acquisition	Restated opening balance Jan 1, 2014	Closing Balance Dec 31,2014	Effects of acquisition	Restated closing balance Dec 31, 2014
Non-current assets						
Intangible assets	17,271	542	17,813	20,098	551	20,649
Property, plant and equipment	25,653	2,811	28,464	29,275	6,847	36,122
Assets held under operating leases	1,890	-	1,890	1,942	-	1,942
Investments in joint ventures and associates	1,159	-514	645	1,541	-929	612
Other long-term securities holdings	10	-	10	13	-	13
Deferred tax assets	2,165	434	2,599	2,535	572	3,107
Other non-current assets	1,077	-	1,077	11,647	9	11,656
Total non-current assets	49,225	3,273	52,498	67,051	7050	74,101
Current assets						
Inventories	14,416	553	14,969	14,368	3,356	17,724
Accounts receivable	5,618	-664	4,954	8,004	-330	7,674
Current tax assets	97	-	97	355	-	355
Other current assets	2,781	609	3,390	4,484	848	5,332
Marketable securities	88	-	88	1,047	-	1,047
Cash and cash equivalents	15,372	2,161	17,533	14,165	2,837	17,002
Total current assets	38,372	2,659	41,031	42,423	6,711	49,134
TOTAL ASSETS	87,597	5,932	93,529	109,474	13,761	123,235
EQUITY & LIABILITIES						
Equity						
Equity attributable to owners of the parent company	24,638	-37	24,601	32,702	102	32,804
Non-controlling interests	-	562	562	-	1,464	1,464
Total equity	24,638	525	25,163	32,702	1,566	34,268
Non-current liabilities						
Provisions for post-employment benefits	3,641	-	3,641	6,377	-191	6,186
Deferred tax liabilities	1,759	-	1,759	3,337	-	3,337
Other non-current provisions	5,463	2	5,465	5,592	265	5,857
Liabilities to credit institutions	12,033	560	12,593	15,208	2,137	17,345
Liabilities to parent company	-	1,663	1,663	-	1,143	1,143
Other non-current liabilities	1,212	-	1,212	1,600	1	1,601
Total non-current liabilities	24,108	2,225	26,333	32,114	3,355	35,469
Current liabilities						
Current provisions	8,169	105	8,274	9,319	1,165	10,484
Liabilities to credit institutions	820	1,156	1,976	932	628	1,560
Advance payments from customers	317	13	330	299	80	379
Accounts payable	13,632	704	14,336	14,434	4,129	18,563
Current tax liabilities	658	-	658	598	29	627
Liabilities to parent company	-	746	746	-	1,651	1,651
Other current liabilities	15,255	458	15,713	19,076	1,158	20,234
Total current liabilities	38,851	3,182	42,033	44,658	8,840	53,498
TOTAL EQUITY & LIABILITIES	87,597	5,932	93,529	109,474	13,761	123,235

Consolidated income statement January – December 2014

MSEK	Income statement 2014	Effects of acquisition	Restated Income statement 2014
Net revenue	129,959	7,631	137,590
Cost of sales	-107,955	-6,064	-114,019
Gross income	**22,004**	**1,567**	**23,571**
Research and development expenses	-7,179	-14	-7,193
Selling expenses	-8,073	-635	-8,708
Administrative expenses	-5,431	-512	-5,943
Other operating income	2,519	-774	1,745
Other operating expenses	-1,692	157	-1,535
Share of income in joint ventures and associates	104	87	191
Operating income	**2,252**	**-124**	**2,128**
Financial income	325	17	342
Financial expenses	-1,087	-228	-1,315
Income before tax	**1,490**	**-335**	**1,155**
Income tax	-656	9	-647
Net income for the period	**834**	**-326**	**508**
Net income attributable to			
Owners of the parent company	834	-294	540
Non-controlling interests	-	-32	-32
	834	**-326**	**508**

Consolidated comprehensive income

MSEK	2014	Effects of acquisition	Restated 2014
Net income for the period	834	-326	508
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to income statement:			
Remeasurements of provisions for post-employment benefits	-1,641	-	-1,641
Items that may be reclassified subsequently to income statement:			
Translation difference on foreign operations	681	193	874
Translation difference of hedge instruments of net investments in foreign operations	-192	-	-192
Change in cash flow hedge	-893	-	-893
Other comprehensive income, net of income tax	-2,045	193	-1,852
Total comprehensive income for the period	-1,211	-133	-1,344
Total comprehensive income attributable to			
Owners of the parent company	-1,211	-201	-1,412
Non-controlling interests	-	68	68
	-1,211	-133	-1,344

The President and Chief Executive Officer certify that the interim report gives a fair view of the performance of the business, position and profit or loss of the Group, and describes the principal risks and uncertainties to which the Group are exposed.

Stockholm, February 5, 2016

Håkan Samuelsson

President and Chief Executive Officer

This report has not been subject to review by the company's auditors

DEFINITIONS

Volvo Car Group and Volvo Cars
Volvo Car AB, 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
Sales to end customer

EBITDA
Earnings before interest, taxes, depreciations and amortisation

Equity ratio
Total equity divided by total assets

Net Debt
Liabilities to credit institutions minus cash and cash equivalents and marketable securities

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