

## PROSPECTUS

# VOLVO

## Volvo Treasury AB (publ)

(Incorporated with limited liability under the laws of Sweden)

under the guarantee of

**AB Volvo (publ)**

(Incorporated with limited liability under the laws of Sweden)

**U.S.\$15,000,000,000**

**Euro Medium Term Note Programme**

On 29 November 1994 Volvo Treasury AB (publ) (the "**Issuer**") and Volvo Group Finance Europe B.V. ("**Volvo Europe**") entered into a U.S.\$500,000,000 Euro Medium Term Note Programme (the "**Programme**"). The Programme was subsequently increased on 17 October 1996, 18 March 1999, 24 March 2000, 28 October 2004, 9 November 2006 and 16 November 2007, in each case in accordance with its terms. On 7 August 1997 Volvo Group Treasury Asia Ltd. ("**Volvo Asia**") and Volvo Treasury US LLC ("**Volvo US**") were added as issuers under the Programme. On 2 October 1998 the Issuer was substituted in accordance with Condition 18 as an issuer in respect of notes issued prior to 2 October 1998 by Volvo Europe. As from 24 November 1998 Volvo Europe and Volvo Asia have ceased to be issuers under the Programme in respect of issues made after such date. Volvo Asia has no outstanding Notes under the Programme. As from 6 November 2002, Volvo US has ceased to be an issuer under the Programme in respect of issues made after such date. Volvo US has no outstanding Notes under the Programme. Any Notes (as defined below) issued under the Programme after the date hereof are issued subject to the provisions set out herein. This does not affect any Notes issued under the Programme prior to the date hereof.

Under the Programme, the Issuer may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

The payments of all amounts payable in respect of all Notes issued by the Issuer will be unconditionally and irrevocably guaranteed by AB Volvo (publ) (the "**Parent**" or "**AB Volvo**").

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$15,000,000,000 (or its equivalent in other currencies calculated as described herein) subject to increase as provided herein. A description of the restrictions applicable at the date of this Prospectus relating to the maturity and denomination of certain Notes is set out in "*General Description of the Programme*" below.

The Notes will be issued on a continuing basis to one or more of the dealers set out below and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together the "**Dealers**"). References in this Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks.** For a discussion of these risks see "*Risk Factors*" below.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg law dated 10 July 2005 on prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) as amended by the Luxembourg law dated 3 July 2012 (the "**Prospectus Act 2005**") to approve this document as a base prospectus (the "**Prospectus**") for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"). Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date hereof to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, *Bourse de Luxembourg*. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined in "*Terms and Conditions of the Notes*" below) of Notes will be set forth in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on the Official List of the Luxembourg Stock Exchange, will be filed with the CSSF. The Luxembourg Stock Exchange's regulated market, *Bourse de Luxembourg*, is a regulated market for the purposes of Directive 2004/39/EC as amended (the "**Markets in Financial Instruments Directive**"). By approving this Prospectus, the CSSF assumes no responsibility as to the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer or the Parent in accordance with Article 7(7) of the Prospectus Act 2005.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) or more.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as may be agreed between the Issuer and the relevant Dealer(s). The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes of each Tranche will be in bearer form and will initially be represented by a temporary global Note which will (i) if the global Notes are intended to be issued in new global note ("**NGN**") form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"); and (ii) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg. The temporary global Note will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable, unless otherwise specified in the applicable Final Terms, for definitive Notes only upon the occurrence of an Exchange Event, all as further described in "*Form of the Notes*" below.

Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, its rating will be specified in the applicable Final Terms along with confirmation of whether or not such rating will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") will appear on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation (as of 16 July 2017). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*" below).

**Arranger**  
**Citigroup**  
**Dealers**

**BNP PARIBAS**  
**Citigroup**  
**Danske Bank A/S**  
**Handelsbanken Capital Markets**  
**J.P. Morgan**  
**Nordea**  
**Société Générale Corporate & Investment  
Banking**

**BofA Merrill Lynch**  
**Crédit Agricole CIB**  
**Deutsche Bank**  
**HSBC**  
**NatWest Markets**  
**SEB**  
**Swedbank**

The date of this Prospectus is 7 November 2017.

## IMPORTANT INFORMATION

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference and shall be read and construed on the basis that such documents are incorporated by reference in, and form part of this Prospectus (see "*Documents Incorporated by Reference*" below).

Save for the Issuer and the Parent, no other party has verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer and/or the Parent. Neither the Dealers nor the Trustee accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer and/or the Parent in connection with the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Parent, any of the Dealers or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Parent, any of the Dealers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Parent. Neither this Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer or the Parent or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Parent is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer and/or the Parent during the life of the Programme. Investors should review, inter alia, the most recent financial statements, if any, of the Issuer and the Parent when deciding whether or not to purchase any Notes.

### IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF NOTES GENERALLY

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Parent, the Dealers and the Trustee do not represent that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer, the Parent, the Dealers or the Trustee which would permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, France and Sweden (see "*Subscription and Sale*" below).

This Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, the Parent and any Dealer has authorised, nor does any of them authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

#### PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### PRESENTATION OF INFORMATION

All references in this document to "SEK" refer to Swedish krona, those to "Yen", "JPY" and "¥" refer to Japanese Yen, those to "USD", "U.S. dollars" and "U.S.\$" refer to United States dollars, those to "GBP", "£" and "Sterling" refer to pounds sterling and those to "euro", "EUR" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

#### STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and regulations.

#### RESPONSIBILITY STATEMENT

Each of the Issuer and the Parent accepts responsibility for the information contained in this Prospectus and the Final Terms relating to any Tranche of Notes. To the best of the knowledge of the Issuer and the Parent (each having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

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## **RISK FACTORS**

*Each of the Issuer and the Parent believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Parent is in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each of the Issuer and the Parent believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme. Prospective investors should, however, read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### ***Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme***

Volvo Treasury ("**Volvo Treasury**" is defined as the Issuer, Volvo Treasury North America L.P. and their respective subsidiaries) is a unit within the Volvo Group (the "**Volvo Group**" is defined as the Parent and its subsidiaries). Volvo Treasury is acting as internal bank for the Volvo Group. Volvo Treasury is responsible for all interest-bearing assets and liabilities as well as all foreign exchange and funding operations within the Volvo Group. The Issuer's operations are carried out according to centrally determined risk mandates and limits designed to minimise the credit currency, interest rate and liquidity risks to which the Volvo Group is exposed.

In conducting its operations, Volvo Treasury is exposed to various types of financial risks. One of the risks that can affect the Issuer's obligations under the Programme is credit risk; a counterparty's failure to fulfil its contractual obligations under deposit arrangements, loan agreements and/or derivatives contracts. Other risks that can be encountered are currency risk, interest rate risk and liquidity risk. These risks should, however, be mitigated through the Guarantee (as defined under "*Terms and Conditions of the Notes*") issued by the Parent in which the Parent undertakes to assume responsibility for the Issuer's payment obligations under the Notes.

### ***Factors that may affect the Parent's ability to fulfil its obligations under the Guarantee***

All business operations involve risks – managed risk-taking is a condition of maintaining a sustained favourable profitability. Uncertainties may be due to events in the world and can affect industries and markets and thus have an impact on the Volvo Group's aspirations, vision and mission. These uncertainties may provide opportunities that the Volvo Group tries to capture in its strategy. In some cases, the Volvo Group can influence the likelihood that a risk-related event will occur and the impact that it may have. In other cases, when such events are beyond its control, the Volvo Group strives to minimise the impact. A number of the risks that the Volvo Group is facing are presented on the following pages.

### **The Volvo Group's risk management**

The Volvo Group is working with enterprise risk management ("**ERM**"), which is a systematic and structured process to assess, report, analyse, mitigate and follow-up the risks that might impact the Volvo Group's values, aspirations, vision and mission. The objective of ERM is to improve business performance and optimise the cost of managing risks; i.e. creating, enhancing and protecting the Volvo Group's enterprise value as well as enhancing and protecting the Volvo Group's assets.

Integrated in ERM there are several risk management processes active within Volvo Group to cover specific topics such as projects, suppliers, environment and Business Continuity. These processes report on a materiality level to ERM via the Business Areas, Truck Divisions and Group Functions. ERM compiles all relevant data and analyses where there are systematic risks or gaps in risk mitigation. Ownership of risk mitigation resides within the business while ERM follow-up on the progress.

## Strategic risks

For a large global company such as Volvo Group, navigating through the political, economic and societal trends is important and crucial to define its place in the global context of markets and competitors. From a Volvo Group perspective, there are a number of trends and challenges driving its work to develop and deliver sustainable transport and infrastructure solutions presently and in the future. Strategic risks may affect its ability to create value for customers and shareholders, long-term development of the business and its possibility to reach its vision and aspirations.

### *Cyclical commercial vehicles industry*

The Volvo Group's customers operate all over the world, some within a single state, and others across borders. A multitude of global and regional economic, regulatory, digital, technological and environmental factors create strategic as well as operational challenges for the industry. Like many capital industries, the commercial vehicle industry generally has been cyclical, with a strong correlation to GDP, aging of vehicles and machines, and laws and regulations. Given the continued shift in focus in the commercial vehicle industry from product to service, the cyclicity remains while the volatility in sales and profitability may become more difficult to predict. The changing business landscape as well as the divergence between emerging and developed markets, influences demand for its customers' services and its customers' success. The fluctuating demand for the Volvo Group's products and services makes the financial result of the operations dependent on the Volvo Group's ability to react quickly to market changes. In particular, the Volvo Group strives to continually balance production levels and operating expenses, as well as enhance business agility in fulfilling demands for new services.

### *Geopolitical instability*

The Volvo Group is active in more than 190 countries (see "*Principal Markets*" on page 57 below) and political instability, armed conflicts and civil unrest may impact the Volvo Group's ability to trade in affected areas. Rapid changes in inflation, devaluations or regulations could cause the Volvo Group significant losses, impairment of assets or costs due to underutilised assets.

### *Intense competition*

Continued consolidation in the industry is expected to create fewer but stronger competitors. The major global competitors are Daimler, Volkswagen (Scania and MAN), Paccar (Kenworth, DAF and Peterbilt), Caterpillar and Komatsu. There are also strong local brands, for example in China, India and Russia, active in their domestic markets, which are expected to increase their presence in other parts of the world. Further, overcapacity within the industry can occur if there is a lack of demand, potentially leading to increased price pressure. Proactive risk management is important to anticipate and protect the Volvo Group's brands' market positions. Together across the Volvo Group, bundling attractive market offers directed to its customers creates long-term customer success.

### *Extensive government regulation*

Regulations regarding exhaust emission levels, noise, safety and levels of pollutants from production plants are extensive within the industry. Most of the regulatory challenges regarding products relate to reduced engine emissions. The Volvo Group is a leading company in the commercial vehicle industry and one of the world's largest producers of heavy-duty diesel engines. The product development capacity within the Volvo Group is well consolidated to be able to focus resources for research and development to meet tougher emission regulations. Future product regulations are known and the product development strategy is tuned to the introduction of new regulations. Local protectionism leading to changes to local content requirements can put the Volvo Group at a disadvantage compared to local competitors, cause increased sourcing costs or require the Volvo Group to make significant investments not necessary from an operational point of view.

### *Change in technology*

As part of the global automotive and logistics industry the Volvo Group is driving prosperity for society and for its customers. While shaping offerings to improve its customers' productivity and profitability the Volvo Group is taking changes which emerge through new technological breakthroughs and legislative changes into account. As any company, the Volvo Group has limited resources and it must at all times select and invest into such new technologies it believes provide the best prosperity for society and for its

customers. The Volvo Group approach to prevent the associated risks is to continuously scan and assess new technologies and only bring those new technologies to product development and commercialisation that have proven levels of desired customer benefit, quality, safety and environmental impact.

### **Operational risks**

For the Volvo Group, steering the tactical and operational work is crucial to reach its aspirations in terms of customer satisfaction, admired employer and leading profitability. To enhance business value, all decisions and operations are based on knowledge regarding short and medium term operational risks. These risks are actively managed throughout the Volvo Group in accordance with its governance model. Operational risks may affect its ability to create value, which means that knowledge of these are important for the daily business.

#### *Customer satisfaction*

A top priority for the Volvo Group is to support the customers' businesses and profitability in order for them to succeed, regardless of segment, brand, product or service. Customer satisfaction is reliant on the total offer of products, services or features on new or used vehicles. The satisfaction is at risk if the quality of a product or service is not at the expected level and price point. An aspect is also how the customer is met in all interactions with the brands in the Volvo Group, from person to person interactions at retailer or workshop level, to searching for information on a web page or in calling an assistance service. To prevent possible risks, all staff at retailers and workshops are continuously trained and provided with instructions or guidelines on how to interact with their customers. Also web pages are aligned, positioned and developed towards the brand's targeted customers.

#### *Product development*

For the Volvo Group its products are a key part of the total offer to its customers. The Volvo Group could be at risk of losing customers and market shares if not developing products in line with new legislation on time or not providing products fulfilling customer expectations. Each development project monitors risks regarding project and product quality and cost, project lead time and product features. To ensure that product development is executed in an efficient way the Volvo Group has implemented a project gate model, governance model, as well as global processes and instructions to monitor project execution and balance project and product portfolio.

#### *Reliance on suppliers*

The Volvo Group purchases raw materials, parts and components from numerous external suppliers. A significant part of the Volvo Group's requirements for raw materials and supplies is filled by single-source suppliers. The effects of delivery interruptions vary depending on the item or component. Certain items and components are standard throughout the industry, whereas others are internally developed and require unique tools that are time-consuming to replace. The Volvo Group's costs for raw materials and components can vary significantly over a business cycle. Cost variations may be caused by changes in world market prices for raw materials or by an inability of its suppliers to deliver. An increase in demand could potentially result in delivery disturbances due to suppliers' financial instability or shortage of resources. Uncertainty regarding customers' access to financing of products in emerging markets might have a negative impact on demand.

#### *Operation of plants*

For Volvo Group the industrial system is crucial in providing customers with the right products at the right time. It is a large operation with machines and human beings having to interact in an efficient and timely manner in relation to volatility in production volumes. Interruptions or inefficiencies in the system can have a negative impact. Here risk management is crucial to foresee and prevent possible stops in production, injuries on personnel as well as ensuring the correct handling of materials and chemicals, etc. There are a large number of instructions on how to perform different tasks to avoid negative implications, as well as audits and assessments performed to ensure that instructions are followed.

#### *Risk related to human capital*

Employees and other stakeholder expectations are changing quickly, which requires a stronger focus on several different aspects: leadership, empowerment, engagement, human rights and company values. Its



failure in doing the right things according to basic human rights and company values can negatively impact its image as an employer, the Volvo Group's reputation, and the ability of its employees to develop the knowledge and skills necessary to satisfy market demands. Risk management incorporates the monitoring of changing legislation and securing the availability of properly skilled and engaged employees. Its diversity is the basis upon which its strength depends to be a successful multinational company. By executing the Volvo Group Attitude Survey and driving employee dialogues, the Volvo Group builds an inclusive leadership. The human resource strategy embraces a flexible workforce and agile organisation in order to constantly adapt to an increasingly dynamic, complex and uncertain environment.

#### *Residual value commitments*

When selling products the Volvo Group at times enters into residual value commitments. Predicting future development of used truck prices can be challenging, for example when introducing new models or when large swings in demand occur. At the time of the sale, the future evolution of the used commercial vehicle market and equipment market may be uncertain, potentially leading to high commitments that may impact future profitability. Diligent analysis is performed prior to entering into residual value commitments.

#### **Compliance risks**

In its operations the Volvo Group is obliged to follow a number of laws and regulations and has made the conscious decision to comply with global standards. Additionally, the reputation for being a group of companies that has legal compliance, business ethics, integrity and corporate social responsibility high on the agenda sets internal demands on the business. These requirements are implemented by group-wide policies. Compliance risks may affect its ability to protect value through threats posed to the Volvo Group's reputation or financial position.

#### *Intangible assets*

The Volvo Group owns or otherwise has rights to patents, trademarks, designs and copyrights that relate to the products and services that the Volvo Group manufactures and markets. These rights have been developed or acquired over a number of years and are valuable to the operations of the Volvo Group. Further, in order to safeguard investments in research and development, the Volvo Group has an intellectual property plan defining the creation and use of its intellectual property rights.

The Parent and Volvo Car Corporation jointly own the Volvo brand and trademarks through Volvo Trademark Holding AB. AB Volvo has the exclusive right to use the Volvo name and trademark for its products and services. Similarly, Volvo Car Corporation has the exclusive right to use the Volvo name and trademark for its products and services. The Volvo Group's rights to use the Renault brand and trademarks are related to the truck operations only and are regulated by a license from Renault s.a.s., which owns the Renault brand and trademarks. In addition, the Volvo Group owns several other trademarks relating to its business. Use in conflict with intellectual property rights may have significant business impact on the Volvo Group. Therefore, the Volvo Group is continually assessing intellectual property rights of third parties as well as possible infringements by third parties of the Volvo Group's intellectual property rights.

#### *Contractual conditions related to takeover bids*

Provisions stipulating that an agreement can be changed or terminated if the control of the company is changed are included in some of the agreements whereby Renault Trucks has been given the right to sell Renault s.a.s.' and Nissan Motor Co. Ltd's light-duty trucks as well as in some of the Volvo Group's purchasing agreements.

#### *Complaints and legal actions*

The Volvo Group may be the target of complaints and legal actions initiated by customers, employees and other third parties alleging health, environmental, safety or business related issues, or failure to comply with applicable legislation and regulations. Information about legal proceedings involving entities within the Volvo Group are found in Note 21 "Other Provisions" and in Note 24 "Contingent Liabilities" in the Volvo Group Annual and Sustainability Report 2016 and in Note 2 "Risks And Key Sources Of Estimation Uncertainty" in the Interim Report for the First Three Quarters of the Financial Year 2017.

Even if such disputes are resolved successfully, without having adverse consequences financially or on its values, they could negatively impact the Volvo Group's reputation and take up resources that could be used for other purposes.

#### *Environmental*

The Volvo Group could be at risk for complaints and legal actions initiated by customers, employees and other third parties alleging environmental related issues. Environmental legislation is fast changing and there are increased demands in many areas, for instance chemical management as well as on emission standards for the vehicles themselves. The Volvo Group invests a great deal of resources to adhere to different legislation throughout the entire value chain. Recent developments in international standards in environmental and quality management are further emphasising the need for risk management in these areas. Even if potential problems in these areas are resolved and handled without adverse impact financially or on its values, they could have a negative impact on the Volvo Group's reputation and divert resources that would have been brought to better use in the Volvo Group's development.

#### **Financial risks**

For the Volvo Group steering and monitoring the operational and compliance aspects of financial risk is important. Group-wide policies, which are updated and decided upon annually, form the basis of each Volvo Group company's management of these operational and compliance financial risks. Financial risks may affect its ability to enhance and protect value from potential effects on the Volvo Group's financial position. They may affect the Volvo Group's ability to live by its values or to fulfill its aspirations.

#### *Interest rate risk*

The Volvo Group's debt structure is connected to the aspiration to have industry-leading profitability. Movements in interest-rate levels may impact the Volvo Group's net income and cash flow or the value of financial assets and liabilities. Financial Services funding and lending shall be matched to mitigate undesired volatility in profitability due to interest-rate risk. The Industrial Operations' interest-rate fixing is kept short, to leverage on the countercyclical relationship of interest-rate movements.

#### *Currency risk*

The Volvo Group's global presence means that business is conducted in many different regions. More than 95 per cent. of the net sales of the Volvo Group are generated in countries other than Sweden. A majority of the Volvo Group's costs also stem from countries other than Sweden. As such the Volvo Group's cash flow and profitability is impacted by uncertainties in foreign exchange rates which impact the Volvo Group's operating income, balance sheet and cash flow, as well as an indirect impact over time on Volvo's competitiveness. The Volvo Group strives to have manufacturing located in the major markets which offsets structural currency exposures, and actively manages currency flows and translation risk to reduce the impact on profitability and cash flow.

#### *Liquidity risk*

The Volvo Group needs to ensure that it has adequate payment capabilities over time, in order to capture both business opportunities and expectations from external stakeholders. Sudden changes in the business cycle, or unforeseen events within the financial markets can affect the Volvo Group both in a direct or indirect way. Its customers can experience difficulties in financing products bought from the Volvo Group, its suppliers can face challenges in assuring their delivery of components to the Volvo Group production, and the Volvo Group can face challenges in delivering according to expectations from other external stakeholders. The Volvo Group ensures sound financial preparedness by always keeping a certain percentage of its sales in liquid assets. A sound balance between short and long-term debt maturities as well as long-term committed credit facilities and cash, are intended to secure liquidity preparedness and thus the Volvo Group's payment capability.

#### *Credit risk*

There are three main areas of credit risk for the Volvo Group. Firstly, within its Industrial Operations the Volvo Group sells products with open credits to customers and issues credit guarantees for customers' commercial vehicles and equipment. The majority of the outstanding credit guarantees at year-end relates to Chinese retail customers within Construction Equipment. Secondly, the customer-financing activity in

Volvo Financial Services manages a significant credit portfolio, equivalent to SEK 130 billion at year-end 2016. The portfolio is largely secured by the title to the financed commercial vehicles and equipment. However, in the case of customer default, the value of the repossessed commercial vehicles and equipment may not necessarily cover the outstanding financed amount. Lastly, a part of the Volvo Group's credit risk is related to the investment of the financial assets of the Volvo Group. The majority of such investments are deposits in banks that the Volvo Group is working with and, to a smaller extent, repo transactions with underlying credit exposure towards covered mortgage bonds with high ratings.

#### *Market risk from investments in shares or similar instruments*

The Volvo Group has invested in listed shares with a direct exposure to the capital markets. The majority of this exposure relates to the investment in Inner Mongolia North Hauler Joint Stock Co., Ltd. Please see Note 5 in the Volvo Group Annual and Sustainability Report 2016 for further information. Furthermore, the Volvo Group is indirectly exposed to market risks from shares and other similar instruments as a result of capital in independent pension plans with asset management with exposure to these types of instruments. Please see Note 20 in the Volvo Group Annual and Sustainability Report 2016 for further information.

#### *Impairment*

The Volvo Group verifies annually, or more frequently if necessary, the goodwill value and other intangible assets upon indication for possible impairment. The size of the surplus value differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment. For further information on intangible assets, see Note 12 in the Volvo Group Annual and Sustainability Report 2016.

#### *Change of control clauses*

Some of Volvo Group's long-term loan agreements contain conditions stipulating the right for a bondholder to request repayment in advance under certain conditions following a change of the control of the company. These clauses are not unusual in loan agreements. In AB Volvo's opinion it has been necessary to accept those conditions in order to receive financing on otherwise acceptable terms.

#### **Short-term risk factors**

An increase in demand could potentially result in delivery disturbances due to suppliers' financial instability or shortage of resources.

Uncertainty regarding customers' access to the financing of products in emerging markets might have a negative impact on demand.

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas and other intangible assets for possible impairment. The size of the surplus value differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

The reported amounts for contingent liabilities reflect a part of the Volvo Group's risk exposure. Total contingent liabilities as of 30 September 2017, amounted to SEK 14.3 billion, a decrease of SEK 1.8 billion compared to 31 December 2016. The decrease is mainly related to expired bid and performance guarantees. The gross exposure of SEK 14.3 billion is partly reduced by counter guarantees and collaterals. The contingent liabilities for credit guarantees for construction equipment in China have decreased compared to 31 December 2016. However, including both contingent liabilities and on-balance sheet exposure, the exposure is still significant.

Following the adoption of the European Commission's settlement decision, the Volvo Group has received and will be dealing with numerous private damages claims from customers and other third parties alleging that they suffered loss by reason of the conduct covered in the decision. At this stage it is not possible to make a reliable estimate of the amount of any liability that could arise from any such proceedings. The other legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual and Sustainability Report 2016 are progressing but no material changes have occurred in these matters in the third quarter of 2017.

## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) understands thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

An optional redemption feature as set out in Condition 7(c) (*Redemption at the Option of the Issuer (Issuer Call)*), 7(d) (*Make-whole Redemption by the Issuer*), 7(e) (*Clean-up Call Option*) and 7(f) (*Residual Maturity Call at the Option of the Issuer*) is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest rate may affect the secondary market in, and the market value of, such Notes since the Issuer would be expected to specify a date on which to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Notes are converted from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

*Risks related to Notes which are linked to "benchmarks"*

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or their calculation method may be revised, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions of outstanding Notes of any Series, which may require a General Meeting of the Noteholders of such Series, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR benchmark is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR benchmark which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

*The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed, or (ii) determine that any condition, event or act which, but for such determination, would constitute an Event of Default (as defined in Condition 10 of the Terms and Condition of the Notes), shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders. In addition, the Trustee may, without the consent of the Noteholders, agree with the Issuer and the Parent to the substitution in place of the Issuer as the principal debtor under the Notes or in place of the Parent of certain entities described in

Condition 18, subject to, inter alia, the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and certain other conditions set out in the Trust Deed being complied with, all as more fully described in Condition 18 of the Terms and Conditions of the Notes, and in the Trust Deed.

*U.S. Foreign Account Tax Compliance Withholding*

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a new reporting and withholding regime with respect to certain payments made after 31 December 2018 by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with other territories, including Sweden (each an "IGA"). Under the Sweden IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

*The value of the Notes could be adversely affected by a change in English law or administrative practice*

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

*Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

*If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*

The Issuer will pay principal and interest on the Notes and the Parent will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Parent to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

*Credit ratings assigned to the Issuer, the Parent or any Notes may not reflect all the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Parent or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

*Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus:

- (a) the audited annual consolidated and non-consolidated financial statements of the Issuer for each of the financial years ended 31 December 2015 and 31 December 2016, in each case together with the audit reports prepared in connection therewith, including the information set out at the following pages of the Issuer's 'Annual Report and Consolidated Financial Statements for the financial year 2015' (the "**Issuer's Annual Report 2015**") and 'Annual Report and Consolidated Financial Statements for the financial year 2016' (the "**Issuer's Annual Report 2016**"), respectively:

|                                   | <i>2015</i>         |                         | <i>2016</i>         |                         |
|-----------------------------------|---------------------|-------------------------|---------------------|-------------------------|
|                                   | <i>Consolidated</i> | <i>Non-consolidated</i> | <i>Consolidated</i> | <i>Non-consolidated</i> |
| Income statements                 | 4                   | 9                       | 4                   | 9                       |
| Balance sheets                    | 5-6                 | 10-11                   | 5-6                 | 10-11                   |
| Changes in shareholders' equity   | 7                   | 12                      | 7                   | 12                      |
| Cash-flow statements              | 8                   | 13                      | 8                   | 13                      |
| Notes to the financial statements | 14-41               | 14-41                   | 14-41               | 14-41                   |
| Audit report                      | 43-44               | 43-44                   | 42-45               | 42-45                   |

- (b) the audited annual consolidated and non-consolidated financial statements of the Parent for each of the financial years ended 31 December 2015 and 31 December 2016, in each case together with the audit reports prepared in connection therewith, including the information set out at the following pages of the 'Volvo Group Annual and Sustainability Report 2015' and 'Volvo Group Annual and Sustainability Report 2016', respectively:

|                                   | <i>2015</i>         |                         | <i>2016</i>         |                         |
|-----------------------------------|---------------------|-------------------------|---------------------|-------------------------|
|                                   | <i>Consolidated</i> | <i>Non-consolidated</i> | <i>Consolidated</i> | <i>Non-consolidated</i> |
| Significant events                | 78-79               | -                       | 78-79               | -                       |
| Corporate Governance Report       | 168-177             | -                       | 170-177             | -                       |
| Board of Directors and Secretary  | 178-179             | -                       | 178-179             | -                       |
| Group Management                  | 182-185             | -                       | 182-185             | -                       |
| Income statements                 | 80-82               | 158                     | 80-82               | 160                     |
| Balance sheets                    | 84-85               | 159                     | 84-85               | 161                     |
| Cash-flow statements              | 87                  | 160                     | 87                  | 162                     |
| Changes in shareholders' equity   | 103                 | 161                     | 102                 | 163                     |
| Notes to the financial statements | 111-157             | 162-167                 | 113-159             | 164-169                 |
| Audit report                      | 190                 | 190                     | 190-192             | 190-192                 |

- (c) the unaudited interim report of the Issuer for the six month period ended 30 June 2017 (the "**Issuer Semi-Annual Report 2017**"), including the consolidated financial information set out at the following pages:

|                       | <i>Consolidated</i> | <i>Non-consolidated</i> |
|-----------------------|---------------------|-------------------------|
| Income statements     | 1                   | 3                       |
| Balance sheets        | 2                   | 4                       |
| Cash-flow statements  | -                   | -                       |
| Accounting Principles | 5                   | 5                       |
| Comments              | 6                   | 6-7                     |



- (d) the unaudited interim report of the Parent and the Volvo Group for the nine month period ended 30 September 2017 (the "**Interim Report for the First Three Quarters of the Financial Year 2017**"), including the consolidated financial information and other information set out at the following pages:

|   |       |
|---|-------|
| Comments by the CEO                             | 2     |
| Financial summary of the third quarter          | 3-4   |
| Overview of industrial operations               | 5-13  |
| Important events                                | 13    |
| Income statements                               | 14-15 |
| Balance sheets                                  | 16    |
| Cash flow statements and net financial position | 17-19 |
| Changes in total equity                         | 20    |
| Notes 1 - 6                                     | 24-26 |

- (e) the section "Terms and Conditions of the Notes" from the following prospectuses relating to the Programme: (i) Prospectus dated 10 November 2011 (pages 61-82 inclusive); (ii) Prospectus dated 14 November 2012 (pages 59-79 inclusive); (iii) Prospectus dated 11 November 2013 (pages 33-53 inclusive); (iv) Prospectus dated 6 November 2014 (pages 30-53 inclusive); (v) Prospectus dated 6 November 2015 (pages 29-52 inclusive) and (vi) Prospectus dated 8 November 2016 (pages 28-51 inclusive).

Following the publication of this Prospectus a supplement may be prepared by the Issuer and the Parent and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus are available on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)) and on the website of the Issuer ([www.volvogroup.com](http://www.volvogroup.com)).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Such excluded documents are either not relevant for investors or covered elsewhere in this Prospectus

The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 as amended (the "**Prospectus Regulation**"). The Issuer and the Parent will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

## GENERAL DESCRIPTION OF THE PROGRAMME

*The following general description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes, in which event, in the case of listed Notes only and if appropriate, a supplement to this Prospectus or a new Prospectus will be published.*

This General Description constitutes a general description of the Programme for the purposes of Article 22.5(3) of the Prospectus Regulation, implementing the Prospectus Directive. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as completed by Part A of the applicable Final Terms (or the relevant provisions thereof) attached to, or endorsed on, such Notes, as more fully described under "Form of the Notes" below.

Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this General Description.

|                     |   |
|---------------------|---|
| <b>Issuer:</b>      | Volvo Treasury AB (publ)  |
| <b>Guarantor:</b>   | AB Volvo (publ)   |
| <b>Description:</b> | Euro Medium Term Note Programme   |
| <b>Arranger:</b>    | Citigroup Global Markets Limited  |
| <b>Dealers:</b>     | BNP Paribas<br>Citigroup Global Markets Limited<br>Crédit Agricole, Corporate and Investment Bank<br>Danske Bank A/S<br>Deutsche Bank AG, London Branch<br>HSBC Bank plc<br>J.P. Morgan Securities plc<br>Merrill Lynch International<br>Nordea Bank AB (publ)<br>Skandinaviska Enskilda Banken AB (publ)<br>Société Générale<br>Svenska Handelsbanken AB (publ)<br>Swedbank AB (publ)<br>The Royal Bank of Scotland plc (trading as NatWest Markets) |

**Certain Restrictions:** Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale") including the following restrictions applicable at the date of this Prospectus.

### **Notes having a maturity of less than one year:**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the

prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in any other currency, see "Subscription and Sale".

Under the Prospectus Act 2005, which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such Act and do not need to be approved by the CSSF.

|  |  |
|--|--|
| <b>Trustee:</b>                            | Deutsche Trustee Company Limited   |
| <b>Issuing and Principal Paying Agent:</b> | Citibank, N.A., London Branch  |
| <b>Programme Size:</b>                     | Up to U.S.\$15,000,000,000 (or its equivalent in other currencies) outstanding at any time. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time: <ul style="list-style-type: none"><li>(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading bank selected by the Issuer on the relevant day of calculation; and</li><li>(b) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes) and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.</li></ul> |
|  | The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.   |
| <b>Distribution:</b>                       | Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.   |
| <b>Currencies:</b>                         | Euro, Sterling, U.S. dollars, Yen, Swedish krona and, subject to any applicable legal or regulatory restrictions, any other currency as may be agreed between the Issuer and the relevant Dealer(s).   |
| <b>Maturities:</b>                         | Such maturities as may be agreed between the Issuer and  |

the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

At the date of this Prospectus the minimum maturity of all Notes is one month.

**Issue Price:**

Notes may be issued at an issue price which is at par or at a discount to, or premium over, par. The issue price will be specified in the applicable Final Terms.

**Form of Notes:**

Each Tranche of Notes will initially be represented by a temporary global Note in bearer form which will (i) if the global Notes are intended to be issued in NGN form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a Common Depository for Euroclear and Clearstream, Luxembourg. The temporary global Note will be exchangeable, upon request, as described therein for either a permanent global Note or definitive Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms). Such exchange may take place in each case on and after the date which is the later of (i) 40 days after the temporary global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue). Exchange of a temporary global Note will only take place upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations.

A permanent global Note will be exchangeable, unless otherwise specified in the applicable Final Terms, for definitive Notes only upon the occurrence of an Exchange Event, as described in "Form of the Notes" below.

Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system, as appropriate.

**Interest:**

Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or a combination thereof and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

**Fixed Rate Notes:**

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Fixed Day Count Fraction as may be

agreed between the Issuer and the relevant Dealer(s).

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service,

as indicated in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate (which shall never be less than zero) or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates specified in the applicable Final Terms and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Redemption:**

The applicable Final Terms relating to each Tranche of Notes will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year may be subject to restrictions on their denominations and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

**Denomination of Notes:**

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum Specified Denomination of each Note will be such as may be allowed or required from time to time by

the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions — Notes having a maturity of less than one year*" above and save that the minimum Specified Denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Taxation:**

Subject as provided in Condition 8, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within Sweden.

In the event that any such deduction is made, the Issuer or, as the case may be, the Parent will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

**Status of the Notes:**

The Notes will be direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Issuer and will at all times rank without any preference among themselves and (subject as aforesaid) *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, (other than obligations which are preferred by mandatory provisions of law) but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

**Guarantee:**

The payment of the principal and interest in respect of all Notes will be unconditionally and irrevocably guaranteed by AB Volvo (publ), the Parent. The obligations of the Parent under such guarantee will be direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Parent and (subject as aforesaid) will at all times rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Parent, present and future, (other than obligations which are preferred by mandatory provisions of law) but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

**Negative Pledge:**

The terms of the Notes will contain a negative pledge provision as described in Condition 4.

**Cross Default:**

The terms of the Notes will contain a cross default provision relating to indebtedness as further described in Condition 10.

**Approval, Listing and Admission to Trading:**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, *Bourse de Luxembourg*. This Prospectus and any

supplement will only be valid for listing Notes on the Luxembourg Stock Exchange during the period of 12 months from the date of publication of this Prospectus.

The Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series.

Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not and, if so, on which stock exchange(s) and/or market(s) the Notes are to be listed and/or admitted to trading.

**Governing Law:**

The Notes, and any non-contractual obligations arising out of or in connection with the Notes, shall be governed by, and construed in accordance with, English law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, France and Sweden and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "Subscription and Sale" below.

**United States Selling Restrictions:**

Regulation S, Category 2. TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms.

## FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be represented by a temporary global Note, without interest coupons or talons, which will (i) if the global Notes are intended to be issued in NGN form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a Common Depository for Euroclear and Clearstream, Luxembourg.

Where the global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a temporary global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary global Note if the temporary global Note is not intended to be issued in NGN form) only to the extent that appropriate certification (in a form to be provided) has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Such certification shall be to the effect that the beneficial owners of interests in such Note are not United States persons or persons who have purchased for resale to any United States person, as required by U.S. Treasury regulations.

Any reference in this section "Form of the Notes" to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Agent and the Trustee.

On and after the date (the "**Exchange Date**") which is the later of (i) 40 days after a temporary global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue) (the "**Distribution Compliance Period**"), interests in such temporary global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a permanent global Note of the same Series without interest coupons or talons or for (ii) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described in the first paragraph above unless such certification has already been given. The holder of a temporary global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless upon due certification, exchange of the temporary global Note for interests in the permanent global Note or for definitive Notes, as the case may be, is improperly withheld or refused. Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes" below) the Agent shall arrange that, where a further Tranche of Notes is issued, which is intended to form a single Series with an existing Tranche of Notes, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

Payments of principal, interest (if any) or any other amounts on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the permanent global Note if the permanent global Note is not intended to be issued in NGN form) without any requirement for certification. Unless otherwise specified in the applicable Final Terms, a permanent global Note will only be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by



reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or, except as otherwise specified in the applicable Final Terms, (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the permanent global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

In relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes, such Notes should not be issued in denominations comprising a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all Notes unless the applicable Final Terms indicate that TEFRA is not applicable and on all interest coupons and talons relating to such Notes:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Notes or interest coupons.

Notes which are represented by a global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg and/or any other agreed clearing system as the case may be.

In respect of Notes represented by a global Note issued in NGN form, the nominal amount of such Notes shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream, Luxembourg. The records of Euroclear and Clearstream, Luxembourg shall be conclusive evidence of the nominal amount of such Notes and a statement issued by Euroclear and/or Clearstream, Luxembourg shall be conclusive evidence of the records of such parties at that time.

The Issuer has entered into an agreement with Euroclear and Clearstream, Luxembourg (together, the "ICSDs") in respect of any Notes issued in NGN form that the Issuer may request be made eligible for settlement with the ICSDs (the "**Issuer-ICSDs Agreement**"). The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such Notes, *inter alia*, maintain records of their respective portion of the issue outstanding amount and will, upon the Issuer's request, produce a statement for the Issuer's use showing the total nominal amount of its customer holding of such Notes as of a specified date.

## FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the **Prospectus Directive** (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[Date]

### **VOLVO TREASURY AB (publ) (the "Issuer")**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] guaranteed by AB Volvo (publ) (the "Guarantor") issued pursuant to the U.S.\$15,000,000 Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the prospectus dated 7 November 2017 (the "**Prospectus**") [and the supplement[s] to the Prospectus dated [date]] (the "**Supplement[s]**") which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) as amended (which includes the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [and the Supplement[s]]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [and the Supplement[s]]. The Prospectus [and the Supplement[s] [has] [have] been published on the websites of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and the Issuer ([www.volvogroup.com](http://www.volvogroup.com)) and [is] [are] available for viewing at, and copies may be obtained from, the registered office of the Issuer and from the specified offices of the Paying Agents in London and Luxembourg.]

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions set forth in the prospectus dated 10 November 2011/14 November 2012/11 November 2013/6 November 2014/6 November 2015/8 November 2016] (the "**Conditions**") which are incorporated by reference in the prospectus dated 7 November 2017 (the "**Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [and the supplement[s] to the Prospectus dated [date]] (the "**Supplement[s]**") which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) as amended (which includes the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"), including the Conditions incorporated by reference in the Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [and the Supplement[s]]. The Prospectus [and the Supplement[s] [has] [have] been published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and the Issuer ([www.volvogroup.com](http://www.volvogroup.com)) and [is] [are] available for viewing at, and copies may be obtained from, the registered office of the Issuer and from the specified offices of the Paying Agents in London and Luxembourg.]

1. (i) Series Number: [●]
- (ii) Tranche Number: [●]
- [(iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [●] [*Description of existing series*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 20 below, which is expected to occur on or about [●] [*Insert date on which Notes are to be fungible with existing series*]/[Not Applicable]]
2. Specified Currency or Currencies: [●]
3. Aggregate Nominal Amount:
- (i) Series: [●]
- (ii) Tranche: [●]
4. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
5. (i) Specified Denomination(s): [€100,000]/[€100,000] and integral multiples of [€1,000] in excess thereof [up to and including [€199,000]]. (Note: no notes in definitive form to be issued with a denomination above €199,000).
- (ii) Calculation Amount: [●]
6. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [[●]/Issue Date/Not Applicable]
7. Maturity Date: [●]
- [Interest Payment Date falling in or nearest to [●]]
8. Interest Basis: [[●] per cent. Fixed Rate]  
[[*Reference Rate*] +/- [●] per cent. Floating Rate]  
[Zero Coupon]
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
10. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [●] paragraph [12/13] applies and for the period from (and including) [●], up to (and including) the Maturity Date, paragraph [12/13] applies] / [Not Applicable]
11. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Make-Whole Redemption]  
[further particulars specified below]  
[Not Applicable]

**Provisions Relating to Interest (if any) Payable**

12. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-*

*paragraphs of this paragraph)*

- (i) Rate(s) of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
  - (ii) Interest Payment Date(s): [●] [and [●]] in each year, from and including [●], up to and including the Maturity Date
  - (iii) Fixed Coupon Amount(s): [●] per Calculation Amount
  - (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] / [Not Applicable]
  - (v) Additional Business Centre(s): [[●]/[Not Applicable]]
  - (vi) Day Count Fraction: [30/360] / [Actual/Actual (ICMA)] / [Actual/365 (Fixed)]
  - (vii) Determination Date(s): [[●] in each year] / [Not Applicable]
13. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [●]
  - (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
  - (iii) Additional Business Centre(s): [[●]/[Not Applicable]]
  - (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
  - (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [[●] shall act as Calculation Agent] / [Not Applicable]
  - (vi) Screen Rate Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
    - Reference Rate and Relevant Financial Centre: Reference Rate: [●] month [LIBOR/EURIBOR/STIBOR/[●]].  
Relevant Financial Centre: [London/Brussels/[●]]
    - Interest Determination Date(s): [●]
    - Relevant Screen Page: [●]
  - (vii) ISDA Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
    - Floating Rate Option: [●]

- Designated Maturity: [●]
  - Reset Date: [●]
  - (viii) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
  - (ix) Margin(s): [+/-] [●] per cent. per annum
  - (x) Minimum Rate of Interest: [[●] per cent. per annum/Not Applicable]
  - (xi) Maximum Rate of Interest: [[●] per cent. per annum/Not Applicable]
  - (xii) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]
14. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [●] per cent. per annum
  - (ii) Reference Price: [●]
  - (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

**Provisions Relating to Redemption**

15. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [●]
  - (b) Optional Redemption Amount: [●] per Calculation Amount
  - (c) If redeemable in part:
    - (i) Minimum Redemption Amount: [[●] per Calculation Amount/Not Applicable]
    - (ii) Maximum Redemption Amount: [[●] per Calculation Amount/Not Applicable]
16. Make-whole Redemption by the Issuer [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Notice period: [●]
  - (ii) Parties to be notified (if other than set out in Condition 7(d)): [[●]/Not Applicable]
  - (iii) Reference Bond: [●]

- (iv) Make-whole Margin:
17. Investor Put:   
*[Applicable/Not Applicable]  
 (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s):
- (ii) Optional Redemption Amount:  per Calculation Amount
18. Final Redemption Amount: Subject to any purchase or cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100 per cent. of their nominal amount/ per Calculation Amount]
19. Early Redemption Amount payable on redemption for taxation reasons or on event of default:  per Calculation Amount

**General Provisions Applicable to the Notes**

20. Form of Notes:
- (a) Form of Notes:  [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]  
 [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- (b) New Global Note:  [Yes]  [No]
21. Additional Financial Centre(s):  [Not Applicable]
22. Talons for future Coupons to be attached to Definitive Notes:  [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of the Issuer:

By: \_\_\_\_\_

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, *Bourse de Luxembourg*, with effect from [●].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, *Bourse de Luxembourg*, with effect from [●].]
- [Not Applicable]
- (ii) Estimate of total expenses related to admission to trading: [[●]/Not Applicable]

### 2. RATINGS

- Ratings: [Not Applicable] / [The Notes to be issued have been rated [●] by [●]]
- [[●] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [●] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]
- [[●] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [●] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]
- [[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings have been endorsed by [●] in accordance with the CRA Regulation. [●] is established in the European Union and registered under the CRA Regulation[. As such [●] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [●] may be used in the EU by the relevant market participants.]
- [[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [is]/[has applied to be] certified in accordance with

the CRA Regulation [[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the European Securities and Markets Authority and [●] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[●] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority [and [●] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [●], which is established in the European Union, disclosed the intention to endorse credit ratings of [●], although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [●] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [●] may be used in the EU by the relevant market participants.]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.]

4. **YIELD** [[●]/Not Applicable]

5. **DISTRIBUTION**

(i) If syndicated, names of Managers: [[●]/Not Applicable]

(ii) Date of [Subscription] Agreement: [[●]/Not Applicable]

(iii) Stabilising Manager(s) (if [[●]/Not Applicable]



any):

- (iv) If non-syndicated, name and address of relevant Dealer: /Not Applicable
- (v) TEFRA:  TEFRA D/TEFRA not applicable

6. **OPERATIONAL INFORMATION**

- (i) ISIN Code:
- (ii) Common Code:
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking S.A. and the relevant identification number(s):  *[[Insert name and address]/Not Applicable]*
- (iv) Delivery: Delivery  [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any):  /Not Applicable
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility:  [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]  
  
 [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. **THIRD PARTY INFORMATION**

has been extracted from . The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by , no facts have been omitted which would render the reproduced information inaccurate or misleading].

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange (if any) and/or any other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto, such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes will complete the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each global Note and definitive Note.*

This Note is one of a Series (as defined below) of Notes issued by Volvo Treasury AB (publ) (the "**Issuer**") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 29 November 1994 made between AB Volvo (publ) (the "**Parent**") as guarantor, Volvo Group Finance Europe B.V., the Issuer and Bankers Trustee Company Limited, now Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include any successor as trustee), as modified and restated by a First Supplemental Trust Deed dated 17 October 1996 between the same parties, as further modified by a Second Supplemental Trust Deed dated 7 August 1997 between the same parties and Volvo Group Treasury Asia Ltd. and Volvo Group Treasury US Inc., as further modified by a Third Supplemental Trust Deed dated 3 July 1998 between the Parent, the Issuer, Volvo Group Finance Europe B.V. and the Trustee, as further modified and restated by a Fourth Supplemental Trust Deed dated 24 November 1998 between the Parent, the Issuer, Volvo Group Treasury US Inc. and the Trustee, as further modified by a Fifth Supplemental Trust Deed dated 10 December 1999 between the Parent, the Issuer, Volvo Treasury US LLC ("**Volvo US**") and the Trustee, as further modified by a Sixth Supplemental Trust Deed dated 6 November 2000 between the Parent, the Issuer, Volvo US and the Trustee, as further modified and restated by a Seventh Supplemental Trust Deed dated 7 November 2001 between the Parent, the Issuer, Volvo US and the Trustee, as further modified by an Eighth Supplemental Trust Deed dated 6 November 2002 between the Parent, the Issuer, Volvo US and the Trustee, as further modified and restated by a Ninth Supplemental Trust Deed dated 14 November 2005 between the Parent, the Issuer and the Trustee, as further modified by a Tenth Supplemental Trust Deed dated 9 November 2006 between the Parent, the Issuer and the Trustee, as further modified by an Eleventh Supplemental Trust Deed dated 16 November 2007 between the Parent, the Issuer and the Trustee, as further modified by a Twelfth Supplemental Trust Deed dated 19 November 2008 between the Parent, the Issuer and the Trustee, as further modified by a Thirteenth Supplemental Trust Deed dated 11 November 2009 between the Parent, the Issuer and the Trustee, a Fourteenth Supplemental Trust Deed dated 9 November 2010 between the Parent, the Issuer and the Trustee, a Fifteenth Supplemental Trust Deed dated 10 November 2011 between the Parent, the Issuer and the Trustee, a Sixteenth Supplemental Trust Deed dated 14 November 2012 between the Parent, the Issuer and the Trustee, a Seventeenth Supplemental Trust Deed dated 11 November 2013 between the Parent, the Issuer and the Trustee, an Eighteenth Supplemental Trust Deed dated 6 November 2014 between the Parent, the Issuer and the Trustee, a Nineteenth Supplemental Trust Deed dated 6 November 2015 between the Parent, the Issuer and the Trustee, a Twentieth Supplemental Trust Deed dated 8 November 2016 between the Parent, the Issuer and the Trustee, and a Twenty-First Supplemental Trust Deed dated 7 November 2017 between the Parent, the Issuer and the Trustee. References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a global Note and (iii) any global Note. The Notes and the Coupons (as defined below) also have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 6 November 2014 made between the Parent, the Issuer, Citibank, N.A., London Branch as issuing and principal paying agent (the "**Agent**", which expression shall include any successor agent specified in the applicable Final Terms), the other paying agent named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached hereto or endorsed hereon which complete these Terms and Conditions for the purposes of this Note. References herein to the "applicable Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof) attached hereto or endorsed hereon.

The Trustee acts for the benefit of the holders of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are obtainable during normal business hours at the registered office for the time being of the Trustee at Winchester House, 1 Great Winchester Street, London EC2N 2DB, and at the specified offices of each of the Agent and the other Paying Agents. Copies of the applicable Final Terms are available for viewing at, and copies may be obtained from, the registered office of the Issuer and from the specified office of the Paying Agents in London and Luxembourg save that the Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a Noteholder holding one or more Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer or the relevant Paying Agent, as the case may be, as to its holding of such Notes and identity. In addition, Final Terms relating to a Note which is listed on the Official List, and admitted to trading on the regulated market, of the Luxembourg Stock Exchange will be available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

#### 1. **Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denomination (the "**Specified Denomination(s)**") specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Parent, the Trustee and any Paying Agent may deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Parent, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and/or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Parent, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Agent and the Trustee.

## 2. **Status of the Notes**

The Notes and the relative Coupons are direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Issuer and rank and will at all times rank without any preference among themselves and (subject as aforesaid) *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, (other than obligations which are preferred by mandatory provisions of law) but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## 3. **Guarantee**

The payment of the principal and interest in respect of all Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Parent in the Trust Deed (the "**Guarantee**"). The obligations of the Parent under the Guarantee are direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Parent and (subject as aforesaid) rank and will at all times rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Parent, present and future, (other than obligations which are preferred by mandatory provisions of law) but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## 4. **Negative Pledge**

The Issuer and the Parent undertake that, so long as any of the Notes remains outstanding (as defined in the Trust Deed), they will not have outstanding any External Indebtedness and will procure that no Subsidiary (as defined in the Trust Deed) of the Issuer or the Parent will have outstanding any such indebtedness which is also guaranteed by the Issuer or the Parent, where in any such case such External Indebtedness or guarantee is secured by any mortgage, lien (other than liens arising by operation of law), pledge or other charge, unless the Issuer or the Parent, as the case may be, shall forthwith take any and all action necessary to procure that all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured equally and rateably with such mortgage, lien, pledge or other charge to the satisfaction of the Trustee or such other security is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or as shall be approved by Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of this provision "**External Indebtedness**" means any loan or other indebtedness (or any guarantee thereof) which is:

- (i) in the form of or represented by any bonds, notes or other securities for the time being quoted, listed or dealt in on any stock exchange or over-the-counter market; and

- (ii) either (a) denominated or payable in a currency other than euro and initially offered by or on behalf of the Issuer or the Parent or the relevant Subsidiary (as the case may be) primarily to persons resident outside any country in the currency of which it is denominated or payable (whether compulsorily or at the option of the holder) or (b) denominated or payable in euro and initially offered by or on behalf of the Issuer or the Parent or the relevant Subsidiary (as the case may be) primarily to persons resident outside Sweden and, if different, the country of incorporation of the Issuer or the Parent or the relevant Subsidiary (as the case may be).

## 5. Interest

### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Fixed Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

1. if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
  - (1) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (2) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
  - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
2. if "**30/360**" is specified in the applicable Final Terms, the number of days in that period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
3. if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the relevant period divided by 365.

In these Terms and Conditions:

**"Determination Period"** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**"sub-unit"** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **"Interest Payment Date"**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment

Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) any case where Specified Periods are specified in accordance with Condition (a)(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "**Business Day**" means a day which is:

- (A) (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open;
- (B) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and
- (C) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the TARGET2 System is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon the manner specified in the applicable Final Terms.

(iii) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (iii), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**")) and under which:

- (A) Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is the period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (iii), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Euro-zone**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(iv) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question, the Agent shall request the principal London office of each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fourth decimal place with 0.00005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent



determines as being the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the 11:00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

**"Reference Banks"** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank, in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Stockholm inter-bank market and, in the case of a determination of any other Reference Rate, the principal office of four major banks in the inter-bank market of the Relevant Financial Centre, in each case selected by the Agent.

(v) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. For the avoidance of doubt, the Minimum Rate of Interest shall not be less than zero. If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(vi) *Determination of Rate of Interest and calculation of Interest Amounts*

The Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such subunit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

1. if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
2. if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
3. if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
4. if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
5. if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

6. if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

7. if "30E/360 (ISDA)" is specified hereon, the number of days in the Interest Period divided

by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(vii) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity (as defined below) were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(viii) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will promptly be notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London.

(ix) *Determination or Calculation by Trustee*

If for any reason the Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with subparagraphs (ii), (iii) or (iv) above, as the case may be, and, in each case, (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

(x) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Parent, the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Parent, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of Interest*

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. **Payments**

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) *Presentation of Notes and Coupons*

Payments of principal in respect of definitive Notes will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia) and its possessions).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note, where applicable, against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

The holder of a global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer or, as the case may be, the Parent will be discharged by payment to, or to the order of, the holder of such global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Parent to, or to the order of, the holder of such global Note (or the Trustee, as the case may be). No person other than the holder of such global Note (or the Trustee, as the case may be) shall have any claim against the Issuer or, as the case may be, the Parent in respect of any payments due on that global Note.

Notwithstanding the foregoing provisions of this Condition, U.S. dollar payments of principal and/ or interest in respect of the Notes will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America):

- (a) if
  - (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
  - (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
  - (iii) such payment is then permitted under United States law; or
- (b) at the option of the relevant holder if such payment is then permitted under United States law without involving, in the opinion of the Issuer or the Parent, adverse tax consequences for the Issuer or the Parent.

(c) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

- (i) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open

for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open;

- (ii) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation; and
  - (B) any Additional Financial Centre specified (other than the TARGET2 System) in the applicable Final Terms; and
- (iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open.

(d) *Interpretation of Principal and Interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefore pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) the Make-whole Redemption Amount (if any) of the Notes
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(h)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefore pursuant to the Trust Deed.

7. **Redemption and Purchase**

(a) *Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms (which shall be its nominal amount) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) *Redemption for Tax Reasons*

If the Issuer or the Parent satisfies the Trustee immediately prior to the giving of the notice referred to below that (i) as a result of any change in the laws of Sweden, which becomes effective on or after the Issue Date of the first Tranche of the Notes, on the occasion of the next payment due in respect of the Notes, the Issuer would be required to pay additional amounts as provided in Condition 8; or (ii) on the occasion of the next payment due in respect of the Notes,

the Parent would be unable to procure the Issuer to make payment and, in making such payment itself under the Guarantee, the Parent would, as a result of any change in the laws of Sweden, which becomes effective on or after the Issue Date of the first Tranche of the Notes, be required to pay additional amounts as provided in Condition 8, the Issuer may at its option, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) having given not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), redeem all the Notes, but not some only, at their Early Redemption Amount referred to in paragraph (h) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the Option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee;

(which notices shall be irrevocable), redeem all or some only, as specified in the applicable Final Terms, of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of all Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the lowest Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 5 days prior to the Selection Date.

(d) *Make-whole Redemption by the Issuer*

If Make-whole Redemption is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee;

(which notices shall be irrevocable and shall specify the date fixed for redemption (such date being hereinafter called the "**Make-whole Redemption Date**")) redeem all or some only of the Notes then outstanding at any time prior to their Maturity Date at their relevant Make-whole Redemption Amount. On or not later than the Business Day immediately following the Calculation Date, the Determination Agent shall notify the Issuer, the Trustee, the Noteholders



and such other parties as may be specified in the applicable Final Terms of the Make-whole Redemption Amount. All Notes in respect of which any such notice referred to above is given shall be redeemed on the relevant Make-whole Redemption Date in accordance with this Condition.

In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of all Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the lowest Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph (d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 5 days prior to the Selection Date.

For the purposes of this Condition, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

**"Benchmark Rate"** means the average of the two quotations given by the Reference Dealers on the Calculation Date at 11.00 a.m. (Central European time ("CET")) of the mid-market annual yield to maturity of the Reference Bond specified in the applicable Final Terms. If the Reference Bond is no longer outstanding, a Similar Security will be chosen by the Determination Agent at 11.00 a.m. CET on the Calculation Date, quoted in writing by the Determination Agent to the Issuer and published in accordance with Condition 14;

**"Calculation Date"** means the third Business Day (as defined in Condition 5(b)(i)) prior to the Make-whole Redemption Date;

**"Determination Agent"** means the investment bank or financial institution of international standing selected by the Issuer;

**"Make-whole Margin"** means the rate per annum specified in the applicable Final Terms;

**"Make-whole Redemption Amount"** means, in respect of each Calculation Amount, an amount in the Specified Currency of the Notes, determined by the Determination Agent, equal to the sum of:

- (i) the greater of (x) the Final Redemption Amount and (y) the sum of the present values as at the Make-whole Redemption Date of the remaining scheduled payments of principal and interest on the Calculation Amount (excluding any interest accruing on the Calculation Amount from, and including, the Specified Interest Payment Date or, as the case may be, the Interest Commencement Date, immediately preceding such Make-whole Redemption Date to, but excluding, the Make-whole Redemption Date) discounted from the Maturity Date to the Make-whole Redemption Date on the basis of the relevant Day Count Fraction at a rate equal to the Make-whole Redemption Rate; and
- (ii) any interest accrued but not paid on such Calculation Amount from, and including, the Specified Interest Payment Date or, as the case may be, the Interest Commencement Date, immediately preceding such Make-whole Redemption Date, to, but excluding, the Make-whole Redemption Date;

**"Make-whole Redemption Rate"** means the sum, as calculated by the Determination Agent, of the Benchmark Rate and the Make-whole Margin;

**"Reference Dealers"** means each of the two Dealers selected by the Issuer or, in the event that such Dealers cease to be Dealers under the Programme, each of the two banks selected by the Issuer which are primary European government security dealers; and

**"Similar Security"** means a reference bond or reference bonds issued by the issuer of the Reference Bond having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of comparable maturity to the remaining term of the Notes.

(e) *Clean-up Call Option*

The Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the Notes for the time being outstanding, if, immediately prior to the date that such notice is given, 10 per cent. or less of the aggregate nominal amount originally issued of the Notes remain outstanding, provided that those Notes that are no longer outstanding have not been redeemed (and subsequently cancelled) by the Issuer pursuant to Condition 7(c) and/or Condition 7(d). Any such redemption shall be at par together, if appropriate, with any interest accrued to the date fixed for redemption.

(f) *Residual Maturity Call at the Option of the Issuer*

The Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the Notes for the time being outstanding, at any time from and including 3 months to but excluding the Maturity Date, at their principal amount together, if appropriate, with interest accrued to, but excluding, the date fixed for redemption.

(g) *Redemption at the Option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the relevant Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7(g) shall

be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7(g).

(h) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, the Notes will be redeemed at an amount (the "**Early Redemption Amount**") determined or calculated as follows:

- (i) in the case of a Note other than a Zero Coupon Note, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (ii) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

<sup>y</sup> is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(i) *Purchases*

The Issuer, the Parent or any of their respective Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Parent, surrendered to any Paying Agent for cancellation.

(j) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and all Notes purchased and cancelled pursuant to paragraph (i) above (together with all unmatured Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(k) *Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (f) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in

paragraph (h)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders either in accordance with Condition 14 or individually.

## 8. **Taxation**

- (a) All payments of principal and interest in respect of the Notes and Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges ("**Taxes**") of whatever nature imposed or levied by or on behalf of Sweden or any political subdivision of, or any authority in, or of, Sweden having power to tax unless the withholding or deduction of the Taxes is required by law. In such event, the Issuer or, as the case may be, the Parent will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:
  - (i) to, or to a third party on behalf of, a Noteholder or Couponholder who is liable for the Taxes in respect of such Note or Coupon by reason of such holder having some connection with Sweden other than (1) the mere holding of such Note or Coupon or (2) the receipt of principal or interest in respect of such Note or Coupon; or
  - (ii) to, or to a third party on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
  - (iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days assuming that day to have been a Payment Day; or
  - (iv) presented for payment in Sweden.
- (b) As used herein, the "**Relevant Date**" means the date on which such payment first becomes due but, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Noteholders by the Issuer in accordance with Condition 14.
- (c) Notwithstanding any other provisions contained herein, the Issuer and the Parent shall be permitted to withhold or deduct any amounts required by the rules of Sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor provisions), pursuant to any intergovernmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer or the Parent not being entitled to receive payments free of FATCA withholding. Neither the Issuer nor the Parent will have any obligation to pay additional amounts or otherwise indemnify a holder for any such FATCA withholding deducted or withheld by the Issuer, the Parent, the Paying Agent or any other party.

9. **Prescription**

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefore.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(h)) together with accrued interest (if any) as provided in the Trust Deed, in any of the following events:

- (i) default is made in the payment of any principal due in respect of the Notes or any of them and default continues for a period of 15 days or if default is made in the payment of any interest due in respect of the Notes or any of them and the default continues for a period of 30 days; or
- (ii) the Issuer or the Parent defaults in the performance of any other obligation under the Trust Deed and (except where such default is not capable of remedy when no such notice or continuation as is hereinafter mentioned will be required) such default continues for 60 days after written notice thereof shall have been given to the Issuer and the Parent by the Trustee; or
- (iii) other indebtedness for borrowed money of the Issuer, the Parent or any Principal Subsidiary (as defined in the Trust Deed) becomes repayable prematurely as a consequence of any default by it in its obligations in respect of the same, or the Issuer, the Parent or any Principal Subsidiary fails to repay any such indebtedness for borrowed money when due (subject to any permitted grace period applicable to the repayment of such indebtedness for borrowed money) or fails to perform its payment obligations under any guarantee and/or indemnity given by it in relation to any indebtedness for borrowed money of any other person within any grace period applicable to any payment due under such indebtedness for borrowed money, provided that the aggregate principal amount of all such indebtedness for borrowed money which has become prematurely repayable or has not been repaid or in respect of which the guarantee and/or indemnity has not been performed amounts to at least U.S.\$80,000,000 (or its equivalent in any other currency); or
- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the Issuer, the Parent or any Principal Subsidiary be wound up or dissolved otherwise than for the purposes of or pursuant to an amalgamation, merger or reconstruction the terms of which have previously been approved by the Trustee, such approval not to be unreasonably withheld; or
- (v) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Issuer, the Parent or any Principal Subsidiary; or
- (vi) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the property of the Issuer, the Parent or any Principal Subsidiary and is not discharged within 60 days thereof; or
- (vii) the Issuer, the Parent or any Principal Subsidiary stops payment or (otherwise than for the purposes of such an amalgamation, merger or reconstruction as is referred to in paragraph (iv) of this Condition) ceases or threatens to cease to carry on all or substantially the whole of its business or is unable to pay its debts as and when they fall due; or

- (viii) proceedings shall have been initiated against the Issuer, the Parent or any Principal Subsidiary under any applicable bankruptcy, insolvency or re-organisation law and such proceedings shall not have been discharged or stayed within a period of 60 days; or
- (ix) the Issuer, the Parent or any Principal Subsidiary initiates or consents to proceedings relating to itself under any applicable bankruptcy, composition, insolvency or re-organisation law or makes a conveyance or assignment for the benefit of, or enters into any composition with, its creditors; or
- (x) if the Guarantee ceases to be, or is claimed by the Parent not to be, in full force and effect,

provided that, in the case of any event other than those described in sub-paragraphs (i), (iv) (in the case of a winding up or dissolution of the Issuer or the Parent) and (x) above, the Trustee shall have certified to the Issuer and the Parent that the event is, in its opinion, materially prejudicial to the interests of the Noteholders.

#### 11. **Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 14, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

#### 12. **Agent and Paying Agents**

The names of the initial Agent and the other initial Paying Agent and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer and the Parent are, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed or admitted to trading on any stock exchange or other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of that stock exchange or other relevant authority;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee other than in Sweden; and
- (iii) there will at all times be an Agent.

In addition, the Issuer and the Parent shall forthwith appoint a Paying Agent (such Paying Agent having been approved in writing by the Trustee) having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(b). Notice of any variation, termination, appointment or change in the Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

#### 13. **Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

#### 14. Notices

All notices regarding the Notes shall be published (i) in the *Financial Times* or any other daily newspaper in London approved by the Trustee or, if this is not possible, in one other English language daily newspaper approved by the Trustee with general circulation in Europe, and (ii) if the Notes are listed on the Official List, and admitted to trading on the regulated market, of the Luxembourg Stock Exchange (so long as the rules of that exchange so require) in a daily newspaper with general circulation in Luxembourg which is expected to be *Luxemburger Wort* and/or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Notes are for the time being listed or admitted to trading. Any such notice will be deemed to have been given on the date of the first publication in all the required newspapers and, if applicable, on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on any stock exchange, the rules of such exchange or any other relevant authority permit) so long as the global Note(s) is/are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes, except that if the Notes are listed on the Luxembourg Stock Exchange notice will, in any event, be published in a daily newspaper with general circulation in Luxembourg or in places required by the rules of that Stock Exchange so long as the rules of the relevant exchange so require. And, in addition, for so long as any Notes are listed or admitted to trading on any other stock exchange or any other relevant authority and the rules of that stock exchange or any other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or any such other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the second Business Day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### 15. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than three-quarters, or at any adjourned such meeting not less than a clear majority, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject as provided above) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of

these Terms and Conditions or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise of its trusts, powers, authorities or discretions for individual Noteholders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Parent or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

**16. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

**17. Enforcement**

The Trustee may at its discretion and without further notice take such proceedings against the Issuer and/or the Parent as it may think fit to enforce the obligations of the Issuer and/or the Parent under the Trust Deed and the Notes and Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by holders of at least one-quarter in nominal amount of the Notes outstanding and (ii) it shall have been indemnified to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer and/or the Parent unless the Trustee, having become bound so to do, fails so to do within a reasonable period and such failure is continuing.

**18. Substitution**

The Trustee may, without the consent of the Noteholders or the Couponholders, agree with the Issuer and the Parent (or, if applicable, their successors in business as defined in the Trust Deed) to the substitution (i) in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of (I) the successor in business of the Issuer or (II) another company being the Parent (or the successor in business of the Parent) or of any of the other Subsidiaries of the Parent (or its successor in business as aforesaid), or (ii) in place of the Parent (or of any previous substitute under this provision) of its successor in business, subject in each case to (a) except where the Parent becomes the principal debtor the Notes being unconditionally and irrevocably guaranteed by the Parent or its successor in business, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (c) certain other conditions set out in the Trust Deed being complied with.

**19. Indemnification**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction.

**20. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.



21. **Governing Law and Submission to Jurisdiction**

The Trust Deed, the Notes and the Coupons, and any non-contractual obligations arising out of, or in connection with them, are governed by, and shall be construed in accordance with, English law.

The Issuer and the Parent have each irrevocably agreed in the Trust Deed for the exclusive benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and the Coupons (including any disputes relating to any non-contractual obligations arising out of, or in connection with them) and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "**Proceedings**") may be brought in the courts of England.

The Issuer and the Parent have in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which they may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and have further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer or, as the case may be, the Parent and may be enforced in the courts of any other jurisdiction. Nothing in this provision shall limit any right to take Proceedings against the Issuer or the Parent in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

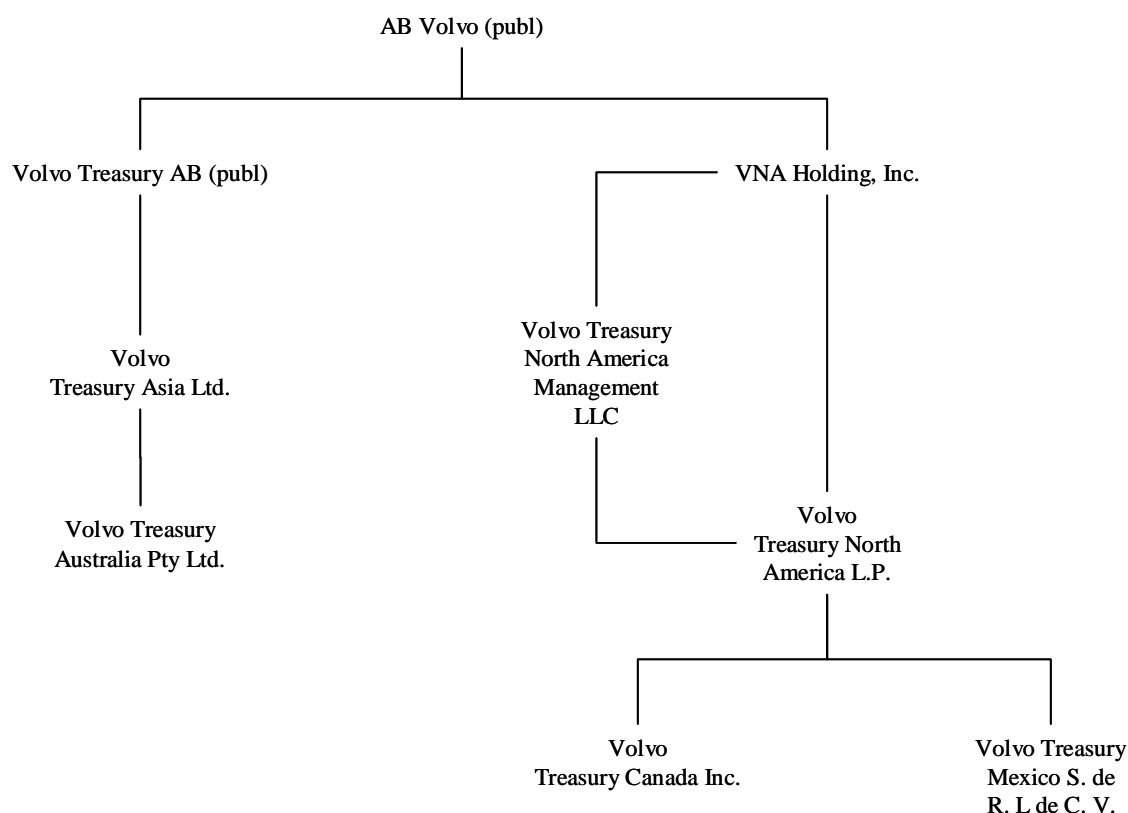
The Issuer and the Parent have in the Trust Deed appointed VFS Financial Services Limited at its office for the time being at Wedgnoek Lane, Warwick CV34 5YA as their agent in England for service of process on their behalf and have agreed that in the event of VFS Financial Services Limited ceasing so to act they will appoint such other person as the Trustee may approve as their agent for service of process.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for general funding purposes.

**VOLVO TREASURY AB (publ)**  
**BACKGROUND AND MAIN ACTIVITIES**

**Organisation**



**HISTORY AND DESCRIPTION**

Volvo Treasury AB (publ) (the "**Issuer**") is a wholly-owned subsidiary of the Parent and was established on 4 May 1970 under the laws of Sweden and started its current business on 28 June 1985. The Issuer is the parent company of Volvo Treasury Asia Ltd., which in turn is the parent company of Volvo Treasury Australia Pty Ltd. The Issuer is registered with the Swedish Companies Registration Office under No. 556135-4449 as a public company with limited liability, has its registered office in Gothenburg, Sweden and address at SE-405 08 Gothenburg, Sweden and operates under Swedish law. The telephone number of the office is +46 31 66 95 33. As at 30 September 2017, the issued share capital of the Issuer amounted to SEK 500 million and is fully paid up. The share capital is divided into 5,000,000 ordinary shares, each with a quota value of SEK 100.

The objects of the Issuer's operations are set out in paragraph 2 of its Articles of Association. They include (directly or through the holding of shares or participation rights in other companies) owning and managing real estate, movable property, capital and financial instruments, carrying on consulting activities within the aforementioned areas as well as activities compatible therewith.

The Issuer, Volvo Treasury North America L.P. and their respective subsidiaries (collectively referred to as "**Volvo Treasury**") are acting as internal banks for the Volvo Group. They support the Volvo Group companies with services related to treasury and cash management. Volvo Treasury conducts most of the financial transactions of the Volvo Group. Volvo Treasury is responsible for all interest-bearing assets and liabilities as well as all foreign exchange and funding operations within the Volvo Group. Consolidated financial management offers better potential to utilise the Volvo Group's financial assets and cash flow and professionally manage risks related to financial management.

Volvo Treasury operations are carried out according to centrally determined risk mandates and limits designed to minimise the credit, currency, interest rate and liquidity risks to which the Volvo Group is

exposed. These risks and the manner in which the Volvo Group handles them are presented in the Volvo Group Annual and Sustainability Report 2016 incorporated by reference in this Prospectus (see "**Documents Incorporated by Reference**" herein).

The Swedish Code of Corporate Governance (the "**Code**") is not applicable to the Issuer as it has no shares listed on Nasdaq Stockholm. The Parent applies the Code as it has shares listed on Nasdaq Stockholm.

#### ***Management of Volvo Treasury***

|                    |  |
|--------------------|--|
| Frederik Ljungdahl | Head of Treasury and Corporate Finance   |
| Thomas Lestin      | President, Global Head of Group Treasury Risk Management, Volvo Treasury AB (publ)                   |
| Ulf Niklasson      | Vice President, Treasury Business Development, Volvo Treasury AB (publ)                              |
| Ulf Rapp           | Vice President, Head of Legal, Volvo Treasury AB (publ)  |
| Sune Martinsson    | Vice President, Group Treasury Control & Backoffice, Volvo Treasury AB (publ)                        |
| Erwin Tan          | President, Volvo Treasury Asia Ltd.  |
| Charles Albrecht   | President, Volvo Treasury North America Management LLC, President, Volvo Treasury North America L.P. |

There are no conflicts of interest between any duties to the Issuer of the Management and their private interests to the best of the Issuer's knowledge.

The business address of the above-mentioned persons is SE-405 08 Gothenburg, Sweden.

#### ***Board of Directors of the Issuer***

The Articles of Association of the Issuer currently states that the Board of Directors shall comprise a minimum of three and a maximum of ten members and a maximum of the same number of deputies. These are elected each year at the annual general meeting for the period up to the end of the next annual general meeting. Annual general meetings are to be held in Gothenburg not later than 30 June each year.

|                    |  |
|--------------------|--|
| Frederik Ljungdahl | Chairman of the Board  |
| Thomas Lestin      | President of Volvo Treasury AB (publ)  |
| Ulf Rapp           | Vice President, Head of Legal, Volvo Treasury AB (publ)                          |
| Sune Martinsson    | Vice President, Group Treasury Control and Back Office, Volvo Treasury AB (publ) |

There are no conflicts of interest between any duties to the Issuer of the Board of Directors and their private interests to the best of the Issuer's knowledge.

The business address of the above-mentioned persons is SE-405 08 Gothenburg, Sweden.

#### ***Auditors***

PricewaterhouseCoopers AB ("**PwC**"), authorised public accountants, have audited the Issuer's annual financial statements since 1998 without qualification in accordance with generally accepted auditing principles in Sweden. The address of the auditors can be found on the last page of this Prospectus.

## AB VOLVO (publ)

### General

AB Volvo (publ) (the "**Parent**" or "**AB Volvo**") is the parent company of the Volvo Group and was incorporated on 5 May 1915 under the laws of Sweden. The Parent is registered with the Swedish Companies Registration Office under No. 556012-5790 as a public company with limited liability, has its registered office at SE-405 08 Gothenburg, Sweden and operates under Swedish law. The telephone number of the office is +46 31 66 00 00.

The objects of the Parent's operations are set out in paragraph 2 of its Articles of Association. They include (directly or through subsidiaries) carrying on business within the areas of transport, foodstuffs, energy and finance (with the exception, however, of activities provided for under the Swedish Banking Business Act and the Swedish Credit Market Companies Act), managing real estate and moveable property and carrying on other activities compatible therewith.

The Parent is the holding company of all the companies in the Volvo Group, directly or indirectly, and the assets of the Parent are substantially comprised of shares in Volvo Group companies. The Parent does not conduct any business itself and is therefore dependent on the Volvo Group companies and the revenues received by them.

The Volvo Group is an international transport equipment group with a worldwide marketing organisation and production. The Parent started production of cars in 1927 and of trucks in 1928. Historically, the Volvo Group has operated in two main areas: cars and vehicles for commercial use. The latter includes trucks, buses, construction equipment and marine and industrial engines. Operations have also included production of aircraft engine components and related services. The Volvo Group also has a financial services operation. In March 1999, the Volvo Group sold Volvo Cars to Ford Motor Company. Through the acquisition of Mack Trucks Inc. and Renault V.I. in 2001, the Volvo Group strengthened its position as a producer of heavy duty trucks. Through the acquisitions of Japanese truck manufacturer Nissan Diesel (name changed to UD Trucks in 2009), Chinese wheel-loader manufacturer Lingong and Ingersoll Rand's division for road construction equipment in 2007, the formation of a joint-venture within trucks and buses with India-based Eicher Motors in 2008 as well as the acquisition of 45 per cent. of Dongfeng Commercial Vehicles in China in 2015 the Volvo Group has considerably strengthened its position in Asia. On 1 October 2012, the Volvo Group completed the divestment of Volvo Aero to GKN. The Volvo Group is today focused on the commercial transport products segment.

Headquartered in Gothenburg, Sweden the Volvo Group had 99,631 employees including temporary employees and consultants as at 30 September 2017. The Volvo Group operates in an international environment with manufacturing carried out in 18 countries and with sales in more than 190 countries worldwide. Its shares are traded on Nasdaq Stockholm.

### Principal activities

The Volvo Group has its origins in 1927. The first truck, the Series 1, was presented in January 1928. The Volvo Group is one of the world's leading suppliers of commercial transport solutions providing products such as trucks, buses, construction equipment as well as drive systems for marine and industrial applications. The Volvo Group also offers its customers spare parts and aftermarket services as well as financial services.

The Volvo Group's strategic priorities are to:

- Reinforce Volvo as a global premium heavy-duty truck brand and regain the position and market shares of Renault Trucks, Mack and UD as regional high-end truck brands.
- Create the most desirable heavy-duty product and service portfolio tailored to selected premium, high-end and value segments.
- Secure robust profitability through leading research and development, quality, purchasing and manufacturing operations using Volvo Production System.
- Establish brand specific sales operations with focus on retail excellence and a growing service business.

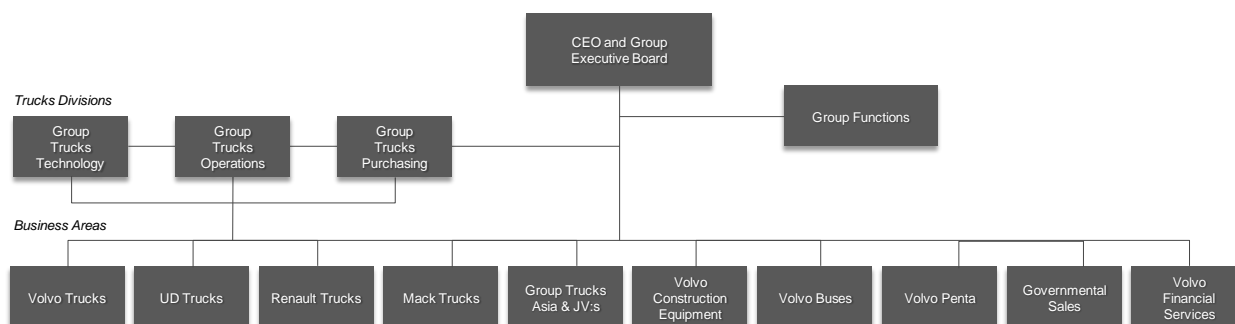
- Leverage Group assets in non-truck Business Areas, creating additional profits, synergies and technology leadership.
- Capture Asia growth through joint ventures and value truck in a separate value chain – and leverage in other emerging markets.
- Revitalise the Volvo Group culture with focus on Customer Success, Trust, Passion, Change and Performance.

## Principal markets

Volvo Group customers are active in more than 190 countries worldwide. Volvo Group sales of products and services are conducted through both wholly-owned and independent dealers. The global service network handles customer demand for spare parts and other services.

The Volvo Group's largest geographical markets during the first nine months of 2017 were Europe which accounted for 42 per cent. of net sales, North America 26 per cent. and Asia 20 per cent. The Industrial Operations' net sales per segment during the first nine months of 2017 were distributed as follows: Trucks 66 per cent., Construction Equipment 21 per cent., Buses 8 per cent., Volvo Penta 4 per cent. and Corporate Functions and Other Areas 1 per cent.

## Organisational Structure



Since 1 March 2016, the Volvo Group's business activities have been organised into ten business areas: Volvo Trucks, UD Trucks, Renault Trucks, Mack Trucks, Group Trucks Asia & JV's, Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and Volvo Financial Services.

Further to this there are three truck divisions: Group Trucks Technology ("GTT"), Group Trucks Operations ("GTO") and Group Trucks Purchasing ("GTP"). GTT is responsible for the development of engines, transmissions and trucks. GTO is responsible for the production of trucks and the Volvo Group's engines and transmissions. GTP is responsible for purchasing.

## Recent Developments – Significant Events

### *Establishment of a Volvo CE Committee*

On 1 February 2017 it was announced that in order for the Board of Directors of the Parent to be more efficient in following up and supporting the positive development of Volvo CE, while at the same time keeping full focus on the development of the Group's truck operation, the Board had decided to establish a Volvo CE Committee. To create further simplicity, transparency and flexibility, the intention is to increase Volvo CE's structural independence within the Volvo Group.

### *Annual General Meeting of the Parent – election of members of the Board*

On 4 April 2017 the Annual General Meeting of the Parent was held and Matti Alahuhta, Eckhard Cordes, James W. Griffith, Martin Lundstedt, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Håkan Samuelsson, Helena Stjernholm, Carl-Henric Svanberg and Lars Westerberg were re-elected as members of the Board. Carl-Henric-Svanberg was re-elected as Chairman of the Board.

### ***Volvo Group Capital Markets Day***

At the Volvo Group's Capital Markets Day on 23 May 2017 in Eskilstuna, Sweden, President and CEO Martin Lundstedt together with other members of the Volvo Group Executive Board presented the strategy being implemented to increase the Volvo Group's profitability through a business cycle. Among the measures are to move decision-making and responsibility closer to customers and to focus on growing the service business. The presentations covered three main topics: Improving performance, Growing services and Leading in technology. During the Capital Markets Day, Volvo Construction Equipment's Electric Site project with autonomous, electric-battery load carriers and the Volvo FMX self-driving truck that is currently being tested in operation in Boliden's Kristineberg mine were demonstrated.

### ***Melker Jernberg appointed President of Volvo Construction Equipment***

On 3 July 2017 Melker Jernberg was appointed President of Volvo Construction Equipment and member of the Volvo Group Executive Board. Melker Jernberg was born in 1968 and is currently President and CEO of the Sweden-based powder metallurgy company Höganäs AB. Prior to this he held the position of Executive Vice President and Head of Business Area EMEA at Swedish-based steel manufacturer SSAB. Melker Jernberg will assume his new position on 1 January 2018. In order to prepare for taking up his full-time position and increase his awareness of the wider Volvo Group, Melker Jernberg will join the Volvo Group on 13 November 2017, prior to taking up his new full-time position with Volvo Construction Equipment on 1 January 2018.

### ***The Volvo Group sold its shares in Deutz AG***

On 7 July 2017 the Volvo Group sold its complete holding in the German listed engine manufacturer Deutz AG. Divestment proceeds amounted to SEK 1,897 million, corresponding to SEK 62.73 per share (EUR 6.50). The sale resulted in a capital gain of SEK 400 million that impacted operating income in the third quarter of 2017.

### ***Volvo Penta became major owner of Seven Marine***

On 11 July 2017 it was announced that Volvo Penta had signed an agreement to become the major owner of innovative premium outboard motor manufacturer, Seven Marine, enabling the Swedish company to extend its scope of world-leading integrated propulsion systems. With a proven track record in delivering high performance gasoline outboards for the high-end leisure market, Seven Marine produces the most powerful outboard models in the world, running at 557 and 627 hp. The two companies will collaborate to continue to develop Seven Marine's leading outboard offerings.

### ***New financial targets for Volvo Group***

On 31 August 2017 the Board of Directors' of the Parent in its annual review decided to introduce new financial targets for the Volvo Group.

#### ***Financial targets***

The Volvo Group's operating margin shall exceed 10 per cent. measured over a business cycle.

Financial Services' target remains unchanged with a return on equity of 12-15 per cent. at an equity ratio above 8 per cent.

The Industrial Operations shall, under normal conditions, have no net financial indebtedness, excluding pension liabilities.

#### **Rationale**

The Volvo Group has in recent years gone through a substantial restructuring process in order to reduce structural costs and increase efficiency and is currently in a phase where focus is on organic growth and improved profitability through continuous improvement and innovation. A clear and straightforward operating margin target supports the efforts to drive performance across the Volvo Group. The target also better aligns with the way the Volvo Group and its business areas today are challenged and measured internally. The Board of Directors of the Parent has therefore decided to introduce an operating margin target of above 10 per cent. over a business cycle.

A debt-free industrial balance sheet enables the Volvo Group to better manage cyclicity in a capital-intensive industry and to secure competitive cost of funds for the Financial Services' operation.

The new financial targets are valid from 31 August 2017.

### ***The Volvo Group discontinues the process to divest Governmental Sales***

On 17 October 2017, it was announced that the Volvo Group had decided to discontinue the process to divest the Governmental Sales business area, since the offers received did not reflect its value.

### **Further recent developments**

The unaudited Interim Report for the First Three Quarters of the Financial Year 2017, for the nine month period ended 30 September 2017, which is incorporated by reference in this Prospectus, describes further recent developments.

### **Management and Conflicts of Interest**

Information relating to the management of the Parent is incorporated by reference through the Volvo Group Annual and Sustainability Report 2016 and the "Recent Developments – Significant Events" section above. After the publication of the Volvo Group Annual and Sustainability Report 2016, the following changes have been announced regarding the Volvo Group Executive Board. Melker Jernberg has been appointed President of Volvo Construction Equipment and member of the Volvo Group Executive Board. Melker, who replaces Martin Weissburg, will assume his new position on 1 January 2018. In order to prepare for taking up his full-time position and increase his awareness of the wider Volvo Group, Melker Jernberg will join the Volvo Group on 13 November 2017, prior to taking up his new full-time position with Volvo Construction Equipment on 1 January 2018. Kina Wileke has been appointed Executive Vice President Group Communications and Sustainability Affairs. Kina, who replaces Henry Sténson, will assume her position on 1 January 2018.

The business address of the Board of Directors and the Volvo Group Executive Board is AB Volvo (publ), SE-405 08 Gothenburg, Sweden.

As at 30 September 2017, the cumulative shareholdings of the Board members of the Parent and the members of the Volvo Group Executive Board amounted to less than 1 per cent. of the votes and shares in the Parent.

Conflicts of interest may occasionally occur between duties of a member of the Board of the Parent and such member's duties to a third party. In the event that any conflict of interest is deemed to exist in any matter, the person subject to the conflicting interests will not handle or participate in any decision relating to the matter. Apart from such occasional conflicts of interest, there are no conflicts of interest between any duties of a member of the Board of the Parent and such member's private interests to the best of the Parent's knowledge.

According to the Volvo Group's Code of Conduct, all representatives of the Volvo Group shall conduct their private and other external activities and financial interests in a manner that does not conflict or appear to conflict with the interests of the Volvo Group. Employees' private interests shall not influence, or appear to influence, their judgement or actions in performing their duties as representatives of the Volvo Group.

### **Major Shareholders**

The share capital amounts to SEK 2,554 million and is fully paid up. The share capital of the Parent is divided into two series of shares, A and B. Both series carry the same rights, except that each Series A share carries the right to one vote and each Series B share carries the right to one tenth of a vote. There are 2,128,420,220 registered shares, of which 502,214,670 Series A shares and 1,626,205,550 Series B shares as at 30 September 2017.

On 30 September 2017, the following shareholders were known to the Parent to be the largest shareholders of the Parent.



| Owner                                    | Holding of  | Holding of | Holding of  | Registered |       | Outstanding |              |
|--|-------------|------------|-------------|------------|-------|-------------|--------------|
|  | A-shares    | B-shares   | A+B-shares  | Capital    | Votes | Capital     | Votes        |
| <b>Industrivärden</b>                    | 142,154,571 | 317,311    | 142,471,882 | 6.7%       | 21.8% | <b>7.0%</b> | <b>22.8%</b> |
| <b>Cevian Capital</b>                    | 88,474,625  | 89,003,025 | 177,477,650 | 8.3%       | 14.9% | <b>8.7%</b> | <b>15.6%</b> |
| <b>Norges Bank Investment Management</b> | 30,564,757  | 20,996,276 | 51,561,033  | 2.4%       | 5.0%  | <b>2.5%</b> | <b>5.2%</b>  |
| <b>SHB</b>                               | 32,027,820  | 0          | 32,027,820  | 1.5%       | 4.9%  | <b>1.6%</b> | <b>5.1%</b>  |
| <b>Alecta</b>                            | 23,175,000  | 65,231,000 | 88,406,000  | 4.2%       | 4.6%  | <b>4.4%</b> | <b>4.8%</b>  |
| <b>AMF Insurance &amp; Funds</b>         | 14,500 000  | 45,122,549 | 59,622,549  | 2.8%       | 2.9%  | <b>2.9%</b> | <b>3.1%</b>  |
| <b>AFA Insurance</b>                     | 13,112,170  | 4,990,270  | 18,102,440  | 0.9%       | 2.1%  | <b>0.9%</b> | <b>2.2%</b>  |
| <b>Swedbank Robur Funds</b>              | 3,271,934   | 91,380,918 | 94,652,852  | 4.4%       | 1.9%  | <b>4.7%</b> | <b>2.0%</b>  |
| <b>AP4 Fund</b>                          | 10,631,275  | 12,563,615 | 23,194,890  | 1.1%       | 1.8%  | <b>1.1%</b> | <b>1.9%</b>  |
| <b>SHB Fubds incl. XACT</b>              | 4,134,940   | 24,994,827 | 29,129,767  | 1.4%       | 1.0%  | <b>1.4%</b> | <b>1.1%</b>  |
| <b>Skandia Life</b>                      | 5,147,151   | 13,472,471 | 18,619,622  | 0.9%       | 1.0%  | <b>0.9%</b> | <b>1.0%</b>  |
| <b>Sjöberg Foundation</b>                | 5,620,000   | 0          | 5,620,000   | 0.3%       | 0.9%  | <b>0.3%</b> | <b>0.9%</b>  |
| <b>Blackrock</b>                         | 0           | 54,289,259 | 54,289,259  | 2.6%       | 0.8%  | <b>2.7%</b> | <b>0.9%</b>  |
| <b>SEB Funds &amp; Life</b>              | 965,535     | 40,571,446 | 41,536,981  | 2.0%       | 0.8%  | <b>2.0%</b> | <b>0.8%</b>  |

On 30 September 2017, the Parent held 20,728,135 A-shares and 76,001,417 B-shares as treasury shares. As of the same time, there were 232,929 shareholders of the Parent's shares registered with the Swedish Securities Register Centre, Euroclear Sweden AB.

The Parent confirms that, to the knowledge of the Parent, as of 30 September 2017, no entity or person directly or indirectly controls the Parent.

#### Auditors

The Parent's auditors are elected at the annual general meeting. The current auditor is PwC, which was elected at the 2014 Annual General Meeting of the Parent for a period of four years. Two PwC partners, authorised public accountants Peter Clemedtson and Johan Palmgren, are responsible for the audit of the Volvo Group. Peter Clemedtson is the auditor-in-charge. The address of the auditors can be found on the last page of this Prospectus. During 2016, the Volvo Group decided to initiate a tender process regarding statutory audit services to prepare for the election of statutory auditors. A proposal for the election of auditors will be submitted to the Annual General Meeting to be held in April 2018.

#### Litigation

In January 2011, the Volvo Group and a number of other companies in the truck industry became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. On 19 July 2016, the Volvo Group reached a settlement with the European Commission in the investigation. Following the adoption of the European Commission's settlement decision, the Volvo Group has received and will be dealing with numerous private damages claims from customers and other third parties alleging that they suffered loss by reason of the conduct covered in the decision. At this stage it is not possible to make a reliable estimate of the amount of any liability that could arise from any such proceedings.

Global companies such as the Volvo Group are occasionally involved in tax processes of varying scope and in various stages. The Volvo Group regularly assesses these tax processes. When it is probable that additional taxes must be paid and the outcome can be reasonably estimated, the required provision is made.

The Volvo Group is also involved in a number of legal proceedings other than those described above. The Volvo Group's assessment is that such other legal proceedings in aggregate are not likely to entail any risk of having a material effect on the Volvo Group's financial position.

## TAXATION

**The statements below in relation are general in nature and neither these statements nor any other statements in this Prospectus are to be regarded as advice on the tax position of any Noteholder or any person purchasing, selling or otherwise dealing in Notes. Prospective holders of Notes and Noteholders who are in doubt about their tax position should consult their own professional advisers.**

### **Swedish Taxation**

*The following overview outlines certain Swedish tax consequences of the acquisition, ownership and disposal of Notes. The overview is based on the laws of Sweden as currently in effect and is intended to provide general information only. The overview is not exhaustive and does thus not address all potential aspects of Swedish taxation that may be relevant for a potential investor in the Notes and is neither intended to be nor should be construed as legal or tax advice. In particular, the overview does not address the rules regarding reporting obligations for, among others, payers of interest. Specific tax consequences may be applicable to certain categories of corporations, e.g. investment companies and life insurance companies, not described below. Investors should consult their professional tax advisors regarding the Swedish and foreign tax consequences (including the applicability and effect of double taxation treaties) of acquiring, owning and disposing of Notes in their particular circumstances.*

#### ***Non-resident holders of Notes***

As used herein, a non-resident holder means a holder of Notes who is (a) an individual who is not a resident of Sweden for tax purposes and who has no connection to Sweden other than his/her investment in the Notes, or (b) an entity not organised under the laws of Sweden.

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a non-resident holder of any Notes should not be subject to Swedish income tax provided that such holder does not carry on business activities through a permanent establishment in Sweden to which the Notes are effectively connected. Under Swedish tax law, no withholding tax is imposed on payments of principal or interest to a non-resident holder of any Notes.

Under Swedish tax law, a capital gain on a sale of Notes by a non-resident holder will not be subject to Swedish income tax unless the non-resident holder of Notes carries on business activities in Sweden through a permanent establishment to which the Notes are effectively connected.

Private individuals who are not resident in Sweden for tax purposes may be liable to capital gains taxation in Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in Sweden or have lived permanently in Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption.

#### ***Resident holders of Notes***

As used herein, a resident holder means a holder of Notes who is (a) an individual who is a resident in Sweden for tax purposes or (b) an entity organised under the laws of Sweden.

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) that are resident holders of any Notes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable.

If the Notes are registered with Euroclear Sweden AB or held by a Swedish nominee in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld by Euroclear Sweden AB or by the nominee on payments of amounts that are considered to be interest for Swedish tax purposes to a private individual (or an estate of a deceased individual) that is a resident holder of any Notes.

### **Luxembourg Taxation**

*The following overview is of a general nature and is included herein solely for information purposes. It is based on the laws in force in Luxembourg at the date of this Prospectus, though it is not intended to be,*

*nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

*Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.*

### **Withholding Tax**

#### *(i) Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

#### *(ii) Resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax at a current rate of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax at a current rate of 20 per cent.

In addition, pursuant to the Law, Luxembourg resident individuals who are the beneficial owners of savings income paid by a paying agent within the meaning of the Law established outside Luxembourg, in a Member State of either the European Union or the European Economic Area, can opt to self declare and pay a 20 per cent. withholding tax on this savings income. This 20 per cent. tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

**Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.**

## SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (the "**Programme Agreement**") dated 7 November 2017, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Programme Agreement, the Issuer and the Parent have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations thereunder.

The applicable Final Terms will indicate whether TEFRA D rules apply or whether TEFRA is not applicable.

### Prohibition of Sales to EEA Retail Investors

From 1 January 2018, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1 January 2018, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, in each case, where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Parent; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan

(as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **France**

Each of the Issuer and the Parent and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

### **Sweden**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will only be offered to the public in Sweden provided that (A) the amount of the Notes offered to each investor is equivalent to at least €100,000 or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency; (B) the minimum denomination of each Note is at least €100,000 or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency; (C) the Notes have a maturity of less than one year; (D) the offering is otherwise made in accordance with the provisions of the Prospectus Directive (as implemented in Sweden); or (E) a prospectus in relation to such Notes has been approved by *Finansinspektionen* ("**FI**") and published or, where a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the Prospectus Directive, where such approval has been notified to FI, all in accordance with the provisions of *Lag (1991:980) om handel med finansiella instrument*.

### **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus or any other information in relation to the Programme or the issue of any Notes thereunder and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Parent, the Issuer and any other Dealer shall have any responsibility therefore.

None of the Parent, the Issuer and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The establishment and operation of the Programme has been duly authorised by resolutions of the Board of Directors of the Issuer passed on 26 March 1993, 26 August 1994, 15 September 1995, 7 December 1995, 29 November 1996, 16 December 1998, 7 February 2000, 10 October 2003, 6 October 2006, 12 October 2007 and 21 October 2014.

The establishment of the Programme and the giving of guarantees in respect of Notes issued under the Programme has been duly authorised by resolutions of the Board of Directors of the Parent passed on 1 June 1994, 9 June 1995, 26 November 1996, 9 December 1998, 14 February 2000, 7 October 2003, 7 September 2006, 18 October 2007 and 16 October 2014.

### Approval, listing and admission to trading of Notes on the Luxembourg Stock Exchange

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, *Bourse de Luxembourg*. The Luxembourg Stock Exchange's regulated market, *Bourse de Luxembourg*, is a regulated market for the purposes of the Markets in Financial Instruments Directive.

### Documents Available

For so long as Notes issued under the Programme are admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, *Bourse de Luxembourg*, copies of the following documents will, when published, be obtainable at the registered office of the Issuer and from the specified offices of the Paying Agents in London and Luxembourg:

- (i) the constitutional documents in English of the Issuer and the Parent;
- (ii) the financial statements of the Issuer and the Parent in respect of the financial years ended 31 December 2015 and 31 December 2016 and the consolidated financial statements of the Issuer and the Parent in respect of the financial years ended 31 December 2015 and 31 December 2016 in each case together with the audit reports prepared in connection therewith;
- (iii) the most recent publicly available audited annual financial statements of the Issuer and the Parent, the most recent publicly available audited annual consolidated financial statements of the Issuer and the Parent, the most recently publicly available semi-annual unaudited interim financial statements of the Issuer and the most recent publicly available quarterly unaudited interim financial statements of the Parent, in each case in English and together with any audit or review reports prepared in connection therewith;
- (iv) the Trust Deed (which contains the forms of the Temporary and Permanent Global Notes, the Definitive Notes, the Coupons and the Talons and information relating to the Guarantee), the Agency Agreement and the Issuer-ICSDs Agreement;
- (v) a copy of this Prospectus; and
- (vi) any future prospectuses, offering circulars, information memoranda, supplements, documents incorporated by reference and Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holders must produce evidence satisfactory to the Issuer or the relevant Paying Agent, as the case may be, as to the identity of such holders) relating to the Programme.

In addition, this Prospectus, any supplement to this Prospectus, any Final Terms relating to Notes which are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the



Luxembourg Stock Exchange's regulated market, *Bourse de Luxembourg*, and each document incorporated by reference are available on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)) and on the website of the Issuer ([www.volvogroup.com](http://www.volvogroup.com)).

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Yield**

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

### **Significant or Material Adverse Change**

There has been:

- (i) no significant change in the financial or trading position of the Issuer since 30 June 2017;
- (ii) no significant change in the financial or trading position of the Parent or the Volvo Group, in each case, since 30 September 2017;
- (iii) no material adverse change in the prospects of the Issuer since 31 December 2016; and
- (iv) no material adverse change in the prospects of the Parent or the Volvo Group, in each case since 31 December 2016, except as disclosed on page 12 in part (d), on pages 57 to 58 under "Recent Developments – Significant Events" and on page 60 under "Litigation".

### **Litigation**

Except as described on page 60, neither the Issuer nor the Parent is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and/or the Parent are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Parent and/or the Volvo Group.

### **Auditors**

The auditors of the Parent and the Issuer are PwC, who have audited the annual financial statements of the Parent and the Issuer, without qualification, in accordance with generally accepted auditing principles in Sweden for the financial periods ended 31 December 2015 and 31 December 2016. PwC is a member of FAR (the professional institute for authorised public accountants (*auktoriserade revisorer*), approved public accountants (*godkända revisorer*) and other highly qualified professionals in the accountancy sector in Sweden).

### **Certificates and reports**

The Trust Deed provides that the Trustee may rely on certificates or reports from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant or other expert (together an "**Expert**") in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Expert in connection therewith contains any limit on the liability of such Expert.

### **Conflicts**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**AB VOLVO (publ)**  
SE-405 08 Gothenburg  
Sweden

**VOLVO TREASURY AB (publ)**  
SE-405 08 Gothenburg  
Sweden

**TRUSTEE**

**Deutsche Trustee Company Limited**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**AGENT**

**Citibank, N.A., London Branch**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**PAYING AGENT**

**Banque Internationale à Luxembourg, société anonyme**  
69, route d'Esch  
L-2953 Luxembourg

**LEGAL ADVISERS**

*To AB Volvo (publ) and Volvo Treasury AB (publ) as to Swedish law*      *To AB Volvo (publ) and Volvo Treasury AB (publ) as to English law*

**Setterwalls Advokatbyrå AB**  
Sankt Eriksgatan 5  
P.O. Box 11235  
SE-404 25 Gothenburg  
Sweden

**Clifford Chance Europe LLP**  
1 rue d'Astorg  
CS 60058  
75377 Paris Cedex 08  
France

*To the Dealers and the Trustee  
as to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom

## DEALERS

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Crédit Agricole Corporate and Investment Bank**  
12, Place des Etats-Unis  
CS 70052  
92547 Montrouge Cedex  
France

**Danske Bank A/S**  
2-12 Holmens Kanal  
DK-1092 Copenhagen K  
Denmark

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Nordea Bank AB (publ)**  
Smålandsgatan 17  
SE-105 71 Stockholm  
Sweden

**Skandinaviska Enskilda Banken AB (publ)**  
Kungsträdgårdsgatan 8  
SE-106 40 Stockholm  
Sweden

**Société Générale**  
29, boulevard Haussmann  
75009 Paris  
France

**Svenska Handelsbanken AB (publ)**  
Blasieholmstorg 11  
SE-106 70 Stockholm  
Sweden

**Swedbank AB (publ)**  
SE-105 34 Stockholm  
Sweden

**The Royal Bank of Scotland plc (trading as  
NatWest Markets)**  
250 Bishopsgate  
London EC2M 4AA  
United Kingdom

## AUDITORS OF AB VOLVO (publ) AND VOLVO TREASURY AB (publ)

**PricewaterhouseCoopers AB**  
SE-113 97 Stockholm  
Sweden

## LUXEMBOURG LISTING AGENT

**Deutsche Bank Luxembourg S.A.**  
2 boulevard Konrad Adenauer  
L-1115 Luxembourg