



**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)*

**€900,000,000 Subordinated Fixed to Reset Rate 5.5 year Non-Call Capital Securities due 2075**  
**(the "5.5 year Non-Call Capital Securities") and**

**€600,000,000 Subordinated Fixed to Reset Rate 8.25 year Non-Call Capital Securities due 2078**  
**(the "8.25 year Non-Call Capital Securities", together with the 5.5 year Non-Call Capital Securities,**  
**the "Capital Securities")**

**Issue Price of the 5.5 year Non-Call Capital Securities: 99.781 per cent.**

**Issue Price of the 8.25 year Non-Call Capital Securities: 99.855 per cent.**

The Capital Securities are issued by Volvo Treasury AB (publ) (the "**Issuer**") and unconditionally and irrevocably guaranteed (the "**Guarantee**") on a subordinated basis by AB Volvo (publ) (the "**Guarantor**"). The Capital Securities will be in bearer form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.

Interest on the 5.5 year Non-Call Capital Securities will be payable (subject as provided herein) annually in arrear on 10 June of each year (with the first payment of interest being due on 10 June 2015 in respect of the period from (and including) 10 December 2014 (the "**5.5 year Non-Call Issue Date**") to (but excluding) 10 June 2015), up to and including 10 June 2075 (the "**5.5 year Non-Call Maturity Date**"). In relation to any Interest Period from and including the 5.5 year Non-Call Issue Date, to but excluding 10 June 2020 (the "**5.5 year Non-Call First Reset Date**"), the interest rate in respect of the 5.5 year Non-Call Capital Securities will be 4.20 per cent. *per annum*. The interest rate in respect of the 5.5 year Non-Call Capital Securities for each Interest Period from and including any Reset Date (including the 5.5 year Non-Call First Reset Date) to but excluding the next Reset Date (each a "**5.5 year Non-Call Reset Period**") will be the aggregate of the relevant Margin and the 5 Year Euro Mid-Swap Rate for such 5.5 year Non-Call Reset Period, as determined by the Calculation Agent. Capitalised terms used in this paragraph shall have the meaning given to them in the Terms and Conditions of the 5.5 year Non-Call Capital Securities.

Interest on the 8.25 year Non-Call Capital Securities will be payable (subject as provided herein) annually in arrear on 10 March of each year, up to and including 10 March 2078 (the "**8.25 year Non-Call Maturity Date**"), with the first payment being due on 10 March 2015. In relation to any Interest Period from and including 10 December 2014 (the "**8.25 year Non-Call Issue Date**", together with the 5.5 year Non-Call Issue Date, the "**Issue Date**"), to but excluding 10 March 2023 (the "**8.25 year Non-Call First Reset Date**"), the interest rate in respect of the 8.25 year Non-Call Capital Securities will be 4.850 per cent. *per annum*. The interest rate in respect of the 8.25 year Non-Call Capital Securities for each Interest Period from and including any Reset Date (including the 8.25 year Non-Call First Reset Date) to but excluding the next Reset Date (each a "**8.25 year Non-Call Reset Period**") will be the aggregate of the relevant Margin and the 5 Year Euro Mid-Swap Rate for such 8.25 year Non-Call Reset Period, as determined by the Calculation Agent. Capitalised terms used in this paragraph shall have the meaning given to them in the Terms and Conditions of the 8.25 year Non-Call Capital Securities (together with the Terms and Conditions of the 5.5 year Non-Call Capital Securities, the "**Conditions**").

Payments of interest on the Capital Securities may, at the option of the Issuer, be deferred, as set out in the Conditions.

The Issuer will have the right to redeem (i) the 5.5 year Non-Call Capital Securities in whole, but not in part, on the 5.5 year Non-Call First Reset Date, the 2025 Step-up Date or on any Interest Payment Date thereafter (each as defined in the Terms and Conditions of the 5.5 year Non-Call Capital Securities) and (ii) the 8.25 year Non-Call Capital Securities in whole, but not in part, on the 8.25 year Non-Call First Reset Date, the 2028 Step-up Date or on any Interest Payment Date thereafter (each as defined in the Terms and Conditions of the 8.25 year Non-Call Capital Securities). The Issuer may also redeem the Capital Securities upon the occurrence of a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event or a Withholding Tax Event. The Issuer may also vary the terms of, or as the case may be, substitute the Capital Securities, as set out in the Conditions.

Application has been made to the *Commission de surveillance du secteur financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, as amended (the "**Luxembourg Prospectus Act**"), for the approval of this Prospectus as a prospectus for the purposes

of Article 5.3 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). Application has also been made to the Luxembourg Stock Exchange for the Capital Securities to be listed on the Official List of the Luxembourg Stock Exchange (the "**Official List**") and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. Pursuant to Article 7(7) of the Luxembourg Prospectus Act, by approving this Prospectus, the CSSF gives no undertaking as to the economic and financial soundness of the Capital Securities to be issued hereunder and the quality or solvency of the Issuer.

The Capital Securities are expected to be rated Ba1 by Moody's Investor Services Ltd. ("**Moody's**") and BB+ by Standard & Poor's Ratings Services ("**S&P**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Each of S&P and Moody's is established in the European Union and is registered under Regulation (EC) No 1060/2009 as amended (the "**CRA Regulation**") and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority ([www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)).

Each of the 5.5 year Non-Call Capital Securities and the 8.25 year Non-Call Capital Securities will initially be in the form of a temporary global security (the "**Temporary Global Capital Security**"), without interest coupons, which will be deposited on or about the Issue Date with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System, ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Capital Security will be exchangeable for interests in a permanent global security (the "**Permanent Global Capital Security**") and, together with the Temporary Global Capital Security, the "**Global Capital Securities**"), without interest coupons, on or after 19 January 2015 (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Capital Security will be exchangeable for Capital Securities in definitive form only in certain limited circumstances. See "*Summary of Provisions relating to the Capital Securities in Global Form*".

Prospective investors should have regard to the factors described in the section headed "Risk Factors" in this Prospectus.

#### **Structuring Advisers and Global Co-ordinators**

**Citigroup**

**HSBC**

#### **Joint Bookrunners**

**BNP PARIBAS**

**Citigroup**

**Deutsche Bank**

**HSBC**

**Nordea**

**SEB**

## IMPORTANT INFORMATION

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive.

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 Guarantor, 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 Joint Bookrunners 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 Guarantor. Neither the Joint Bookrunners 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 Guarantor in connection with the Capital Securities.

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 Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Joint Bookrunners or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the Capital Securities (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 Guarantor, any of the Joint Bookrunners or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Capital Securities should purchase any Capital Securities. Each investor contemplating purchasing any Capital Securities 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 Guarantor. Neither this Prospectus nor any other information supplied in connection with the Capital Securities constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor or any of the Joint Bookrunners to any person to subscribe for or to purchase any Capital Securities.

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

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

The distribution of this Prospectus and the offer or sale of Capital Securities may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Joint Bookrunners and the Trustee do not represent that this document may be lawfully distributed, or that the Capital Securities 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, no action has been taken by the Issuer, the Guarantor, the Joint Bookrunners or the Trustee which would permit a public offering of the Capital Securities or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Capital Securities 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 Joint Bookrunners have represented that all offers and

sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Capital Securities 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 Capital Securities in the United States, the United Kingdom, France and Sweden (see "Subscription and Sale" below).

#### **PRESENTATION OF INFORMATION**

All references in this document to "SEK" refer to Swedish krona, those to "USD", "U.S. dollars" and "U.S.\$" refer to United States dollars 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 the Capital Securities, Citigroup Global Markets Limited (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Capital Securities and 60 days after the date of the allotment of the Capital Securities. 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 Guarantor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor (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**

*The following are certain risk factors of the offering of the Capital Securities of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including in particular the risk factors detailed below. This description is not intended to be exhaustive and prospective investors should make their own independent evaluations of all risk factors and should also read the detailed information set out elsewhere in this Prospectus.*

*The terms defined in the Conditions shall have the same meaning where used below.*

### ***Factors that may affect the Issuer's ability to fulfil its obligations in respect of the Capital Securities***

The Issuer is a unit within the Volvo Group (the "**Volvo Group**" is defined as the Guarantor and its subsidiaries). The Issuer is acting as internal bank for the Volvo Group. The Issuer 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, The Issuer is exposed to various types of financial risks. One of the risks that can affect the Issuer's obligations in respect of the Capital Securities 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 in the Conditions) issued by the Guarantor in which the Guarantor undertakes to assume responsibility for the Issuer's payment obligations under the Capital Securities.

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

*All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favourable profitability*

Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. At the Volvo Group, work is carried out daily to identify, measure and manage risk – in some cases the Volvo Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Volvo Group's control, the Volvo Group strives to minimise the consequences.

The risks to which the Volvo Group is exposed are classified into three main categories: External-related risks such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations; Financial risks such as currency fluctuations, interest level fluctuations, valuations of shares or similar instruments, credit risk and liquidity risk; and Operational risks such as market reception of new products, reliance on suppliers, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital.

### ***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 Volvo's risk exposure. Total contingent liabilities as of 30 September 2014, amounted to SEK 16.2 billion compared to SEK 17.3 billion as of 31

December 2013. A significant part of the contingent liabilities are related to credit guarantees issued as a result of sales in emerging markets, in particular sales of construction equipment in China. The gross exposure of SEK 16.2 billion is partly reduced by counter guarantees and collaterals. Please refer to the Volvo Group Annual Report 2013 note 24 and pages 78 and 79 under the heading 'Litigation' for a description of the nature of contingent liabilities including information on the legal proceedings and investigations that the Group is currently involved in and subject to.

### ***General risks***

#### ***External-related risks***

##### *The commercial vehicles industry is cyclical*

The Volvo Group's markets undergo significant changes in demand as the general economic environment fluctuates. Investments in infrastructure, major industrial projects, mining and housing construction all impact the Volvo Group's operations as its products are central to these sectors. Adverse changes in the economic conditions for the Volvo Group's customers may also impact existing order books through cancellations of previously placed orders. The cyclical demand for the Volvo Group's products makes the financial result of the operations dependent on the Volvo Group's ability to react to changes in demand, and in particular to its ability to adapt production levels and production and operating expenses.

##### *Intense competition*

Continued consolidation in the industry is expected to create fewer but stronger competitors. The Volvo Group's major competitors are Daimler, Iveco, MAN, Navistar, Paccar, Scania, Sinotruk, Brunswick, Caterpillar, CNH, Cummins, Deere, Hitachi, Komatsu and Terex. In recent years, new competitors have emerged in Asia, particularly in China. These new competitors are mainly active in their domestic markets, but are expected to increase their presence in other parts of the world.

##### *Prices may change*

The prices of commercial vehicles have, at times, changed considerably in certain markets over a short period. This instability is caused by several factors, such as short-term variations in demand, shortages of certain component products, uncertainty regarding underlying economic conditions, changes in import regulations, excess inventory and increased competition. Overcapacity within the industry can occur if there is a lack of demand, potentially leading to increased price pressure.

##### *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 significant player in the commercial vehicle industry and one of the world's largest producers of heavy-duty diesel engines. The product development capacity within the Volvo Group is well consolidated to be able to focus resources for research and development to meet tougher emission regulations. Future product regulations are well known, and the product development strategy is well tuned to the introduction of new regulations.

#### ***Financial risks***

In its operations, the Volvo Group is exposed to various types of financial risks. Group-wide policies, which are updated and decided upon annually, form the basis of each Volvo Group company's management of these risks. The objectives of the Volvo Group's policies for management of financial risks are to optimise the Volvo Group's capital costs by utilising economies of scale, to minimise negative effects on income as a result of changes in currency or interest rates, to optimise risk exposure and to clarify areas of responsibility. Monitoring processes and controls, which ensure that established policies are adhered to, are continuously employed. Information about key aspects of the Volvo Group's system for internal controls and risk management in conjunction with the financial reporting is provided in the Corporate Governance Report. Most of the Volvo Group's financial transactions are carried out through the in-house bank of the Volvo Group: Volvo Treasury. Volvo Treasury conducts its operations within

established risk mandates and limits. Customer credit risks are mainly managed by the different business areas.

The nature of the various financial risks and objectives and the policies for the management of these risks are described in detail in notes 4 and 30 in the Volvo Group Annual Report 2013 incorporated by reference in this Prospectus (see "Documents Incorporated by Reference" herein). Various aspects of financial risk are described briefly in the following paragraphs. The Volvo Group's accounting policies for financial instruments are described in note 30 in the Volvo Group Annual Report 2013. The overall impact on a company's competitiveness is also affected, however, by how various macro-economic factors interact.

#### *Interest-related risk*

Interest-related risk includes risks that changes in interest rates will impact the Volvo Group's income and cash flow (cash flow risks) or the fair value of financial assets and liabilities (price risks).

#### *Currency-related risk*

More than 90 per cent. of the net sales of the Volvo Group are generated in countries other than Sweden. Changes in exchange rates have a direct impact on the Volvo Group's operating income, balance sheet and cash flow, as well as an indirect impact on the Volvo Group's competitiveness, which over time affects the Volvo Group's earnings.

#### *Credit-related risk*

An important part of the Volvo Group's credit risk is related to how the financial assets of the Volvo Group have been placed. The majority are placed in Swedish Government Bonds and interest bearing Bonds by Swedish real estate financing institutions.

#### *Liquidity risk*

The Volvo Group ensures its financial preparedness by always maintaining a certain portion of revenues in liquid assets.

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

The Volvo Group is indirectly exposed to market risks from shares and other similar instruments as a result of managed capital transferred to independent pension plans being partly invested in instruments of these types.

#### **Operational risks**

##### *Profitability depends on successful new products*

The Volvo Group's long-term profitability depends on its ability to successfully launch and market its new products. Product life cycles continue to shorten, putting increased focus on the success of the Volvo Group's product development.

##### *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 the Volvo Group's suppliers to deliver.



### *Intangible assets*

The Guarantor owns or otherwise has rights to patents and brands that refer to the products the Volvo Group manufactures and markets. These have been acquired over a number of years and are valuable to the operations of the Volvo Group. The Guarantor does not consider that any of the Volvo Group's operations are heavily dependent on any single patent or group of patents.

Through Volvo Trademark Holding AB, the Guarantor and Volvo Car Corporation jointly own the brand "Volvo". The Guarantor has the exclusive right to use the "Volvo" name and trademark for its products and services. Similarly, Volvo Car Corporation has the exclusive right to use the "Volvo" name and trademark for its products and services.

The Volvo Group's rights to use the Renault brand are restricted to the truck operations only and are regulated by a license from Renault s.a.s., which owns the Renault brand. The amount paid during 2013 to Renault s.a.s. for license fees amounted to SEK 5.2 million.

The Volvo Group's rights to use the Panhard brand are regulated by a license from Peugeot SA. The amount paid during 2013 to Peugeot SA for license fees amounted to SEK 87,000.

### *Complaints and legal actions*

The Volvo Group could be the target of complaints and legal actions initiated by customers, employees and other third parties alleging health, environmental, safety or business related issues, or failure to comply with applicable legislation and regulations. Information about legal proceedings involving entities within the Volvo Group is found in the "Litigation" section of this Prospectus on pages 78 and 79. Even if such disputes were to be resolved successfully, without having adverse financial consequences, they could negatively impact the Volvo Group's reputation and take up resources that could be used for other purposes.

### *Risk related to human capital*

A decisive factor for the realisation of the Volvo Group's vision is its employees and their knowledge and competence. Future development depends on the Volvo Group's ability to maintain its position as an attractive employer. To this end, the Volvo Group strives for a work environment in which energy, passion and respect for the individual are guiding principles. Every year a Group-wide survey is conducted, and according to the survey the share of satisfied employees has been at a high level in recent years.

## **Factors which are material for the purpose of assessing the market risks associated with the Capital Securities**

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

The Capital Securities are complex financial instruments. Each potential investor in the Capital Securities 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 Capital Securities, the merits and risks of investing in the relevant Capital Securities 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 Capital Securities 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 Capital Securities, 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 Capital Securities 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.

Prospective investors should consult their tax advisers as to the tax consequences of the purchase, ownership and disposition of the Capital Securities.

***Risks related to the Capital Securities generally***

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

*The Conditions 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 Holders and without regard to the individual interests of particular Holders*

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

The Conditions also provide that the Trustee may, without the consent of Holders and without regard to the interests of particular Holders agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Holders. In addition, the Trustee may, without the consent of the Holders, agree with the Issuer and the Guarantor to the substitution in place of the Issuer as the principal debtor under the Capital Securities or in place of the Guarantor of certain entities described in Condition 16, subject to, *inter alia*, the Trustee being satisfied that the interests of the Holders 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 16 and the Trust Deed.

***Withholding under the EU Directive on the Taxation of Savings Income***

Under EC Council Directive 2003/48/EC (the "**Taxation of Savings Income Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid or secured by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Taxation of Savings Income Directive. On 18 March 2014, the Luxembourg Government submitted to the Luxembourg Parliament Draft Bill N° 6668 on taxation of savings income. This Draft Bill is in line with the announcement of the Luxembourg Government dated 10 April 2013.

The European Council formally adopted a Council Directive amending the Taxation of Savings Income Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply the new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Taxation of Savings Income Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Guarantor nor any Paying Agent (as defined in the Conditions) nor any other person would be obliged to pay additional amounts with respect to any Capital Security as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Taxation of Savings Income Directive or any law implementing or complying with, or introduced in order to conform to such Directive.

#### *U.S. Foreign Account Tax Compliance Withholding*

In certain circumstances payments made on or with respect to the Capital Securities after 31 December 2016 may be subject to U.S. withholding tax under Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "FATCA"). Generally, this withholding does not apply to payments on Capital Securities that are issued prior to the date that is six months after the date on which the final regulations that define "foreign passthru payments" are filed with the Federal Register unless the Capital Securities are characterised as equity for U.S. federal income tax purposes or are materially modified after that date.

Whilst the Capital Securities are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems (see "Taxation – U.S. withholding tax under FATCA"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Capital Securities are discharged once it has paid the common depository for the clearing systems (as bearer of the Capital Securities) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries.

*Investors who purchase Capital Securities in denominations that are not an integral multiple in excess of €100,000 may be adversely affected if definitive Capital Securities are subsequently required to be issued*

It is possible that the Capital Securities may be traded in amounts that are not integral multiples in excess of the €100,000 minimum denomination. In such a case a Holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his/her account with the relevant clearing system at the relevant time may not receive a definitive Capital Security in respect of such holding (should definitive Capital Securities be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to €100,000.

If definitive Capital Securities are issued, Holders should be aware that definitive Capital Securities which have a denomination that is not an integral multiple in excess of €100,000 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 and legal risk:

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

The Capital Securities 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

Capital Securities in the secondary market (in which case the market or trading price and liquidity may be adversely affected) or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

*The value of the Capital Securities depends on a number of economic, financial and political factors*

The value of the Capital Securities depends on a number of interrelated factors, including economic, financial and political events in Sweden or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Capital Securities are traded. The price at which a Holder will be able to sell the Capital Securities prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Holder.

*If an investor holds Capital Securities 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/her holding. In addition, the imposition of exchange controls in relation to any Capital Securities could result in an investor not receiving payments on those Capital Securities*

The Issuer will pay principal and interest on the Capital Securities and the Guarantor will make any payments under the Guarantee in euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro 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 euro would decrease (1) the Investor's Currency-equivalent yield on the Capital Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Capital Securities and (3) the Investor's Currency-equivalent market value of the Capital Securities.

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 Guarantor to make payments in respect of the Capital Securities. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*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) Capital Securities are legal investments for it, (2) Capital Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Capital Securities under any applicable risk-based capital or similar rules.

*Any decline in the credit ratings of the Issuer, the Guarantor or the Capital Securities may affect the market value of the Capital Securities*

The Capital Securities have been assigned a rating by S&P and Moody's. The rating granted by each of S&P and Moody's or any other rating assigned to the Capital Securities may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Capital Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In addition, each of S&P and Moody's or any other rating agency may change its methodologies or their application for rating securities with features similar to the Capital Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Capital Securities, sometimes called "notching". If the rating agencies were to change their practices or their application for rating such securities in the future and the ratings of the Capital Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Capital Securities.

### *CRA Regulation*

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (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 the European Securities and Markets Authority ("**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.

### *Change of law*

The Conditions are based on English law (and in the case of Conditions 3(a) and 4(c), Swedish law) in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England and Wales or Sweden or administrative practice after the date of this Prospectus. Furthermore, the Issuer operates in a heavily regulated environment and has to comply with extensive regulations in Sweden and elsewhere. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices after the date of this Prospectus.

### **Risks related to the structure of the Capital Securities**

#### *The Capital Securities are subordinated obligations*

The Capital Securities are direct, unsecured and subordinated obligations of the Issuer, ranking behind claims of unsubordinated creditors of the Issuer and creditors of the Issuer in respect of Issuer Subordinated Indebtedness (as defined in the Conditions), *pari passu* without any preference among themselves and with any present and future outstanding Parity Securities of the Issuer (as defined in the Conditions) and in priority to payments to holders of all classes of share capital of the Issuer in their capacity as such holders.

The Guarantee constitutes a direct, unsecured and subordinated obligation of the Guarantor, which ranks behind claims of unsubordinated creditors of the Guarantor and creditors of the Guarantor in respect of Guarantor Subordinated Indebtedness (as defined in the Conditions), *pari passu* with any Parity Obligations of the Guarantor (as defined in the Conditions) and in priority to payments to holders of all classes of share capital of the Guarantor in their capacity as such holders.

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer and/or the Guarantor in respect of, or arising under or in connection with, the Capital Securities and each Holder shall, by virtue of his/her holding, be deemed to have waived all such rights of set-off, compensation or retention.

Consequently, if the financial condition of the Issuer and/or the Guarantor were to deteriorate, Holders could suffer direct and materially adverse consequences, including suspension of interest payments. In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company reconstruction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor, Holders could lose their entire investment.

#### *The Capital Securities are long-term securities and therefore an investment in Capital Securities constitutes a financial risk for a long period*

The 5.5 year Non-Call Capital Securities will be redeemed on 10 June 2075 and the 8.25 year Non-Call Capital Securities will be redeemed on 10 March 2078, unless they have been previously redeemed or repurchased. The Issuer is under no obligation to redeem the Capital Securities at any time before this date. The holders of the Capital Securities have no right to call for their redemption. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an

investment in the Capital Securities for a long period and may not recover their investment before the end of this period.

#### *Deferral of interest payments*

The Issuer may, at any time and in its sole discretion, elect to defer payment of all (but not some only) of the interest which would otherwise be paid on any Interest Payment Date (as defined in the Conditions), and the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose.

Any interest not paid on an applicable Interest Payment Date and deferred shall constitute Deferred Interest and shall be paid in whole, but not in part, at any time, at the option of the Issuer or on the occurrence of a Deferred Interest Payment Event, as defined in the Conditions.

Any deferral of interest payments will be likely to have an adverse effect on the market price of the Capital Securities. In addition, as a result of the above provisions of the Capital Securities, the market price of the Capital Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition.

#### *Early redemption risk*

The Issuer will have the right to redeem the Capital Securities in whole, but not in part, on any Optional Redemption Date.

Such redemption will be exercised at the principal amount of the Capital Securities together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued by unpaid Deferred Interest).

The Issuer may also, at its option, redeem the Capital Securities in whole, but not in part, upon the occurrence of a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event or a Withholding Tax Event, as further described in Condition 7.

Such redemption options will be exercised at an amount equal to (i) 101 per cent. of the principal amount of the Capital Securities, where such redemption occurs before the 5.5 year Non-Call Capital Securities or the 8.25 year Non-Call First Reset Date, as the case may be, or (ii) 100 per cent. of the principal amount of the Capital Securities, where such redemption occurs on or after the 5.5 year Non-Call Capital Securities or the 8.25 year Non-Call First Reset Date, as the case may be (with the exception of redemption for a Withholding Tax Event in which case they will be redeemed at all times at 100 per cent. of the principal amount of the Capital Securities), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued by unpaid Deferred Interest).

The redemption at the option of the Issuer may affect the market value of the Capital Securities. During any period when the Issuer may elect to redeem the Capital Securities, the market value of the Capital Securities generally will not rise substantially above the price at which they can be redeemed.

The Issuer might redeem the Capital Securities when its cost of borrowing is lower than the interest rate on the Capital Securities. There can be no assurance that, at the relevant time, Holders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Capital Securities. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Substitution or variation of the Capital Securities*

There is a risk that, after the issue of the Capital Securities, a Tax Deductibility Event, a Rating Event or a Withholding Tax Event, may occur which would entitle the Issuer, without any requirement for the consent or approval of the Holders, to substitute or vary the Capital Securities, subject to not being prejudicial to the interest of the Holders, so that after such substitution or variation the Capital Securities remain or become, as the case may be, Qualifying Capital Securities (as defined in the Conditions).

Any such substitution or variation may have a significant adverse impact on the price of, and/or the market for, the Capital Securities.

### *Interest rate risk*

Interest on the Capital Securities before the 5.5 year Non-Call First Reset Date or the 8.25 year Non-Call First Reset Date, as the case may be, which is calculated at a fixed rate, involves the risk that changes in market interest rates during such period may adversely affect the value of the Capital Securities.

Following the 5.5 year Non-Call First Reset Date or the 8.25 year Non-Call First Reset Date, as the case may be, the interest rates of the Capital Securities will be reset as from the 5.5 year Non-Call First Reset Date or the 8.25 year Non-Call First Reset Date and then every five year period and shall be calculated on the basis of the 5 Year Euro Mid-Swap Rate (as defined in the Conditions) plus the relevant margin. The 5 Year Euro Mid-Swap Rates are not pre-defined for the lifespan of the Capital Securities. Higher 5 Year Euro Mid-Swap Rates mean a higher interest and lower 5 Year Euro Mid-Swap Rates mean a lower interest.

Each reset interest rate may be different from the initial interest rate of the relevant Capital Securities and may adversely affect the yield of such Capital Securities.

### *Limited Remedies*

Only if default is made by the Issuer or the Guarantor for a period of 30 days or more in relation to the payment of any interest in respect of the relevant Capital Securities which is due and payable, will it be possible under the Conditions for the Trustee, on behalf of the relevant Holders, to institute proceedings for the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or prove in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or claim in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor for such payment and/or give notice to the Issuer and the Guarantor that the relevant Capital Securities are, and shall immediately thereby become, due and repayable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date (including any accrued but unpaid Deferred Interest).

The deferral of an interest payment made in accordance with the Conditions shall not constitute a default by the Issuer or the Guarantor under the relevant Capital Securities or Guarantee.

### *No limitation on issuing or guaranteeing debt ranking senior or pari passu with the Capital Securities*

There is no restriction in the Conditions on the amount of debt which the Issuer or the Guarantor may issue or guarantee. The Issuer, the Guarantor and their subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the Capital Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or may increase the likelihood of a deferral of interest payments under the relevant Capital Securities.

## GENERAL DESCRIPTION OF THE CAPITAL SECURITIES

*This overview is a general description of the Capital Securities and does not purport to be complete. It is taken from, and is qualified in its entirety by, the remainder of this Prospectus. For a more complete description of the Capital Securities, including definitions of capitalised terms used but not defined in this section, please see the relevant Conditions. For the avoidance of doubt, references to specific conditions in this general description are references to both the conditions in respect of the 5.5 year Non-Call Capital Securities and the 8.25 year Non-Call Capital Securities, unless otherwise specified.*

<b>Issuer:</b>	Volvo Treasury AB (publ)
<b>Guarantor:</b>	AB Volvo (publ)
<b>Structuring Advisers and Global Co-ordinators:</b>	Citigroup Global Markets Limited HSBC Bank plc
<b>Joint Bookrunners:</b>	BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch HSBC Bank plc Nordea Bank Danmark A/S Skandinaviska Enskilda Banken AB (publ)
<b>Trustee:</b>	Deutsche Trustee Company Limited
<b>Principal Paying Agent and Calculation Agent:</b>	Citibank, N.A., London Branch
<b>Securities:</b>	€900,000,000 Subordinated Fixed to Reset Rate 5.5 year Non-Call Capital Securities due 2075 (the " <b>5.5 year Non-Call Capital Securities</b> ") and €600,000,000 Subordinated Fixed to Reset Rate 8.25 year Non-Call Capital Securities due 2078 (the " <b>8.25 year Non-Call Capital Securities</b> ") and together with the 5.5 year Non-Call Capital Securities, the " <b>Capital Securities</b> ")
<b>Issue Price:</b>	99.781 per cent. in respect of the 5.5 year Non-Call Capital Securities and 99.855 per cent. in respect of the 8.25 year Non-Call Capital Securities
<b>Issue Date:</b>	10 December 2014
<b>Maturity Dates:</b>	10 June 2075 in respect of the 5.5 year Non-Call Capital Securities and 10 March 2078 in respect of the 8.25 year Non-Call Capital Securities.
<b>Use of Proceeds:</b>	The net proceeds from the issue of the Capital Securities will be used for the general corporate purposes of the Issuer.
<b>Interest on 5.5 year Non-Call Capital Securities:</b>	Unless previously redeemed in accordance with Condition 7 and subject to the further provisions of Condition 5 and Condition 6, the 5.5 year Non-Call Capital Securities shall bear interest on their principal amount:  (i) from and including the Issue Date to (but excluding) 10 June 2020 (the " <b>5.5 year Non-Call First Reset Date</b> "), at an interest rate <i>per annum</i> of 4.20 per cent payable annually in arrear on 10 June of each year, commencing on 10 June 2015 and ending on the 5.5 year



Non-Call First Reset Date. The first payment of interest, to be made on 10 June 2015, will be in respect of the period from (and including) the Issue Date to (but excluding) 10 June 2015;

(ii) from and including the 5.5 year Non-Call First Reset Date to (but excluding) 10 June 2025 (the "**2025 Step-up Date**"), at an interest rate *per annum* equal to the sum of the 5 Year Euro Mid-Swap Rate of the relevant 5.5 year Non-Call Reset Period and the relevant Margin, payable annually in arrear on 10 June of each year, commencing on the 5.5 year Non-Call First Reset Date and ending on the 2025 Step-up Date;

(iii) from and including the 2025 Step-up Date to (but excluding) 10 June 2040 (the "**2040 Step-up Date**"), at an interest rate *per annum* which will be subject to a reset every five years and shall be equal to the sum of the 5 Year Euro Mid-Swap Rate of the relevant 5.5 year Non-Call Reset Period and the relevant Margin, payable annually in arrear on 10 June of each year, commencing on the 2025 Step-up Date and ending on the 2040 Step-up Date; and

(iv) from and including the 2040 Step-up Date to (but excluding) 10 June 2075 (the "**5.5 year Non-Call Maturity Date**"), at an interest rate *per annum* which will be subject to a reset every five years and shall be equal to the sum of the 5 Year Euro Mid-Swap Rate of the relevant 5.5 year Non-Call Reset Period and the relevant Margin, payable annually in arrear on 10 June of each year, commencing on the 2040 Step-up Date and ending on the 5.5 year Non-Call Maturity Date.

Interest shall be payable annually in arrear on 10 June of each year, commencing on 10 June 2015 and ending on the 5.5 year Non-Call Maturity Date (each an "**Interest Payment Date**").

Where

"**Margin**" means (i) 3.797<sup>1</sup> per cent. *per annum* from and including the 5.5 year Non-Call First Reset Date to (but excluding) the 2025 Step-up Date, (ii) 4.047<sup>2</sup> per cent. *per annum* from (and including) the 2025 Step-up Date to (but excluding) the 2040 Step-up Date and (iii) 4.797<sup>3</sup> per cent. *per annum* from (and including) the 2040 Step-up Date to (but excluding) the 5.5 year Non-Call Maturity Date.

"**5.5 year Non-Call Reset Period**" means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and "relevant 5.5 year Non-Call Reset Period" shall be construed accordingly.

"**Reset Date**" means the 5.5 year Non-Call First Reset Date and each fifth anniversary thereof up to and

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<sup>1</sup>Equivalent to the initial credit spread of the 5.5 year Non-Call Capital Securities.

<sup>2</sup>Equivalent to the initial credit spread of the 5.5 year Non-Call Capital Securities plus a 25 basis points step-up.

<sup>3</sup>Equivalent to the initial credit spread of the 5.5 year Non-Call Capital Securities plus a 100 basis points step-up.

including 10 June 2070.

**"5 Year Euro Mid-Swap Rate"** means the 5 year mid-swap rate in euro as determined by the Calculation Agent in accordance with the Conditions.

*References to specific conditions, and capitalised terms used, in this section "Interest on 5.5 year Non-Call Capital Securities" are references to, and shall have the meaning given to them in, the conditions in respect of the 5.5 year Non-Call Capital Securities.*

**Interest on 8.25 year Non-Call Capital Securities:**

Unless previously redeemed in accordance with Condition 7 and subject to the further provisions of Condition 5 and Condition 6, the 8.25 year Non-Call Capital Securities shall bear interest on their principal amount:

(i) from and including the Issue Date to (but excluding) 10 March 2023 (the **"8.25 year Non-Call First Reset Date"**), at an interest rate *per annum* of 4.850 per cent payable annually in arrear on 10 March of each year, commencing on 10 March 2015 and ending on the 8.25 year Non-Call First Reset Date. The first payment of interest, to be made on 10 March 2015, will be in respect of the period from (and including) the Issue Date to (but excluding) 10 March 2015;

(ii) from and including the 8.25 year Non-Call First Reset Date to (but excluding) 10 March 2028 (the **"2028 Step-up Date"**), at an interest rate *per annum* equal to the sum of the 5 Year Euro Mid-Swap Rate of the relevant 8.25 year Non-Call Reset Period and the relevant Margin, payable annually in arrear on 10 March of each year, commencing on the 8.25 year Non-Call First Reset Date and ending on the 2028 Step-up Date; and

(iii) from and including the 2028 Step-up Date to (but excluding) 10 March 2043 (the **"2043 Step-up Date"**), at an interest rate *per annum* which will be subject to a reset every five years and shall be equal to the sum of the 5 Year Euro Mid-Swap Rate of the relevant 8.25 year Non-Call Reset Period and the relevant Margin, payable annually in arrear on 10 March of each year, commencing on the 2028 Step-up Date and ending on the 2043 Step-up Date; and

(iv) from and including the 2043 Step-Up Date to (but excluding) 10 March 2078 (the **"8.25 year Non-Call Maturity Date"**), at an interest rate *per annum* which will be subject to a reset every five years and shall be equal to the sum of the 5 year Euro Mid-Swap Rate of the relevant 8.25 year Non-Call Reset Period and the relevant Margin, payable annually in arrear on 10 March of each year, commencing on the 2043 Step-up Date and ending on the 8.25 year Non-Call Maturity Date.

Interest shall be payable annually in arrear on 10 March of each year, commencing on 10 March 2015 and ending on the 8.25 year Non-Call Maturity Date (each an

**"Interest Payment Date").**

Where

"**Margin**" means (i) 4.101<sup>1</sup> per cent. *per annum* from and including the 8.25 year Non-Call First Reset Date to (but excluding) the 2028 Step-up Date, (ii) 4.351<sup>2</sup> per cent. *per annum* from (and including) the 2028 Step-up Date to (but excluding) the 2043 Step-up Date and (iii) 5.101<sup>3</sup> per cent. *per annum* from (and including) the 2043 Step-up Date to (but excluding) the 8.25 year Non-Call Maturity Date;

"**8.25 year Non-Call Reset Period**" means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and "relevant 8.25 year Non-Call Reset Period" shall be construed accordingly.

"**Reset Date**" means the 8.25 year Non-Call First Reset Date and each fifth anniversary thereof up to and including 10 March 2073.

"**5 Year Euro Mid-Swap Rate**" means the 5 year mid-swap rate in euro as determined by the Calculation Agent in accordance with the Conditions.

*References to specific conditions, and capitalised terms used, in this section "Interest on 8.25 year Non-Call Capital Securities" are references to, and shall have the meaning given to them in, the conditions in respect of the 8.25 year Non-Call Capital Securities.*

**Interest Deferral:**

*Optional Interest Payment*

The Issuer may, at any time and at its sole discretion, by giving notice to the Holders, elect to defer any interest, in whole but not in part, which is otherwise scheduled to be paid on an Interest Payment Date (except on the 5.5 year Non-Call Maturity Date or the 8.25 year Non-Call Maturity Date, as the case may be, or any Interest Payment Date falling on a date of redemption of the Capital Securities). If the Issuer makes such an election, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Capital Securities.

Any interest in respect of the Capital Securities which has not been paid at the election of the Issuer in accordance with this paragraph will be deferred and shall constitute "**Deferred Interest**" (as defined in the Conditions) and shall be payable as outlined below.

*Settlement of Deferred Interest*

Notwithstanding the right of the Issuer to pay any Deferred Interest at any time pursuant to Condition 6(a),

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<sup>1</sup>Equivalent to the initial credit spread of the 8.25 year Non-Call Capital Securities.

<sup>2</sup>Equivalent to the initial credit spread of the 8.25 year Non-Call Capital Securities plus a 25 basis points step-up.

<sup>3</sup>Equivalent to the initial credit spread of the 8.25 year Non-Call Capital Securities plus a 100 basis points step-up.

the Issuer shall pay any accrued but unpaid Deferred Interest, in whole but not in part, on the first to occur of the following dates:

(i) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;

(ii) any Interest Payment Date in respect of which the Issuer does not elect to defer all of the interest accrued in respect of the relevant interest period;

(iii) the date on which the Capital Securities are redeemed or repaid in accordance with Condition 3, Condition 4, any paragraph of Condition 7 or Condition 12;

(iv) the date on which the Capital Securities are substituted for, or where the terms of the Capital Securities are varied so that they become, Qualifying Capital Securities in accordance with Condition 8.

A “**Deferred Interest Payment Event**” means any one or more of the following events:

(a) declaration or payment of any distribution or dividend or any other payment on, and distribution or dividend or other payment made by the Guarantor on its share capital or by the Issuer, the Guarantor or Subsidiary (as defined in the Conditions) of the Issuer and/or the Guarantor, as the case may be, on any Parity Securities of the Issuer or any Parity Obligations of the Guarantor;

(b) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor of any shares of the Guarantor;

(c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor of any Parity Securities of the Issuer or any Parity Obligations of the Guarantor;

save for, (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law, (ii) in the case of (b) above only, the redemption, repurchase, repayment, cancellation, reduction or other acquisition is executed in connection with, or for the purpose of, any share buyback programme then in force and duly approved by the shareholders’ general meeting of the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan reserved for directors, officers and/or employees of the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor or any associated

hedging transaction and (iii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Security of the Issuer or Parity Obligation of the Guarantor below its par value.

For these purposes,

**"Parity Obligations of the Guarantor"** means:

(a) in respect of the 5.5 year Non-Call Capital Securities, any other obligations of:

(i) the Guarantor, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Guarantee (which include the guarantee granted by the Guarantor in connection with the 8.25 year Non-Call Capital Securities); or

(ii) any Subsidiary of the Guarantor (other than the 5.5 year Non-Call Capital Securities) having the benefit of a guarantee or support agreement from the Guarantor which ranks or is expressed to rank *pari passu* with the Guarantee; and

(b) in respect of the 8.25 year Non-Call Capital Securities, any other obligations of:

(i) the Guarantor, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Guarantee (which include the guarantee granted by the Guarantor in connection with the 5.5 year Non-Call Capital Securities); or

(ii) any Subsidiary of the Guarantor (other than the 8.25 year Non-Call Capital Securities) having the benefit of a guarantee or support agreement from the Guarantor which ranks or is expressed to rank *pari passu* with the Guarantee.

**"Parity Securities of the Issuer"** means:

(a) in respect of the 5.5 year Non-Call Capital Securities, any obligations of:

(i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the 5.5 year Non-Call Capital Securities (which include the 8.25 year Non-Call Capital Securities); or

(ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the 5.5 year Non-Call Capital Securities; and

(b) in respect of the 8.25 year Non-Call Capital Securities, any obligations of:

(i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the 8.25 year Non-Call Capital Securities (which include the 5.5 year Non-Call Capital Securities); or

(ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the 8.25 year Non-Call Capital Securities.

**Status/Ranking:**

The Capital Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer. In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer, the rights of the Holders to payments in respect of each Capital Security and the Couponholders to matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupon), will rank:

(i) *pari passu* without any preference among themselves and with any present or future Parity Securities of the Issuer;

(ii) in priority in right of payment to holders of the share capital of the Issuer in their capacity as such holders; and

(iii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors of the Issuer and all creditors of the Issuer in respect of Issuer Subordinated Indebtedness (as defined in the Conditions).

**Guarantee:**

The payment of the principal, premium and interest in respect of the Capital Securities and the Coupons and all other monies payable by the Issuer under or pursuant to the Capital Securities, the Coupons and/or the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee.

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor. In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Guarantor, the rights of the Holders to payments under the Guarantee in respect of each Capital Security and the Couponholders matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupon), will rank:

(i) *pari passu* without any preference among themselves and with any present or future Parity Obligations of the Guarantor;

(ii) in priority in right of payment to payments to holders of the share capital of the Guarantor in their capacity as such holders; and

(iii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors

of the Guarantor and all creditors of the Guarantor in respect of Guarantor Subordinated Indebtedness.

The Guarantor's Series A Shares and Series B Shares are the only classes of share capital currently permitted to be issued under the Guarantor's articles of association and therefore the Series A Shares and Series B Shares represent the only classes of share capital ranking junior to the Guarantee.

**No Set-off:**

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer and/or the Guarantor in respect of, or arising under or in connection with, the Capital Securities and each Holder shall, by virtue of his/her holding, be deemed to have waived all such rights of set-off, compensation or retention.

**Form and Denomination:**

The Capital Securities will be issued in bearer form in the denomination of €100,000 and integral multiple of €1,000 in excess thereof up to and including denominations of €199,000.

**Final Redemption:**

Subject to any early redemption described below, the 5.5 year Non-Call Capital Securities will mature on 10 June 2075 and the 8.25 year Non-Call Capital Securities will mature on 10 March 2078 and in each case will be redeemed at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

**Early Redemption at the option of the Issuer:**

The Issuer may, by giving not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable and specify the date fixed for redemption), redeem all, but not some only, of (i) the 5.5 year Non-Call Capital Securities on the 5.5 year Non-Call First Reset Date, the 2025 Step-up Date and any Interest Payment Date thereafter (each capitalised term as defined in the Terms and Conditions of the 5.5 year Non-Call Capital Securities) and (ii) the 8.25 year Non-Call Capital Securities on the 8.25 year Non-Call First Reset Date, the 2028 Step-up Date and any Interest Payment Date thereafter (each capitalised term as defined in the Terms and Conditions of the 8.25 year Non-Call Capital Securities), at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

**Early Redemption upon a Tax Deductibility Event, a Substantial Repurchase Event or a Rating Event:**

Upon the occurrence of a Tax Deductibility Event or a Substantial Repurchase Event or if a Rating Event has occurred and is continuing, the Issuer may, by giving not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable and specify the date fixed for redemption) and subject to Condition 9, redeem all, but not some only, of the Capital Securities at any time at an amount equal to (i) 101 per cent. of their principal amount, where

such redemption occurs before the 5.5 year Non-Call First Reset Date or the 8.25 year Non-Call First Reset Date, as the case may be, or (ii) 100 per cent. of their principal amount, where such redemption occurs on or after the 5.5 year Non-Call First Reset Date or the 8.25 year Non-Call First Reset Date, together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

**Early Redemption upon a Withholding Tax Event:**

Upon the occurrence of a Withholding Tax Event, the Issuer may, by giving not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable and specify the date fixed for redemption) and subject to Condition 9, redeem all, but not some only, of the Capital Securities at any time at an amount equal to 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

**Substitution or Variation:**

If at any time a Tax Deductibility Event, Rating Event or a Withholding Tax Event has occurred and is continuing on or after the Issue Date, then the Issuer may, subject to Condition 9 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of Condition 8 have been complied with, and having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Capital Securities for, or (ii) vary the terms of the Capital Securities with the effect that they remain or become, as the case may be, Qualifying Capital Securities (as defined in the Conditions), and the Trustee shall (subject to the following provisions of Condition 8 and subject to the receipt by it of the certificate signed by two authorised signatories of the Guarantor referred to in Condition 9) agree to such substitution or variation.

**Purchase:**

The Issuer or the Guarantor or any of their respective subsidiaries may at any time purchase or procure others to purchase beneficially for its account any or all Capital Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

**Taxation:**

All payments of principal, premium and interest in respect of the Capital Securities and the Coupons by or on behalf of the Issuer or the Guarantor shall 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, subject as



specified in Condition 13.

<b>Default:</b>	<p>If a default is made by the Issuer or the Guarantor for a period of 30 days or more in relation to the payment of any interest in respect of the Capital Securities which is due and payable, then the Issuer and/or the Guarantor, as the case may be, shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Capital Securities and the Coupons and the Trustee at its discretion may (subject to Condition 12(c)), and if so requested in writing by the holders of at least one-quarter in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall, institute proceedings for the voluntary or involuntary liquidation (<i>likvidation</i>), bankruptcy (<i>konkurs</i>) or company re-construction (<i>företagsrekonstruktion</i>) of the Issuer and/or the Guarantor and/or prove in the voluntary or involuntary liquidation (<i>likvidation</i>), bankruptcy (<i>konkurs</i>) or company re-construction (<i>företagsrekonstruktion</i>) of the Issuer and/or the Guarantor and/or claim in the voluntary or involuntary liquidation (<i>likvidation</i>), bankruptcy (<i>konkurs</i>) or company re-construction (<i>företagsrekonstruktion</i>) of the Issuer and/or the Guarantor for such payment and/or give notice to the Issuer and the Guarantor that the Capital Securities are, and they shall immediately thereby become, due and repayable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date (including any accrued but unpaid Deferred Interest).</p>
<b>Rating:</b>	<p>The Capital Securities are expected to be rated Ba1 by Moody's and BB+ by S&amp;P.</p>
<b>Governing Law:</b>	<p>The Trust Deed, the Capital Securities, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England, other than Conditions 3(a) and 4(c) which are governed by, and shall be construed in accordance with, the laws of Sweden.</p>
<b>Listing and Trading:</b>	<p>Application has been made for the Capital Securities to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange regulated market. Such listing and admission to trading are expected to occur as of the Issue Date or as soon as practicable thereafter.</p>
<b>Clearing Systems:</b>	<p>Euroclear and Clearstream, Luxembourg</p>
<b>Selling Restrictions:</b>	<p>There are restrictions on the offer, sale and transfer of the Capital Securities in the United States, the United Kingdom, France and Sweden.</p>

## 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 2012 and 31 December 2013, 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 2012' (the "**Annual Report 2012**") and 'Annual Report and Consolidated Financial Statements for the financial year 2013' (the "**Annual Report 2013**"), respectively:

	<i>Consolidated</i>	<i>2012 Non- consolidated</i>	<i>Consolidated</i>	<i>2013 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
Cashflow statements	8	13	8	13
Notes to the financial statements	14-43	14-43	14-42	14-42
Audit report	44-45	44-45	43-44	43-44

- (b) the audited annual consolidated and non-consolidated financial statements of the Guarantor for each of the financial years ended 31 December 2012 and 31 December 2013, 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 Report 2012' and 'Volvo Group Annual Report 2013', respectively:

	<i>Consolidated</i>	<i>2012 Non- consolidated</i>	<i>Consolidated</i>	<i>2013 Non- consolidated</i>
Significant events	56-57	–	68-71	–
Corporate Governance Report	–	–	90-97	–
Board of Directors and Secretary	–	–	98-101	–
Group Management	–	–	101-102	–
Income statements	90-93	160	108-111	168
Balance sheets	94-95	161	112-113	169
Cashflow statements	96-97	162	114-115	170
Changes in shareholders' equity	98	163	116	171
Notes to the financial statements	99-159	164-171	117-167	172-177
Audit report	174	174	180	180

- (c) the unaudited interim report of the Issuer for the six month period ended 30 June 2014 (the "**Semi-Annual Report for the First Half of the Financial Year 2014**"), including the consolidated financial information set out at the following pages:

Income statements	2
Balance sheets	3
Cashflow statements	3
Accounting Principles	7

- (d) the unaudited interim report of the Guarantor and the Volvo Group for the nine month period ended 30 September 2014 (the "**Interim Report for the First Three Quarters of the Financial Year 2014**"), 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	3-5
Overview of industrial operations	6-13
Important events	14
Income statements	15-16
Balance sheets	17
Cash flow statements and net financial position	18-20
Changes in total equity	21
Notes 1 - 6	25 - 28

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)).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of 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**").

## TERMS AND CONDITIONS OF THE 5.5 YEAR NON-CALL CAPITAL SECURITIES

*The following, except for paragraphs in italics, are the terms and conditions of the 5.5 year Non-Call Capital Securities which will be endorsed on each 5.5 year Non-Call Capital Security in definitive form (if issued).*

The issue of the €900,000,000 Subordinated Fixed to Reset Rate 5.5 year Non-Call Capital Securities due 2075 (the "**5.5 year Non-Call Capital Securities**", which expression shall, unless the context otherwise requires, include any Further Capital Securities issued pursuant to Condition 20 and forming a single series with the 5.5 year Non-Call Capital Securities) of Volvo Treasury AB (publ) (the "**Issuer**") was authorised by a resolution of the Board of Directors of the Issuer passed on 25 November 2014. The obligations of the Issuer in respect of the 5.5 year Non-Call Capital Securities, the Coupons (as defined below) and the Trust Deed are guaranteed (such guarantee, the "**Guarantee**") by AB Volvo (publ) (the "**Guarantor**") as described below and in the Trust Deed. The Guarantee was authorised by resolutions of the Board of Directors of the Guarantor passed on 16 October 2014 and 24 November 2014. The 5.5 year Non-Call Capital Securities are constituted by a trust deed (the "**Trust Deed**") dated 10 December 2014 between the Issuer, the Guarantor and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the 5.5 year Non-Call Capital Securities (the "**Holder**s"). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the 5.5 year Non-Call Capital Securities, of the interest coupons (the "**Coupons**", which expression includes, where the context so permits, talons for further Coupons (the "**Talons**")), of the Talons appertaining to 5.5 year Non-Call Capital Securities in definitive form and of the Guarantee. Copies of (i) the Trust Deed and (ii) the paying agency agreement (the "**Paying Agency Agreement**") dated 10 December 2014 relating to the 5.5 year Non-Call Capital Securities between the Issuer, the Guarantor, Citibank, N.A., London Branch as the initial principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto, and together with any further paying agents as may be appointed under the Paying Agency Agreement from time to time, the "**Paying Agents**", and each a "**Paying Agent**") and the Trustee are available for inspection during usual business hours at the registered office for the time being of the Trustee, being, as of the Issue Date, at Winchester House, 1 Great Winchester Street, London EC2N 2DB, and at the specified office of each of the Paying Agents, being at the date of these Conditions at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The Holders and the holders of the Coupons (whether or not attached to the relevant 5.5 year Non-Call Capital Securities) (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

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

#### **(a) Form and Denomination**

The 5.5 year Non-Call Capital Securities are serially numbered and in bearer form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons and Talons attached on issue. No definitive 5.5 year Non-Call Capital Securities will be issued with a denomination above €199,000. 5.5 year Non-Call Capital Securities of one denomination may not be exchanged for 5.5 year Non-Call Capital Securities of any other denomination.

#### **(b) Title**

Title to the 5.5 year Non-Call Capital Securities, Coupons and each Talon passes by delivery. The holder of any 5.5 year Non-Call Capital Security, Coupon or Talon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

## **2. Status of the 5.5 year Non-Call Capital Securities and the Coupons**

The 5.5 year Non-Call Capital Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders in respect of the 5.5 year Non-Call Capital Securities and the Couponholders in respect of the Coupons, in each case against the Issuer, are subordinated as described in Condition 3(a).

## **3. Subordination of the 5.5 year Non-Call Capital Securities and the Coupons**

### **(a) General**

In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer, the rights of the Holders to payments in respect of each 5.5 year Non-Call Capital Security and the Couponholders to matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupon), will rank:

- (i) *pari passu* without any preference among themselves and with any present or future Parity Securities of the Issuer;
- (ii) in priority in right of payment to payments to holders of the share capital of the Issuer in their capacity as such holders; and
- (iii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors of the Issuer and all creditors of the Issuer in respect of Issuer Subordinated Indebtedness.

### **(b) Set-off**

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the 5.5 year Non-Call Capital Securities or the Coupons and each Holder and Couponholder shall, by virtue of his holding of any 5.5 year Non-Call Capital Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

## **4. Guarantee**

### **(a) Guarantee**

The payment of the principal, premium and interest in respect of the 5.5 year Non-Call Capital Securities and the Coupons and all other monies payable by the Issuer under or pursuant to the 5.5 year Non-Call Capital Securities, the Coupons and/or the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee.

### **(b) Status of the Guarantee**

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor. The rights and claims of the Holders and the Couponholders in respect of the Guarantee against the Guarantor are subordinated as described in Condition 4(c).

### **(c) Subordination of the Guarantee**

In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Guarantor, the rights of the Holders to payments under the Guarantee in respect of each 5.5 year Non-Call Capital Security and the Couponholders matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupon), will rank:

- (i) *pari passu* without any preference among themselves and with any present or future Parity Obligations of the Guarantor;

- (ii) in priority in right of payment to payments to holders of the share capital of the Guarantor in their capacity as such holders; and
- (iii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors of the Guarantor and all creditors of the Guarantor in respect of Guarantor Subordinated Indebtedness.

*The Guarantor's Series A Shares and Series B Shares are the only classes of share capital currently permitted to be issued under the Guarantor's articles of association and therefore the Series A Shares and Series B Shares represent the only classes of share capital ranking junior to the Guarantee.*

**(d) Set-off**

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Guarantor under the Guarantee in respect of, or arising under or in connection with the 5.5 year Non-Call Capital Securities, the Coupons or the Guarantee and each Holder and Couponholder shall, by virtue of his holding of any 5.5 year Non-Call Capital Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

**5. Interest Payments**

**(a) Interest Payment Dates**

The 5.5 year Non-Call Capital Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 10 December 2014 (the "**Issue Date**") up to (but excluding) the 5.5 year Non-Call Maturity Date in accordance with the provisions of this Condition 5.

Subject to Condition 6, interest shall be payable on the 5.5 year Non-Call Capital Securities annually in arrear on 10 June in each year (each an "**Interest Payment Date**") and ending on the 5.5 year Non-Call Maturity Date, as provided in this Condition 5, except that the first payment of interest, to be made on 10 June 2015, will be in respect of the period from (and including) the Issue Date to (but excluding) 10 June 2015.

**(b) Interest Accrual**

The 5.5 year Non-Call Capital Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 7 or the date of substitution or variation thereof pursuant to Condition 8, as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the 5.5 year Non-Call Capital Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the 5.5 year Non-Call Capital Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

When interest is required to be calculated in respect of a period of less than a full year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or, as the case may be, the first) scheduled Interest Payment Date ("**day-count fraction**"). Where it is necessary to compute an amount of interest in respect of any 5.5 year Non-Call Capital Security for a period of more than one year, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the period exceeding the full year calculated in the manner as aforesaid.

Interest in respect of any 5.5 year Non-Call Capital Security shall be calculated per €1,000 in principal amount thereof (the "**Calculation Amount**"). The amount of interest calculated per Calculation Amount for any period shall be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in

respect of each 5.5 year Non-Call Capital Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such 5.5 year Non-Call Capital Security without any further rounding.

(c) ***Initial Interest Rate***

The Interest Rate in respect of each Interest Period ending on or before the 5.5 year Non-Call First Reset Date is 4.20 per cent. *per annum* (the "**Initial Interest Rate**"). The Interest Payment in respect of each such Interest Period will amount to €42.00 per Calculation Amount. The first payment of interest, to be made on 10 June 2015, will be in respect of the period from (and including) the Issue Date to (but excluding) 10 June 2015 and will amount to €20.94 per Calculation Amount.

(d) ***Reset Interest Rates***

The Interest Rate in respect of each Interest Period falling in a 5.5 year Non-Call Reset Period shall be the aggregate of the relevant Margin and the relevant 5 Year Euro Mid-Swap Rate for such 5.5 year Non-Call Reset Period, all as determined by the Calculation Agent (each a "**Reset Interest Rate**").

(e) ***Determination of Reset Interest Rates and Calculation of Interest Amounts***

The Calculation Agent will, as soon as practicable after 11.00 am (Central European time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the relevant 5.5 year Non-Call Reset Period and calculate the amount of interest payable in respect of a Calculation Amount on each Interest Payment Date falling in the period from (but excluding) such relevant Reset Date to (and including) the next Reset Date (the "**Interest Amount**").

(f) ***Publication of Reset Interest Rates and Interest Amounts***

Unless the 5.5 year Non-Call Capital Securities are to be redeemed, the Issuer (failing which the Guarantor) shall cause notice of each Reset Interest Rate and the related Interest Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the 5.5 year Non-Call Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 19, the Holders, in each case as soon as practicable after its determination but in any event not later than the first Business Day of the relevant Interest Period.

(g) ***Calculation Agent***

The Issuer and the Guarantor may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer and the Guarantor shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid. If the Guarantor and the Issuer fail to appoint a successor Calculation Agent approved by the Trustee in a timely manner, then the Calculation Agent shall be entitled to appoint as its successor a reputable financial institution of good standing which the Guarantor, the Issuer and the Trustee shall approve.

(h) ***Determinations of Calculation Agent Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Holders, the Couponholders, the Issuer or the Guarantor shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

## 6. **Optional Interest Deferral**

### (a) *Deferral of Interest Payments*

The Issuer may, at any time and in its sole discretion, elect to defer any Interest Payment in whole but not in part which is otherwise scheduled to be paid on an Interest Payment Date (except on the 5.5 year Non-Call Maturity Date or any Interest Payment Date falling on a date of redemption of the 5.5 year Non-Call Capital Securities) by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 19, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the relevant Interest Payment Date.

If any Interest Payment is deferred pursuant to this Condition 6(a), then such Interest Payment shall constitute a deferred Interest Payment and shall itself bear interest (such further interest together with the deferred Interest Payment, constituting, for as long as it has not been paid “**Deferred Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the deferred Interest Payment would otherwise have been due to (but excluding) the relevant Deferred Interest Settlement Date (as defined below) or, as appropriate, such other date on which such deferred Interest Payment is paid in accordance with Condition 6(b), in each case such further interest being compounded on each Interest Payment Date.

Deferred Interest may be paid (in whole but not in part) at any time at the option of the Issuer (the “**Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 19, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the relevant Deferred Interest Settlement Date informing them of its election to so settle such Deferred Interest and specifying the relevant Deferred Interest Settlement Date.

The deferral of an Interest Payment in accordance with this Condition 6(a) shall not constitute a default by the Issuer or the Guarantor under the 5.5 year Non-Call Capital Securities or the Guarantee or for any other purpose.

### (b) *Settlement of Deferred Interest*

Notwithstanding the provisions of Condition 6(a), the Issuer shall pay any accrued but unpaid Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;
- (ii) any Interest Payment Date subsequent to any Deferral Notice in respect of which the Issuer does not elect to defer all of the interest accrued in respect of the relevant Interest Period;
- (iii) the date on which the 5.5 year Non-Call Capital Securities are redeemed or repaid in accordance with Condition 3, Condition 4, any paragraph of Condition 7 or Condition 12;
- (iv) the date on which the 5.5 year Non-Call Capital Securities are substituted for, or where the terms of the 5.5 year Non-Call Capital Securities are varied so that they become, Qualifying Capital Securities in accordance with Condition 8.

Notice of any Deferred Interest Payment Event shall be given by the Issuer to the Holders in accordance with Condition 19, the Trustee and the Principal Paying Agent within three Business Days of such event.

## 7. **Redemption**

### (a) *Final Redemption Date*

Unless previously repaid, redeemed or purchased and cancelled as provided in these Conditions, the 5.5 year Non-Call Capital Securities will be redeemed on the 5.5 year Non-Call Maturity



Date at their principal amount together with any accrued and unpaid interest up to (but excluding) the 5.5 year Non-Call Maturity Date (including any accrued but unpaid Deferred Interest).

**(b) Issuer's Call Option**

The Issuer may, by giving not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable and specify the date fixed for redemption), redeem all, but not some only, of the 5.5 year Non-Call Capital Securities on any Optional Redemption Date at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

**(c) Redemption upon a Tax Deductibility Event or a Substantial Repurchase Event or a Rating Event**

Upon the occurrence of a Tax Deductibility Event or a Substantial Repurchase Event or if a Rating Event has occurred and is continuing, the Issuer may, by giving not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable and specify the date fixed for redemption) and subject to Condition 9, redeem all, but not some only, of the 5.5 year Non-Call Capital Securities at any time at an amount equal to (i) 101 per cent. of their principal amount, where such redemption occurs before the 5.5 year Non-Call First Reset Date, or (ii) 100 per cent. of their principal amount, where such redemption occurs on or after the 5.5 year Non-Call First Reset Date, together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the 5.5 year Non-Call Capital Securities.

**(d) Redemption upon a Withholding Tax Event**

Upon the occurrence of a Withholding Tax Event, the Issuer may, by giving not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable and specify the date fixed for redemption) and subject to Condition 9, redeem all, but not some only, of the 5.5 year Non-Call Capital Securities at any time at an amount equal to 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the 5.5 year Non-Call Capital Securities.

**8. Substitution or Variation**

If at any time a Tax Deductibility Event, Rating Event or a Withholding Tax Event has occurred and is continuing on or after the Issue Date, then the Issuer may, subject to Condition 9 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 8 have been complied with, and having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the 5.5 year Non-Call Capital Securities for, or (ii) vary the terms of the 5.5 year Non-Call Capital Securities with the effect that they remain or become, as the case may be, Qualifying Capital Securities, and the Trustee shall (subject to the following provisions of this Condition 8 and subject to the receipt by it of the certificate by two authorised signatories of the Guarantor referred to in Condition 9 below) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the 5.5 year Non-Call Capital Securities in accordance with this Condition 8.

In connection therewith, any accrued but unpaid Deferred Interest will be satisfied in full in accordance with the provisions of Condition 6(b).

The Trustee shall use reasonable endeavours to assist the Issuer in the substitution of the 5.5 year Non-Call Capital Securities for, or the variation of the terms of the 5.5 year Non-Call Capital

Securities so that they remain, or as the case may be, become, Qualifying Capital Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Capital Securities, or the participation in or assistance with such substitution or variation, would impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not participate or assist as provided above, the Issuer may redeem the 5.5 year Non-Call Capital Securities as provided in Condition 7.

In connection with any substitution or variation in accordance with this Condition 8, the Issuer and the Guarantor shall comply with the rules of any stock exchange on which the 5.5 year Non-Call Capital Securities are for the time being listed or admitted to trading.

**9. Preconditions to Special Event Redemption, Substitution and Variation**

Prior to the publication of any notice of redemption pursuant to Condition 7 (other than redemption pursuant to Condition 7(b)) or any notice of substitution or variation pursuant to Condition 8, the Guarantor shall deliver to the Trustee a certificate signed by two authorised signatories of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer or the Guarantor, as the case may be, to be taken, the relevant Special Event cannot be avoided by the Issuer or the Guarantor, as the case may be, taking such measures. In relation to a substitution or variation pursuant to Condition 8, such certificate shall also include further certifications that the terms of the Qualifying Capital Securities are not materially less favourable to Holders than the terms of the 5.5 year Non-Call Capital Securities, that such determination was reasonably reached by the Guarantor in consultation with an independent investment bank or counsel and that the criteria specified in paragraphs (a) to (h) of the definition of Qualifying Capital Securities will be satisfied by the Qualifying Capital Securities upon issue. The Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the criteria set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the 5.5 year Non-Call Capital Securities in accordance with Condition 7 or any substitution or variation of the 5.5 year Non-Call Capital Securities in accordance with Condition 8 shall be conditional on all accrued but unpaid Deferred Interest being paid in full in accordance with the provisions of Condition 6(b) on or prior to the date of such redemption, substitution or, as the case may be, variation.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

**10. Purchases and Cancellation**

**(a) Purchases**

Each of the Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase or procure others to purchase beneficially for its account any or all 5.5 year Non-Call Capital Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

**(b) Cancellation**

All 5.5 year Non-Call Capital Securities redeemed or substituted by the Issuer pursuant to Condition 7 or 8, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All 5.5 year Non-Call Capital Securities purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may, at the option of the Issuer or the Guarantor, as the case may be, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent. 5.5 year Non-Call Capital Securities held by the Issuer, the

Guarantor and/or any of their respective Subsidiaries shall not entitle the Holder to vote at any meeting of Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 15.

## **11. Payments**

### **(a) Method of Payment**

- (i) Payments of principal, premium and interest will be made against presentation and surrender of 5.5 year Non-Call Capital Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant 5.5 year Non-Call Capital Securities. Such payments will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the Target System.
- (ii) Upon the due date for redemption of any 5.5 year Non-Call Capital Security, unmatured Coupons relating to such 5.5 year Non-Call Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any 5.5 year Non-Call Capital Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any 5.5 year Non-Call Capital Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 14).

### **(b) Payments Subject to Fiscal Laws**

Without prejudice to the terms of Condition 13, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

### **(c) Days for Payments**

A 5.5 year Non-Call Capital Security or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation, London and Stockholm (and, in the case of payment by transfer to a euro account, a day on which the Target System is operating). No further interest or other payment will be made as a consequence of the day on which the 5.5 year Non-Call Capital Security or Coupon may be presented for payment under this paragraph falling after the due date.

### **(d) Interpretation of principal and interest**

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any additional amounts which may become payable pursuant to Condition 13 or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **12. Default and Enforcement**

### **(a) Proceedings**

Without prejudice to the Issuer's right to defer the payment of interest under Condition 6(a), if a default is made by the Issuer or the Guarantor for a period of 30 days or more in relation to the payment of any interest in respect of the 5.5 year Non-Call Capital Securities which is due and payable, then the Issuer and/or the Guarantor, as the case may be, shall without notice from the

Trustee be deemed to be in default under the Trust Deed, the 5.5 year Non-Call Capital Securities and the Coupons and the Trustee at its discretion may (subject to Condition 12(c)), and if so requested in writing by the holders of at least one-quarter in principal amount of the 5.5 year Non-Call Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall, institute proceedings for the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or prove in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or claim in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor for such payment and/or give notice to the Issuer and the Guarantor that the 5.5 year Non-Call Capital Securities are, and they shall immediately thereby become, due and repayable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date (including any accrued but unpaid Deferred Interest).

**(b) Enforcement**

The Trustee may at its discretion (subject to Condition 12(c)) and without further notice institute such proceedings against the Issuer and/or the Guarantor, as the case may be, as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor, as the case may be, under the Trust Deed, the 5.5 year Non-Call Capital Securities or the Coupons but in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

**(c) Entitlement of Trustee**

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) or 12(b) above against the Issuer and/or the Guarantor to enforce the terms of the Trust Deed, the 5.5 year Non-Call Capital Securities or the Coupons or any other action or step unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-quarter in principal amount of the 5.5 year Non-Call Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

**(d) Right of Holders**

No Holder or Couponholder shall be entitled to proceed directly against the Issuer and/or the Guarantor or to institute proceedings for the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or prove in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or claim in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor unless the Trustee, having become so bound to proceed or being able to prove in such voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*), fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer and/or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 12.

**(e) Extent of Holders' Remedy**

No remedy against the Issuer and/or the Guarantor, other than as referred to in this Condition 12, shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the 5.5 year Non-Call Capital Securities, the Coupons or under the Trust Deed (including the Guarantee) or in respect of any breach by the Issuer and/or the Guarantor of any of its/their other obligations under or in respect of the 5.5 year Non-Call Capital Securities, the Coupons or the Trust Deed.

### 13. Taxation

All payments of principal, premium and interest in respect of the 5.5 year Non-Call Capital Securities and the 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 Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders or the Couponholders after such withholding or deduction shall equal the respective amounts of principal, premium and interest which would have been receivable in respect of the 5.5 year Non-Call Capital Securities 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 5.5 year Non-Call Capital Security or Coupon:

- (a) to, or to a third party on behalf of, a Holder or Couponholder who is liable for the Taxes in respect of such 5.5 year Non-Call Capital Security or Coupon by reason of such holder having some connection with Sweden other than (i) the mere holding of such 5.5 year Non-Call Capital Security or Coupon or (ii) the receipt of principal, premium or interest in respect of such 5.5 year Non-Call Capital Security or Coupon; or
- (b) 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
- (c) 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 an Interest Payment Day; or
- (d) presented for payment in Sweden; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) presented for payment by or on behalf of the holder who would be able to avoid such withholding or deduction by presenting the relevant 5.5 year Non-Call Capital Security or Coupon to another Paying Agent in a Member State of the European Union.

Notwithstanding any other provisions contained herein, the Issuer and the Guarantor 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 Guarantor not being entitled to receive payments free of FATCA withholding. Neither the Issuer nor the Guarantor 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 Guarantor, any Paying Agent or any other party.

### 14. Prescription

Claims against the Issuer and/or the Guarantor in respect of 5.5 year Non-Call Capital Securities and Coupons (which for this purpose shall not include Talons) or under the Guarantee will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of 5.5 year Non-Call Capital Securities and the Guarantee (in respect of claims relating to principal and premium) and five years in the case of Coupons and the Guarantee (in respect of claims relating to interest) from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in

exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 14 or Condition 11(a)(iii).

#### **15. Meetings of Holders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the 5.5 year Non-Call Capital Securities, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Holders holding not less than five per cent. in nominal amount of the 5.5 year Non-Call Capital Securities 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 5.5 year Non-Call Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the 5.5 year Non-Call Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the 5.5 year Non-Call Capital Securities or Coupons or the Guarantee (including, inter alia, the provisions regarding subordination referred to in Condition 3 and/or Condition 4, the terms concerning currency and due dates for payment of principal, any applicable premium or Interest Payments in respect of the 5.5 year Non-Call Capital Securities and reducing or cancelling the principal amount of any 5.5 year Non-Call Capital Securities, any applicable premium or the Interest Rate or modifying or cancelling the Guarantee) 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 5.5 year Non-Call Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the Holders representing in excess of 75 per cent. in nominal amount of the 5.5 year Non-Call Capital Securities for the time being outstanding or (iii) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Trustee) by or on behalf of the Holders representing in excess of 75 per cent. in nominal amount of the 5.5 year Non-Call Capital Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 8 in connection with the substitution or variation of the terms of the 5.5 year Non-Call Capital Securities so that they remain or become Qualifying Capital Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 8.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer and/or the Guarantor of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders and Couponholders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor in circumstances which are more extensive than those set out in Condition 12). Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders in accordance with Condition 19, as soon as practicable.

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 pursuant to Condition 16), the Trustee shall have regard to the interests of the Holders 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 Holders 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 Holder or Couponholder be entitled to claim, from the Issuer or the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders, except to the extent already provided in Condition 13 and/or any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

**16. Substitution**

The Trustee may, without the consent of the Holders or the Couponholders, agree with the Issuer and the Guarantor (or, if applicable, their successors in business as defined in the Trust Deed) to the substitution on a subordinated basis equivalent to that referred to in Conditions 2, 3 and 4 (i) in place of the Issuer (or of any previous substitute under this Condition 16) as the principal debtor under the 5.5 year Non-Call Capital Securities, the Coupons and the Trust Deed of (I) the successor in business of the Issuer or (II) another company being the Guarantor (or the successor in business of the Guarantor) or of any of the other Subsidiaries of the Guarantor (or its successor in business as aforesaid), or (ii) in place of the Guarantor (or of any previous substitute under this Condition 16) of its successor in business, subject in each case to (a) except where the Guarantor becomes the principal debtor the 5.5 year Non-Call Capital Securities being unconditionally and irrevocably guaranteed by the Guarantor or its successor in business on the same subordinated basis as the Guarantee, (b) the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution, and (c) certain other conditions set out in the Trust Deed being complied with.

**17. Replacement of the 5.5 year Non-Call Capital Securities, Coupons and Talons**

If any 5.5 year Non-Call Capital Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 19, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed 5.5 year Non-Call Capital Security, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such 5.5 year Non-Call Capital Securities, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced 5.5 year Non-Call Capital Securities, Coupons or Talons must be surrendered before any replacement 5.5 year Non-Call Capital Securities, Coupons or Talons will be issued.

**18. Indemnification of the Trustee**

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.

**19. Notices**

All notices regarding the 5.5 year Non-Call Capital Securities 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) so long as the 5.5 year Non-Call Capital Securities are listed on the Official List, and admitted to trading on the regulated market, of the Luxembourg Stock Exchange (and so long as the rules of that exchange so require), in a daily newspaper with general circulation in Luxembourg which is expected to be the *Luxemburger Wort* and/or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). 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).

**20. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Holders or the Couponholders to create and issue further securities ("**Further Capital Securities**") having terms and conditions the same as the 5.5 year Non-Call Capital Securities or the same in all respects save for the amount and date of the first payment of interest on such Further Capital Securities and so that such Further Capital Securities shall be consolidated and form a single series with the outstanding 5.5 year Non-Call Capital Securities. Any such Further Capital Securities shall be constituted by a deed supplemental to the Trust Deed.

**21. Paying Agents**

The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that:

- (a) there will at all times be a Principal Paying Agent; and
- (b) the Issuer and the Guarantor undertake that they will ensure that they maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 19.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer and the Guarantor shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

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

The Trust Deed, the 5.5 year Non-Call Capital Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England, other than the provisions of Condition 3(a) and Condition 4(c) which are governed by, and shall be construed in accordance with, the laws of Sweden.

The Issuer and the Guarantor have each irrevocably agreed in the Trust Deed and the Paying Agency Agreement for the exclusive benefit of the Trustee, the Principal Paying Agent, the Calculation Agent, the Holders 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 5.5 year Non-Call Capital Securities 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 Guarantor 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 Guarantor 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 Guarantor 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 Guarantor have in the Trust Deed appointed VFS Financial Services Limited at its office for the time being at Wedgnock 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.

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

No person shall have any right to enforce any term or condition of the 5.5 year Non-Call Capital Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

**24. Definitions**

In these Conditions:

"**5.5 year Non-Call Capital Securities**" has the meaning given in the preamble to these Conditions;

"**5.5 year Non-Call First Reset Date**" means 10 June 2020;

"**5.5 year Non-Call Maturity Date**" means 10 June 2075;

"**5.5 year Non-Call Reset Period**" means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and "relevant 5.5 year Non-Call Reset Period" shall be construed accordingly;

"**8.25 year Non-Call Capital Securities**" means the €600,000,000 Subordinated Fixed to Reset Rate 8.25 year Non-Call Capital Securities due 2078;

"**5 Year Euro Mid-Swap Rate**" means:

- (a) the mid swap rate for Euro swap transactions with a maturity of 5 years ("**5 Year Euro Mid-Swap**"), as published on Reuters screen "ISDAFIX2" under "Euribor Basis EUR" (or such other page or service as may replace it for the purposes of displaying European swap rates of leading reference banks for swaps in euro) (the "**Mid-Swap Page**"), as at approximately 11.00 am (Central European Time) on the relevant Reset Interest Determination Date; or
- (b) If on the relevant Reset Interest Determination Date, no rate is calculated and published on the Mid-Swap Page, the arithmetic mean (rounded if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the quotations offered by the Reset Reference Banks at approximately 11.00 am (Central European time) on the relevant Reset Interest Determination Date, to prime banks in the European market for 5 year Euro Mid-Swap in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time; or
- (c) If fewer than two rates are so quoted on the relevant Reset Interest Determination Date, the 5 Year Euro Mid-Swap Rate determined by the Calculation Agent for the previous 5.5 year Non-Call Reset Period or in the case of the first Reset Interest Determination Date, 0.453 per cent.

"**2025 Step-up Date**" means 10 June 2025;

"**2040 Step-up Date**" means 10 June 2040;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London, Stockholm and the Target System is operating;

"**Calculation Agent**" means Citibank N.A., London Branch, or any successor appointed in accordance with the Paying Agency Agreement;

"**Calculation Amount**" has the meaning given to it in Condition 5(b);

"**Conditions**" means these terms and conditions of the 5.5 year Non-Call Capital Securities, as amended from time to time;

"**Coupon**" has the meaning given in the preamble to these Conditions;

"**Couponholder**" has the meaning given in the preamble to these Conditions;

"**Deferred Interest**" has the meaning given in Condition 6(a);

A "**Deferred Interest Payment Event**" means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment on, and distribution or dividend or other payment made by the Guarantor on its share capital or by the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor, as the case may be, on any Parity Securities of the Issuer or any Parity Obligations of the Guarantor;
- (b) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor of any shares of the Guarantor;
- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor of any Parity Securities of the Issuer or any Parity Obligations of the Guarantor;

save for, (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law, (ii) in the case of (b) above only, the redemption, repurchase, repayment, cancellation, reduction or other acquisition is executed in connection with, or for the purpose of, any share buyback programme then in force and duly approved by the shareholders' general meeting of the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan reserved for directors, officers and/or employees of the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor or any associated hedging transaction and (iii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Security of the Issuer or Parity Security of the Guarantor below its par value.

"**Deferred Interest Settlement Date**" has the meaning given in Condition 6(a);

"**Deferral Notice**" has the meaning given in Condition 6(a);

"**euro**" or "€" means the lawful 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;

"**Guarantee**" has the meaning given in the preamble to these Conditions;

"**Guarantor**" means AB Volvo (publ);

"**Guarantor Subordinated Indebtedness**" means any obligation of the Guarantor, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company reconstruction (*företagsrekonstruktion*) of the Guarantor to the claims of all unsubordinated creditors of the Guarantor but senior to the Guarantee or any Parity Obligations of the Guarantor;

"**Holder**" has the meaning given in the preamble to these Conditions;

"**Initial Interest Rate**" has the meaning given in Condition 5(c);

"**Interest Amount**" has the meaning given in Condition 5(e);

"**Interest Payment**" means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 5;

"**Interest Payment Date**" has the meaning given in Condition 5(a);

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

"**Issue Date**" has the meaning given in Condition 5(a);

"**Issuer**" means Volvo Treasury AB (publ);

"**Issuer Subordinated Indebtedness**" means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company reconstruction (*företagsrekonstruktion*) of the Issuer to the claims of all unsubordinated creditors of the Issuer but senior to the 5.5 year Non-Call Capital Securities and any Parity Securities of the Issuer;

"**Margin**" means (i) 3.797<sup>1</sup> per cent. *per annum* from and including the 5.5 year Non-Call First Reset Date to (but excluding) the 2025 Step-up Date, (ii) 4.047<sup>2</sup> per cent. *per annum* from (and including) the 2025 Step-up Date to (but excluding) the 2040 Step-up Date and (iii) 4.797<sup>3</sup> per cent. *per annum* from (and including) the 2040 Step-up Date to (but excluding) the 5.5 year Non-Call Maturity Date;

"**Optional Redemption Date**" means the 5.5 year Non-Call First Reset Date, the 2025 Step-up Date and each Interest Payment Date thereafter;

"**Parity Obligations of the Guarantor**" means any obligations of (i) the Guarantor, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Guarantee (which include the guarantee granted by the Guarantor in connection with the 8.25 year Non-Call Capital Securities) or (ii) any Subsidiary of the Guarantor (other than the 5.5 year Non-Call Capital Securities) having the benefit of a guarantee or support agreement from the Guarantor which ranks or is expressed to rank *pari passu* with the Guarantee;

"**Parity Securities of the Issuer**" means any obligations of (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the 5.5 year Non-Call Capital Securities (which include the 8.25 year Non-Call Capital Securities) or (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the 5.5 year Non-Call Capital Securities;

"**Paying Agency Agreement**" has the meaning given to it in the preamble to these Conditions;

"**Paying Agents**" has the meaning given to it in the preamble to these Conditions;

"**Principal Paying Agent**" has the meaning given to it in the preamble to these Conditions;

"**Qualifying Capital Securities**" means securities that contain terms not materially less favourable to Holders than the terms of the 5.5 year Non-Call Capital Securities (as reasonably determined by the Guarantor (in consultation with an independent investment bank or counsel of international standing)) and provided that a certification to such effect (and confirming that the

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<sup>1</sup> Equivalent to the initial credit spread of the 5.5 year Non-Call Capital Securities.

<sup>2</sup> Equivalent to the initial credit spread of the 5.5 year Non-Call Capital Securities plus a 25 basis points step-up.

<sup>3</sup> Equivalent to the initial credit spread of the 5.5 year Non-Call Capital Securities plus a 100 basis points step-up.

conditions set out in (a) to (h) below have been satisfied) of two authorised signatories of the Guarantor shall have been delivered to the Trustee prior to the substitution or variation of the relevant 5.5 year Non-Call Capital Securities upon which certificate the Trustee shall rely absolutely), provided that:

- (a) they shall be issued by the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on a voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company reconstruction (*företagsrekonstruktion*) of the Issuer with the 5.5 year Non-Call Capital Securities and the Guarantor with the Guarantee; and
- (c) they shall contain terms which provide for the same Interest Rate from time to time applying to the 5.5 year Non-Call Capital Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer and the Guarantor as to redemption of the 5.5 year Non-Call Capital Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under these Conditions to any accrued interest, any Deferred Interest and any other amounts payable under the 5.5 year Non-Call Capital Securities which, in each case, has accrued to Holders and not been paid; and
- (f) they shall not contain terms providing for the mandatory deferral of interest and shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall, immediately after such exchange or variation, be assigned at least the same credit rating(s) by the same Rating Agencies as may have been assigned to the 5.5 year Non-Call Capital Securities immediately prior to such exchange or variation (if any); and
- (h) they shall otherwise contain substantially identical terms (as reasonably determined by the Guarantor) to the 5.5 year Non-Call Capital Securities, save where any modifications to such terms are required to be made to avoid the occurrence or effect of a Tax Deductibility Event, a Rating Event or, as the case may be, a Withholding Tax Event; and
- (i) they shall be (i) listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market or (ii) admitted to trading on any other regulated market for the purposes of Directive 2004/39/EC as selected by the Guarantor and approved by the Trustee.

**"Rating Agency"** means Moody's and Standard and Poor's and any other rating agency of equivalent international standing requested by the Issuer and/or the Guarantor to grant a corporate credit rating to the Issuer and/or the Guarantor, respectively, and, in each case, their successors or affiliates;

a **"Rating Event"** shall be deemed to occur if the Issuer and/or Guarantor has received confirmation from any Rating Agency either directly or via a publication by such Rating Agency, that an amendment, clarification or change has occurred in the equity credit criteria of such Rating Agency effective after the Issue Date (or effective after the date when the equity credit is assigned for the first time, as applicable), which amendment, clarification or change results in lower equity credit for the 5.5 year Non-Call Capital Securities than the then respective equity credit assigned on the Issue Date, or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time;

**"Relevant Date"** means:

- (a) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor, as the case may be, in a voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer or the Guarantor, as the case may be, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 19; and
- (b) in respect of any sum to be paid by or on behalf of the Issuer or the Guarantor, as the case may be, in a voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer or the Guarantor, as the case may be, the date which is one day prior to the date on which an order is made or a resolution is passed for the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*);

**"Reset Date"** means the 5.5 year Non-Call First Reset Date and each fifth anniversary thereof up to and including 10 June 2070;

**"Reset Interest Determination Date"** means the day falling two Business Days prior to the relevant Reset Date;

**"Reset Interest Rate"** has the meaning given in Condition 5(d);

**"Reset Reference Banks"** means four major banks in the European inter-bank market selected by the Issuer or the Calculation Agent (in consultation with the Issuer);

**"Special Event"** means any of a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event, a Withholding Tax Event, or any combination of the foregoing;

**"Subsidiary"** has the meaning provided in the Swedish Companies Act and **"Subsidiaries"** shall be construed accordingly;

**"Substantial Repurchase Event"** shall be deemed to occur if the Issuer or the Guarantor or any of their respective Subsidiaries repurchases or redeems 5.5 year Non-Call Capital Securities in respect of at least 80 per cent. of the aggregate principal amount of the 5.5 year Non-Call Capital Securities initially issued;

**"Swedish Companies Act"** means The Companies Act (*Aktiebolagslagen* (ABL) 2005:551);

**"Talons"** has the meaning given in the preamble to these Conditions;

**"Target System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

**"Taxes"** has the meaning given in Condition 13;

**"Tax Deductibility Event"** means the receipt by the Issuer of an opinion of counsel in Sweden (experienced in such matters) to the effect that, as a result of a Tax Law Change, any Interest Payments under the 5.5 year Non-Call Capital Securities were but are no longer tax-deductible by the Issuer for Swedish tax purposes to the same extent as any unsubordinated obligations of the Issuer;

**"Tax Law Change"** means (a) any amendment to, clarification of, or change (excluding any proposed amendment, clarification or change announced prior to the Issue Date but including any proposed amendment, clarification or change announced on or after the Issue Date) in, the laws or treaties (or any regulations thereunder) of Sweden affecting taxation, (b) any governmental

action (c) or any amendment to, clarification of, or change in the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in Sweden, irrespective of the manner in which such amendment, clarification, change, action, pronouncement, interpretation or decision is made known, which amendment, clarification or change is effective or such governmental action, pronouncement, interpretation or decision is announced on or after the Issue Date;

"**Trust Deed**" has the meaning given in the preamble to these Conditions;

"**Trustee**" has the meaning given in the preamble to these Conditions;

a "**Withholding Tax Event**" shall be deemed to occur if, as a result of any change in the laws of Sweden which becomes effective on or after the Issue Date, in making any payments on the 5.5 year Non-Call Capital Securities or the Guarantee, the Issuer or the Guarantor, as the case may be, has paid or will or would on the next Interest Payment Date be required to pay additional amounts on the 5.5 year Non-Call Capital Securities pursuant to Condition 13 and the Issuer or the Guarantor, as the case may be, cannot avoid the foregoing in connection with the 5.5 year Non-Call Capital Securities or the Guarantee, as the case may be, by taking reasonable measures available to it.

***The following text in italics does not form part of the Conditions:***

*In the event of an exercise by the Issuer of any of its call options or repurchase rights pursuant to Condition 7, the Guarantor intends to raise, though does not have an obligation to do so, against issue proceeds at least equal to the amount payable on redemption, within the 12 months preceding the redemption becoming effective, securities ranking junior to, or pari passu with, the 5.5 year Non-Call Capital Securities, and/or ordinary shares or to sell existing ordinary shares (save for shares purchased against cash within a period of 12 months prior to the relevant sales date of the respective existing ordinary shares) in each case with an aggregate "equity credit" from Standard & Poor's ("S&P") that is at least equal to the aggregate "equity credit" of the 5.5 year Non-Call Capital Securities, unless:*

*(a) the issuer rating assigned by S&P to the Guarantor is at least BBB and the Issuer is comfortable that such a rating would not fall below this level as a result of such redemption or repurchase, or*

*(b) the 5.5 year Non-Call Capital Securities do not receive an "equity credit" from S&P at the time of such redemption or purchase, or*

*(c) in the case of a repurchase only, a repurchase of less than (x) 10 per cent. of the aggregate principal amount of the 5.5 year Non-Call Securities originally issued in any period of 12 consecutive months, or (y) 25 per cent. of the aggregate principal amount of the 5.5 year Non-Call Capital Securities originally issued in any period of 10 consecutive years, or*

*(d) such redemption or repurchase occurs on or after the 2040 Step-up Date, or*

*(e) such redemption is pursuant to a Tax Deductibility Event or a Rating Event (to the extent it is triggered by a change of methodology at S&P) or a Withholding Tax Event.*

## TERMS AND CONDITIONS OF THE 8.25 YEAR NON-CALL CAPITAL SECURITIES

*The following, except for paragraphs in italics, are the terms and conditions of the 8.25 year Non-Call Capital Securities which will be endorsed on each 8.25 year Non-Call Capital Security in definitive form (if issued).*

The issue of the €600,000,000 Subordinated Fixed to Reset Rate 8.25 year Non-Call Capital Securities due 2078 (the "**8.25 year Non-Call Capital Securities**", which expression shall, unless the context otherwise requires, include any Further Capital Securities issued pursuant to Condition 20 and forming a single series with the 8.25 year Non-Call Capital Securities) of Volvo Treasury AB (publ) (the "**Issuer**") was authorised by a resolution of the Board of Directors of the Issuer passed on 25 November 2014. The obligations of the Issuer in respect of the 8.25 year Non-Call Capital Securities, the Coupons (as defined below) and the Trust Deed are guaranteed (such guarantee, the "**Guarantee**") by AB Volvo (publ) (the "**Guarantor**") as described below and in the Trust Deed. The Guarantee was authorised by a resolution of the Board of Directors of the Guarantor passed on 16 October 2014 and 24 November 2014. The 8.25 year Non-Call Capital Securities are constituted by a trust deed (the "**Trust Deed**") dated 10 December 2014 between the Issuer, the Guarantor and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the 8.25 year Non-Call Capital Securities (the "**Holder**s"). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the 8.25 year Non-Call Capital Securities, of the interest coupons (the "**Coupons**", which expression includes, where the context so permits, talons for further Coupons (the "**Talons**")), of the Talons appertaining to 8.25 year Non-Call Capital Securities in definitive form and of the Guarantee. Copies of (i) the Trust Deed and (ii) the paying agency agreement (the "**Paying Agency Agreement**") dated 10 December 2014 relating to the 8.25 year Non-Call Capital Securities between the Issuer, the Guarantor, Citibank, N.A., London Branch as the initial principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto, and together with any further paying agents as may be appointed under the Paying Agency Agreement from time to time, the "**Paying Agents**", and each a "**Paying Agent**") and the Trustee are available for inspection during usual business hours at the registered office for the time being of the Trustee, being, as of the Issue Date, at Winchester House, 1 Great Winchester Street, London EC2N 2DB, and at the specified office of each of the Paying Agent, being at the date of these Conditions at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The Holders and the holders of the Coupons (whether or not attached to the relevant 8.25 year Non-Call Capital Securities) (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

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

#### **(a) Form and Denomination**

The 8.25 year Non-Call Capital Securities are serially numbered and in bearer form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons and Talons attached on issue. No definitive 8.25 year Non-Call Capital Securities will be issued with a denomination above €199,000. 8.25 year Non-Call Capital Securities of one denomination may not be exchanged for 8.25 year Non-Call Capital Securities of any other denomination.

#### **(b) Title**

Title to the 8.25 year Non-Call Capital Securities, Coupons and each Talon passes by delivery. The holder of any 8.25 year Non-Call Capital Security, Coupon or Talon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

**2. Status of the 8.25 year Non-Call Capital Securities and the Coupons**

The 8.25 year Non-Call Capital Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders in respect of the 8.25 year Non-Call Capital Securities and the Couponholders in respect of the Coupons, in each case against the Issuer, are subordinated as described in Condition 3(a).

**3. Subordination of the 8.25 year Non-Call Capital Securities and the Coupons**

**(a) General**

In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer, the rights of the Holders to payments in respect of each 8.25 year Non-Call Capital Security and the Couponholders to matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupon), will rank:

- (i) *pari passu* without any preference among themselves and with any present or future Parity Securities of the Issuer;
- (ii) in priority in right of payment to payments to holders of the share capital of the Issuer in their capacity as such holders; and
- (iii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors of the Issuer and all creditors of the Issuer in respect of Issuer Subordinated Indebtedness.

**(b) Set-off**

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the 8.25 year Non-Call Capital Securities or the Coupons and each Holder and Couponholder shall, by virtue of his holding of any 8.25 year Non-Call Capital Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

**4. Guarantee**

**(a) Guarantee**

The payment of the principal, premium and interest in respect of the 8.25 year Non-Call Capital Securities and the Coupons and all other monies payable by the Issuer under or pursuant to the 8.25 year Non-Call Capital Securities, the Coupons and/or the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee.

**(b) Status of the Guarantee**

The obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor. The rights and claims of the Holders and the Couponholders in respect of the Guarantee against the Guarantor are subordinated as described in Condition 4(c).

**(c) Subordination of the Guarantee**

In the event of the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Guarantor, the rights of the Holders to payments under the Guarantee in respect of each 8.25 year Non-Call Capital Security and the Couponholders matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupon), will rank:

- (i) *pari passu* without any preference among themselves and with any present or future Parity Obligations of the Guarantor;



- (ii) in priority in right of payment to payments to holders of the share capital of the Guarantor in their capacity as such holders; and
- (iii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors of the Guarantor and all creditors of the Guarantor in respect of Guarantor Subordinated Indebtedness.

*The Guarantor's Series A Shares and Series B Shares are the only classes of share capital currently permitted to be issued under the Guarantor's articles of association and therefore the Series A Shares and Series B Shares represent the only classes of share capital ranking junior to the Guarantee.*

(d) ***Set-off***

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Guarantor under the Guarantee in respect of, or arising under or in connection with the 8.25 year Non-Call Capital Securities, the Coupons or the Guarantee and each Holder and Couponholder shall, by virtue of his holding of any 8.25 year Non-Call Capital Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

**5. Interest Payments**

(a) ***Interest Payment Dates***

The 8.25 year Non-Call Capital Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 10 December 2014 (the "**Issue Date**") up to (but excluding) the 8.25 year Non-Call Maturity Date in accordance with the provisions of this Condition 5.

Subject to Condition 6, interest shall be payable on the 8.25 year Non-Call Capital Securities annually in arrear on 10 March in each year (each an "**Interest Payment Date**") and ending on the 8.25 year Non-Call Maturity Date, as provided in this Condition 5, except that the first payment of interest, to be made on 10 March 2015, will be in respect of the period from (and including) the Issue Date to (but excluding) 10 March 2015.

(b) ***Interest Accrual***

The 8.25 year Non-Call Capital Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 7 or the date of substitution or variation thereof pursuant to Condition 8, as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the 8.25 year Non-Call Capital Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the 8.25 year Non-Call Capital Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

When interest is required to be calculated in respect of a period of less than a full year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or, as the case may be, the first) scheduled Interest Payment Date ("**day-count fraction**"). Where it is necessary to compute an amount of interest in respect of any 8.25 year Non-Call Capital Security for a period of more than one year, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the period exceeding the full year calculated in the manner as aforesaid.

Interest in respect of any 8.25 year Non-Call Capital Security shall be calculated per €1,000 in principal amount thereof (the "**Calculation Amount**"). The amount of interest calculated per Calculation Amount for any period shall be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting

figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each 8.25 year Non-Call Capital Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such 8.25 year Non-Call Capital Security without any further rounding.

(c) ***Initial Interest Rate***

The Interest Rate in respect of each Interest Period ending on or before the 8.25 year Non-Call First Reset Date is 4.850 per cent. *per annum* (the "**Initial Interest Rate**"). The Interest Payment in respect of each such Interest Period will amount to €48.50 per Calculation Amount. The first payment of interest, to be made on 10 March 2015, will be in respect of the period from (and including) the Issue Date to (but excluding) 10 March 2015 and will amount to €11.96 per Calculation Amount.

(d) ***Reset Interest Rates***

The Interest Rate in respect of each Interest Period falling in a 8.25 year Non-Call Reset Period shall be the aggregate of the relevant Margin and the relevant 5 Year Euro Mid-Swap Rate for such 8.25 year Non-Call Reset Period, all as determined by the Calculation Agent (each a "**Reset Interest Rate**").

(e) ***Determination of Reset Interest Rates and Calculation of Interest Amounts***

The Calculation Agent will, as soon as practicable after 11.00 am (Central European time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the relevant 8.25 year Non-Call Reset Period and calculate the amount of interest payable in respect of a Calculation Amount on each Interest Payment Date falling in the period from (but excluding) such relevant Reset Date to (and including) the next Reset Date (the "**Interest Amount**").

(f) ***Publication of Reset Interest Rates and Interest Amounts***

Unless the 8.25 year Non-Call Capital Securities are to be redeemed, the Issuer (failing which the Guarantor) shall cause notice of each Reset Interest Rate and the related Interest Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the 8.25 year Non-Call Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 19, the Holders, in each case as soon as practicable after its determination but in any event not later than the first Business Day of the relevant Interest Period.

(g) ***Calculation Agent***

The Issuer and the Guarantor may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer and the Guarantor shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid. If the Guarantor and the Issuer fail to appoint a successor Calculation Agent approved by the Trustee in a timely manner, then the Calculation Agent shall be entitled to appoint as its successor a reputable financial institution of good standing which the Guarantor, the Issuer and the Trustee shall approve.

(h) ***Determinations of Calculation Agent Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Holders, the Couponholders, the Issuer or the Guarantor shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**6. Optional Interest Deferral**

**(a) Deferral of Interest Payments**

The Issuer may, at any time and in its sole discretion, elect to defer any Interest Payment in whole but not in part which is otherwise scheduled to be paid on an Interest Payment Date (except on the 8.25 year Non-Call Maturity Date or any Interest Payment Date falling on a date of redemption of the 8.25 year Non-Call Capital Securities) by giving notice (a "**Deferral Notice**") of such election to the Holders in accordance with Condition 19, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the relevant Interest Payment Date.

If any Interest Payment is deferred pursuant to this Condition 6(a), then such Interest Payment shall constitute a deferred Interest Payment and shall itself bear interest (such further interest together with the deferred Interest Payment, constituting, for as long as it has not been paid "**Deferred Interest**"), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the deferred Interest Payment would otherwise have been due to (but excluding) the relevant Deferred Interest Settlement Date (as defined below) or, as appropriate, such other date on which such deferred Interest Payment is paid in accordance with Condition 6(b), in each case such further interest being compounded on each Interest Payment Date.

Deferred Interest may be paid (in whole but not in part) at any time at the option of the Issuer (the "**Deferred Interest Settlement Date**") following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 19, the Trustee and the Principal Paying Agent not less than seven Business Days prior to the relevant Deferred Interest Settlement Date informing them of its election to so settle such Deferred Interest and specifying the relevant Deferred Interest Settlement Date.

The deferral of an Interest Payment in accordance with this Condition 6(a) shall not constitute a default by the Issuer or the Guarantor under the 8.25 year Non-Call Capital Securities or the Guarantee or for any other purpose.

**(b) Settlement of Deferred Interest**

Notwithstanding the provisions of Condition 6(a), the Issuer shall pay any accrued but unpaid Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (i) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;
- (ii) any Interest Payment Date subsequent to any Deferral Notice in respect of which the Issuer does not elect to defer all of the interest accrued in respect of the relevant Interest Period;
- (iii) the date on which the 8.25 year Non-Call Capital Securities are redeemed or repaid in accordance with Condition 3, Condition 4, any paragraph of Condition 7 or Condition 12;
- (iv) the date on which the 8.25 year Non-Call Capital Securities are substituted for, or where the terms of the 8.25 year Non-Call Capital Securities are varied so that they become, Qualifying Capital Securities in accordance with Condition 8.

Notice of any Deferred Interest Payment Event shall be given by the Issuer to the Holders in accordance with Condition 19, the Trustee and the Principal Paying Agent within three Business Days of such event.

## **7. Redemption**

### **(a) *Final Redemption Date***

Unless previously repaid, redeemed or purchased and cancelled as provided in these Conditions, the 8.25 year Non-Call Capital Securities will be redeemed on the 8.25 year Non-Call Maturity Date at their principal amount together with any accrued and unpaid interest up to (but excluding) the 8.25 year Non-Call Maturity Date (including any accrued but unpaid Deferred Interest).

### **(b) *Issuer's Call Option***

The Issuer may, by giving not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable and specify the date fixed for redemption), redeem all, but not some only, of the 8.25 year Non-Call Capital Securities on any Optional Redemption Date at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

### **(c) *Redemption upon a Tax Deductibility Event or a Substantial Repurchase Event or a Rating Event***

Upon the occurrence of a Tax Deductibility Event or a Substantial Repurchase Event or if a Rating Event has occurred and is continuing, the Issuer may, by giving not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable and specify the date fixed for redemption) and subject to Condition 9, redeem all, but not some only, of the 8.25 year Non-Call Capital Securities at any time at an amount equal to (i) 101 per cent. of their principal amount, where such redemption occurs before the 8.25 year Non-Call First Reset Date, or (ii) 100 per cent. of their principal amount, where such redemption occurs on or after the 8.25 year Non-Call First Reset Date, together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the 8.25 year Non-Call Capital Securities.

### **(d) *Redemption upon a Withholding Tax Event***

Upon the occurrence of a Withholding Tax Event, the Issuer may, by giving not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable and specify the date fixed for redemption) and subject to Condition 9, redeem all, but not some only, of the 8.25 year Non-Call Capital Securities at any time at an amount equal to 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the 8.25 year Non-Call Capital Securities.

## **8. Substitution or Variation**

If at any time a Tax Deductibility Event, Rating Event or a Withholding Tax Event has occurred and is continuing on or after the Issue Date, then the Issuer may, subject to Condition 9 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 8 have been complied with, and having given not less than 30 nor more than 45 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the 8.25 year Non-Call Capital Securities for, or (ii) vary the terms of the 8.25 year Non-Call Capital Securities with the effect that they remain or become, as the case may be, Qualifying Capital Securities, and the Trustee shall (subject to the following provisions of this Condition 8 and subject to the receipt by it of the certificate by two authorised signatories of the Guarantor referred to in Condition 9 below) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the 8.25 year Non-Call Capital Securities in accordance with this Condition 8.

In connection therewith, any accrued but unpaid Deferred Interest will be satisfied in full in accordance with the provisions of Condition 6(b).

The Trustee shall use reasonable endeavours to assist the Issuer in the substitution of the 8.25 year Non-Call Capital Securities for, or the variation of the terms of the 8.25 year Non-Call Capital Securities so that they remain, or as the case may be, become, Qualifying Capital Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Capital Securities, or the participation in or assistance with such substitution or variation, would impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not participate or assist as provided above, the Issuer may redeem the 8.25 year Non-Call Capital Securities as provided in Condition 7.

In connection with any substitution or variation in accordance with this Condition 8, the Issuer and the Guarantor shall comply with the rules of any stock exchange on which the 8.25 year Non-Call Capital Securities are for the time being listed or admitted to trading.

**9. Preconditions to Special Event Redemption, Substitution and Variation**

Prior to the publication of any notice of redemption pursuant to Condition 7 (other than redemption pursuant to Condition 7(b)) or any notice of substitution or variation pursuant to Condition 8, the Guarantor shall deliver to the Trustee a certificate signed by two authorised signatories of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer or the Guarantor, as the case may be, to be taken, the relevant Special Event cannot be avoided by the Issuer or the Guarantor, as the case may be, taking such measures. In relation to a substitution or variation pursuant to Condition 8, such certificate shall also include further certifications that the terms of the Qualifying Capital Securities are not materially less favourable to Holders than the terms of the 8.25 year Non-Call Capital Securities, that such determination was reasonably reached by the Guarantor in consultation with an independent investment bank or counsel and that the criteria specified in paragraphs (a) to (h) of the definition of Qualifying Capital Securities will be satisfied by the Qualifying Capital Securities upon issue. The Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the criteria set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the 8.25 year Non-Call Capital Securities in accordance with Condition 7 or any substitution or variation of the 8.25 year Non-Call Capital Securities in accordance with Condition 8 shall be conditional on all accrued but unpaid Deferred Interest being paid in full in accordance with the provisions of Condition 6(b) on or prior to the date of such redemption, substitution or, as the case may be, variation.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

**10. Purchases and Cancellation**

**(a) Purchases**

Each of the Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase or procure others to purchase beneficially for its account any or all 8.25 year Non-Call Capital Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

**(b) Cancellation**

All 8.25 year Non-Call Capital Securities redeemed or substituted by the Issuer pursuant to Condition 7 or 8, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All 8.25 year Non-Call Capital Securities

purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may, at the option of the Issuer or the Guarantor, as the case may be, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent. 8.25 year Non-Call Capital Securities held by the Issuer, the Guarantor and/or any of their respective Subsidiaries shall not entitle the Holder to vote at any meeting of Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 15.

## **11. Payments**

### **(a) *Method of Payment***

- (i) Payments of principal, premium and interest will be made against presentation and surrender of 8.25 year Non-Call Capital Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant 8.25 year Non-Call Capital Securities. Such payments will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the Target System.
- (ii) Upon the due date for redemption of any 8.25 year Non-Call Capital Security, unmatured Coupons relating to such 8.25 year Non-Call Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any 8.25 year Non-Call Capital Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any 8.25 year Non-Call Capital Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 14).

### **(b) *Payments Subject to Fiscal Laws***

Without prejudice to the terms of Condition 13, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

### **(c) *Days for Payments***

A 8.25 year Non-Call Capital Security or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation, London and Stockholm (and, in the case of payment by transfer to a euro account, a day on which the Target System is operating). No further interest or other payment will be made as a consequence of the day on which the 8.25 year Non-Call Capital Security or Coupon may be presented for payment under this paragraph falling after the due date.

### **(d) *Interpretation of principal and interest***

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any additional amounts which may become payable pursuant to Condition 13 or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **12. Default and Enforcement**

### **(a) Proceedings**

Without prejudice to the Issuer's right to defer the payment of interest under Condition 6(a), if a default is made by the Issuer or the Guarantor for a period of 30 days or more in relation to the payment of any interest in respect of the 8.25 year Non-Call Capital Securities which is due and payable, then the Issuer and/or the Guarantor, as the case may be, shall without notice from the Trustee be deemed to be in default under the Trust Deed, the 8.25 year Non-Call Capital Securities and the Coupons and the Trustee at its discretion may (subject to Condition 12(c)), and if so requested in writing by the holders of at least one-quarter in principal amount of the 8.25 year Non-Call Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall, institute proceedings for the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or prove in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or claim in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor for such payment and/or give notice to the Issuer and the Guarantor that the 8.25 year Non-Call Capital Securities are, and they shall immediately thereby become, due and repayable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date (including any accrued but unpaid Deferred Interest).

### **(b) Enforcement**

The Trustee may at its discretion (subject to Condition 12(c)) and without further notice institute such proceedings against the Issuer and/or the Guarantor, as the case may be, as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor, as the case may be, under the Trust Deed, the 8.25 year Non-Call Capital Securities or the Coupons but in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

### **(c) Entitlement of Trustee**

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) or 12(b) above against the Issuer and/or the Guarantor to enforce the terms of the Trust Deed, the 8.25 year Non-Call Capital Securities or the Coupons or any other action or step unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-quarter in principal amount of the 8.25 year Non-Call Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

### **(d) Right of Holders**

No Holder or Couponholder shall be entitled to proceed directly against the Issuer and/or the Guarantor or to institute proceedings for the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or prove in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor and/or claim in the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor unless the Trustee, having become so bound to proceed or being able to prove in such voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*), fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer and/or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 12.

(e) ***Extent of Holders' Remedy***

No remedy against the Issuer and/or the Guarantor, other than as referred to in this Condition 12, shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the 8.25 year Non-Call Capital Securities, the Coupons or under the Trust Deed (including the Guarantee) or in respect of any breach by the Issuer and/or the Guarantor of any of its/their other obligations under or in respect of the 8.25 year Non-Call Capital Securities, the Coupons or the Trust Deed.

**13. Taxation**

All payments of principal, premium and interest in respect of the 8.25 year Non-Call Capital Securities and the 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 Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders or the Couponholders after such withholding or deduction shall equal the respective amounts of principal, premium and interest which would have been receivable in respect of the 8.25 year Non-Call Capital Securities 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 8.25 year Non-Call Capital Security or Coupon:

- (a) to, or to a third party on behalf of, a Holder or Couponholder who is liable for the Taxes in respect of such 8.25 year Non-Call Capital Security or Coupon by reason of such holder having some connection with Sweden other than (i) the mere holding of such 8.25 year Non-Call Capital Security or Coupon or (ii) the receipt of principal, premium or interest in respect of such 8.25 year Non-Call Capital Security or Coupon; or
- (b) 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
- (c) 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 an Interest Payment Day; or
- (d) presented for payment in Sweden; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) presented for payment by or on behalf of the holder who would be able to avoid such withholding or deduction by presenting the relevant 8.25 year Non-Call Capital Security or Coupon to another Paying Agent in a Member State of the European Union.

Notwithstanding any other provisions contained herein, the Issuer and the Guarantor 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 Guarantor not being entitled to receive payments free of FATCA withholding. Neither the Issuer nor the Guarantor 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 Guarantor, any Paying Agent or any other party.



#### **14. Prescription**

Claims against the Issuer and/or the Guarantor in respect of 8.25 year Non-Call Capital Securities and Coupons (which for this purpose shall not include Talons) or under the Guarantee will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of 8.25 year Non-Call Capital Securities and the Guarantee (in respect of claims relating to principal and premium) and five years in the case of Coupons and the Guarantee (in respect of claims relating to interest) from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 14 or Condition 11(a)(iii).

#### **15. Meetings of Holders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the 8.25 year Non-Call Capital Securities, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Holders holding not less than five per cent. in nominal amount of the 8.25 year Non-Call Capital Securities 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 8.25 year Non-Call Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the 8.25 year Non-Call Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the 8.25 year Non-Call Capital Securities or Coupons or the Guarantee (including, inter alia, the provisions regarding subordination referred to in Condition 3 and/or Condition 4, the terms concerning currency and due dates for payment of principal, any applicable premium or Interest Payments in respect of the 8.25 year Non-Call Capital Securities and reducing or cancelling the principal amount of any 8.25 year Non-Call Capital Securities, any applicable premium or the Interest Rate or modifying or cancelling the Guarantee) 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 8.25 year Non-Call Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the Holders representing in excess of 75 per cent. in nominal amount of the 8.25 year Non-Call Capital Securities for the time being outstanding or (iii) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Trustee) by or on behalf of the Holders representing in excess of 75 per cent. in nominal amount of the 8.25 year Non-Call Capital Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 8 in connection with the substitution or variation of the terms of the 8.25 year Non-Call Capital Securities so that they remain or become Qualifying Capital Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 8.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer and/or the Guarantor of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders and Couponholders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for the voluntary or

involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer and/or the Guarantor in circumstances which are more extensive than those set out in Condition 12). Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders in accordance with Condition 19, as soon as practicable.

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 pursuant to Condition 16), the Trustee shall have regard to the interests of the Holders 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 Holders 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 Holder or Couponholder be entitled to claim, from the Issuer or the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders, except to the extent already provided in Condition 13 and/or any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

**16. Substitution**

The Trustee may, without the consent of the Holders or the Couponholders, agree with the Issuer and the Guarantor (or, if applicable, their successors in business as defined in the Trust Deed) to the substitution on a subordinated basis equivalent to that referred to in Conditions 2, 3 and 4 (i) in place of the Issuer (or of any previous substitute under this Condition 16) as the principal debtor under the 8.25 year Non-Call Capital Securities, the Coupons and the Trust Deed of (I) the successor in business of the Issuer or (II) another company being the Guarantor (or the successor in business of the Guarantor) or of any of the other Subsidiaries of the Guarantor (or its successor in business as aforesaid), or (ii) in place of the Guarantor (or of any previous substitute under this Condition 16) of its successor in business, subject in each case to (a) except where the Guarantor becomes the principal debtor the 8.25 year Non-Call Capital Securities being unconditionally and irrevocably guaranteed by the Guarantor or its successor in business on the same subordinated basis as the Guarantee, (b) the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution, and (c) certain other conditions set out in the Trust Deed being complied with.

**17. Replacement of the 8.25 year Non-Call Capital Securities, Coupons and Talons**

If any 8.25 year Non-Call Capital Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 19, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed 8.25 year Non-Call Capital Security, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such 8.25 year Non-Call Capital Securities, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced 8.25 year Non-Call Capital Securities, Coupons or Talons must be surrendered before any replacement 8.25 year Non-Call Capital Securities, Coupons or Talons will be issued.

**18. Indemnification of the Trustee**

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.

**19. Notices**

All notices regarding the 8.25 year Non-Call Capital Securities 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) so long as the 8.25 year Non-Call Capital Securities are listed on the Official List, and admitted to trading on the regulated market, of the Luxembourg Stock Exchange (and so long as the rules of that exchange so require), in a daily newspaper with general circulation in Luxembourg which is expected to be the *Luxemburger Wort* and/or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). 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)).

**20. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Holders or the Couponholders to create and issue further securities ("**Further Capital Securities**") having terms and conditions the same as the 8.25 year Non-Call Capital Securities or the same in all respects save for the amount and date of the first payment of interest on such Further Capital Securities and so that such Further Capital Securities shall be consolidated and form a single series with the outstanding 8.25 year Non-Call Capital Securities. Any such Further Capital Securities shall be constituted by a deed supplemental to the Trust Deed.

**21. Paying Agents**

The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that:

- (a) there will at all times be a Principal Paying Agent; and
- (b) the Issuer and the Guarantor undertake that they will ensure that they maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 19.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer and the Guarantor shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

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

The Trust Deed, the 8.25 year Non-Call Capital Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England, other than the provisions of Condition 3(a) and Condition 4(c) which are governed by, and shall be construed in accordance with, the laws of Sweden.

The Issuer and the Guarantor have each irrevocably agreed in the Trust Deed and the Paying Agency Agreement for the exclusive benefit of the Trustee, the Principal Paying Agent, the Calculation Agent, the Holders 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 8.25 year Non-Call Capital Securities 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 Guarantor 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 Guarantor 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 Guarantor 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 Guarantor 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.

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

No person shall have any right to enforce any term or condition of the 8.25 year Non-Call Capital Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

**24. Definitions**

In these Conditions:

"**5.5 year Non-Call Capital Securities**" means the €900,000,000 Subordinated Fixed to Reset Rate 5.5 year Non-Call Capital Securities due 2075;

"**8.25 year Non-Call First Reset Date**" means 10 March 2023;

"**8.25 year Non-Call Maturity Date**" means 10 March 2078;

"**8.25 year Non-Call Reset Period**" means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and "relevant 8.25 year Non-Call Reset Period" shall be construed accordingly;

"**8.25 year Non-Call Capital Securities**" has the meaning given in the preamble to these Conditions;

"**5 Year Euro Mid-Swap Rate**" means:

- (a) the mid swap rate for Euro swap transactions with a maturity of 5 years ("**5 Year Euro Mid-Swap**"), as published on Reuters screen "ISDAFIX2" under "Euribor Basis EUR" (or such other page or service as may replace it for the purposes of displaying European swap rates of leading reference banks for swaps in euro) (the "**Mid-Swap Page**"), as at approximately 11.00 am (Central European Time) on the relevant Reset Interest Determination Date; or
- (b) If on the relevant Reset Interest Determination Date, no rate is calculated and published on the Mid-Swap Page, the arithmetic mean (rounded if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the quotations offered by the Reset Reference Banks at approximately 11.00 am (Central European time) on the relevant Reset Interest Determination Date, to prime banks in the European market for 5 year Euro Mid-Swap in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time; or
- (c) If fewer than two rates are so quoted on the relevant Reset Interest Determination Date, the 5 Year Euro Mid-Swap Rate determined by the Calculation Agent for the previous 8.25 year Non-Call Reset Period or in the case of the first Reset Interest Determination Date, 0.774 per cent.

"**2028 Step-up Date**" means 10 March 2028;

"**2043 Step-up Date**" means 10 March 2043;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London, Stockholm and the Target System is operating;

"**Calculation Agent**" means Citibank N.A., London Branch, or any successor appointed in accordance with the Paying Agency Agreement;

"**Calculation Amount**" has the meaning given to it in Condition 5(b);

"**Conditions**" means these terms and conditions of the 8.25 year Non-Call Capital Securities, as amended from time to time;

"**Coupon**" has the meaning given in the preamble to these Conditions;

"**Couponholder**" has the meaning given in the preamble to these Conditions;

"**Deferred Interest**" has the meaning given in Condition 6(a);

A "**Deferred Interest Payment Event**" means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment on, and distribution or dividend or other payment made by the Guarantor on its share capital or by the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor, as the case may be, on any Parity Securities of the Issuer or any Parity Obligations of the Guarantor;
- (b) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor of any shares of the Guarantor;
- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor of any Parity Securities of the Issuer or any Parity Obligations of the Guarantor;

save for, (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law, (ii) in the case of (b) above only, the redemption, repurchase, repayment, cancellation, reduction or other acquisition is executed in connection with, or for the purpose of, any share buyback programme then in force and duly approved by the shareholders' general meeting of the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan reserved for directors, officers and/or employees of the Issuer, the Guarantor or Subsidiary of the Issuer and/or the Guarantor or any associated hedging transaction and (iii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Security of the Issuer or Parity Security of the Guarantor below its par value.

"**Deferred Interest Settlement Date**" has the meaning given in Condition 6(a);

"**Deferral Notice**" has the meaning given in Condition 6(a);

"**euro**" or "€" means the lawful 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;

"**Guarantee**" has the meaning given in the preamble to these Conditions;

"**Guarantor**" means AB Volvo (publ);

"**Guarantor Subordinated Indebtedness**" means any obligation of the Guarantor, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company reconstruction (*företagsrekonstruktion*) of the Guarantor to the claims of all unsubordinated creditors of the Guarantor but senior to the Guarantee or any Parity Obligations of the Guarantor;

"**Holder**" has the meaning given in the preamble to these Conditions;

"**Initial Interest Rate**" has the meaning given in Condition 5(c);

"**Interest Amount**" has the meaning given in Condition 5(e);

"**Interest Payment**" means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 5;

"**Interest Payment Date**" has the meaning given in Condition 5(a);

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

"**Issue Date**" has the meaning given in Condition 5(a);

"**Issuer**" means Volvo Treasury AB (publ);

"**Issuer Subordinated Indebtedness**" means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company reconstruction (*företagsrekonstruktion*) of the Issuer to the claims of all unsubordinated creditors of the Issuer but senior to the 8.25 year Non-Call Capital Securities and any Parity Securities of the Issuer;

"**Margin**" means (i) 4.101<sup>1</sup> per cent. *per annum* from and including the 8.25 year Non-Call First Reset Date to (but excluding) the 2028 Step-up Date, (ii) 4.351<sup>2</sup> per cent. *per annum* from (and including) the 2028 Step-up Date to (but excluding) the 2043 Step-up Date and (iii) 5.101<sup>3</sup> per cent. *per annum* from (and including) the 2043 Step-up Date to (but excluding) the 8.25 year Non-Call Maturity Date;

"**Optional Redemption Date**" means the 8.25 year Non-Call First Reset Date, the 2028 Step-up Date and each Interest Payment Date thereafter;

"**Parity Obligations of the Guarantor**" means any obligations of (i) the Guarantor, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Guarantee (which include the guarantee granted by the Guarantor in connection with the 5.5 year Non-Call Capital Securities) or (ii) any Subsidiary of the Guarantor (other than the 8.25 year Non-Call Capital Securities) having the benefit of a guarantee or support agreement from the Guarantor which ranks or is expressed to rank *pari passu* with the Guarantee;

"**Parity Securities of the Issuer**" means any obligations of (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the 8.25 year Non-Call Capital Securities (which include the 5.5 year Non-Call Capital Securities) or (ii) any Subsidiary

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<sup>1</sup> Equivalent to the initial credit spread of the 8.25 year Non-Call Capital Securities.

<sup>2</sup> Equivalent to the initial credit spread of the 8.25 year Non-Call Capital Securities plus a 25 basis points step-up.

<sup>3</sup> Equivalent to the initial credit spread of the 8.25 year Non-Call Capital Securities plus a 100 basis points step-up.

of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the 8.25 year Non-Call Capital Securities;

"**Paying Agency Agreement**" has the meaning given to it in the preamble to these Conditions;

"**Paying Agents**" has the meaning given to it in the preamble to these Conditions;

"**Principal Paying Agent**" has the meaning given to it in the preamble to these Conditions;

"**Qualifying Capital Securities**" means securities that contain terms not materially less favourable to Holders than the terms of the 8.25 year Non-Call Capital Securities (as reasonably determined by the Guarantor (in consultation with an independent investment bank or counsel of international standing)) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (h) below have been satisfied) of two authorised signatories of the Guarantor shall have been delivered to the Trustee prior to the substitution or variation of the relevant 8.25 year Non-Call Capital Securities upon which certificate the Trustee shall rely absolutely), provided that:

- (a) they shall be issued by the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on a voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company reconstruction (*företagsrekonstruktion*) of the Issuer with the 8.25 year Non-Call Capital Securities and the Guarantor with the Guarantee; and
- (c) they shall contain terms which provide for the same Interest Rate from time to time applying to the 8.25 year Non-Call Capital Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer and the Guarantor as to redemption of the 8.25 year Non-Call Capital Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under these Conditions to any accrued interest, any Deferred Interest and any other amounts payable under the 8.25 year Non-Call Capital Securities which, in each case, has accrued to Holders and not been paid; and
- (f) they shall not contain terms providing for the mandatory deferral of interest and shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall, immediately after such exchange or variation, be assigned at least the same credit rating(s) by the same Rating Agencies as may have been assigned to the 8.25 year Non-Call Capital Securities immediately prior to such exchange or variation (if any); and
- (h) they shall otherwise contain substantially identical terms (as reasonably determined by the Guarantor) to the 8.25 year Non-Call Capital Securities, save where any modifications to such terms are required to be made to avoid the occurrence or effect of a Tax Deductibility Event, a Rating Event or, as the case may be, a Withholding Tax Event; and
- (i) they shall be (i) listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market or (ii) admitted to trading on any other regulated market for the purposes of Directive 2004/39/EC as selected by the Guarantor and approved by the Trustee.

"**Rating Agency**" means Moody's and Standard and Poor's and any other rating agency of equivalent international standing requested by the Issuer and/or the Guarantor to grant a

corporate credit rating to the Issuer and/or the Guarantor, respectively, and, in each case, their successors or affiliates;

a "**Rating Event**" shall be deemed to occur if the Issuer and/or Guarantor has received confirmation from any Rating Agency either directly or via a publication by such Rating Agency, that an amendment, clarification or change has occurred in the equity credit criteria of such Rating Agency effective after the Issue Date (or effective after the date when the equity credit is assigned for the first time, as applicable), which amendment, clarification or change results in lower equity credit for the 8.25 year Non-Call Capital Securities than the then respective equity credit assigned on the Issue Date, or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time;

"**Relevant Date**" means:

- (a) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor, as the case may be, in a voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer or the Guarantor, as the case may be, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 19; and
- (b) in respect of any sum to be paid by or on behalf of the Issuer or the Guarantor, as the case may be, in a voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*) of the Issuer or the Guarantor, as the case may be, the date which is one day prior to the date on which an order is made or a resolution is passed for the voluntary or involuntary liquidation (*likvidation*), bankruptcy (*konkurs*) or company re-construction (*företagsrekonstruktion*);

"**Reset Date**" means the 8.25 year Non-Call First Reset Date and each fifth anniversary thereof up to and including 10 March 2073;

"**Reset Interest Determination Date**" means the day falling two Business Days prior to the relevant Reset Date;

"**Reset Interest Rate**" has the meaning given in Condition 5(d);

"**Reset Reference Banks**" means four major banks in the European inter-bank market selected by the Issuer or the Calculation Agent (in consultation with the Issuer);

"**Special Event**" means any of a Tax Deductibility Event, a Substantial Repurchase Event, a Rating Event, a Withholding Tax Event, or any combination of the foregoing;

"**Subsidiary**" has the meaning provided in the Swedish Companies Act and "**Subsidiaries**" shall be construed accordingly;

"**Substantial Repurchase Event**" shall be deemed to occur if the Issuer or the Guarantor or any of their respective Subsidiaries repurchases or redeems 8.25 year Non-Call Capital Securities in respect of at least 80 per cent. of the aggregate principal amount of the 8.25 year Non-Call Capital Securities initially issued;

"**Swedish Companies Act**" means The Companies Act (*Aktiebolagslagen* (ABL) 2005:551);

"**Talons**" has the meaning given in the preamble to these Conditions;

"**Target System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;



"**Taxes**" has the meaning given in Condition 13;

"**Tax Deductibility Event**" means the receipt by the Issuer of an opinion of counsel in Sweden (experienced in such matters) to the effect that, as a result of a Tax Law Change, any Interest Payments under the 8.25 year Non-Call Capital Securities were but are no longer tax-deductible by the Issuer for Swedish tax purposes to the same extent as any unsubordinated obligations of the Issuer;

"**Tax Law Change**" means (a) any amendment to, clarification of, or change (excluding any proposed amendment, clarification or change announced prior to the Issue Date but including any proposed amendment, clarification or change announced on or after the Issue Date) in, the laws or treaties (or any regulations thereunder) of Sweden affecting taxation, (b) any governmental action (c) or any amendment to, clarification of, or change in the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in Sweden, irrespective of the manner in which such amendment, clarification, change, action, pronouncement, interpretation or decision is made known, which amendment, clarification or change is effective or such governmental action, pronouncement, interpretation or decision is announced on or after the Issue Date;

"**Trust Deed**" has the meaning given in the preamble to these Conditions;

"**Trustee**" has the meaning given in the preamble to these Conditions;

a "**Withholding Tax Event**" shall be deemed to occur if, as a result of any change in the laws of Sweden which becomes effective on or after the Issue Date, in making any payments on the 8.25 year Non-Call Capital Securities or the Guarantee, the Issuer or the Guarantor, as the case may be, has paid or will or would on the next Interest Payment Date be required to pay additional amounts on the 8.25 year Non-Call Capital Securities pursuant to Condition 13 and the Issuer or the Guarantor, as the case may be, cannot avoid the foregoing in connection with the 8.25 year Non-Call Capital Securities or the Guarantee, as the case may be, by taking reasonable measures available to it.

***The following text in italics does not form part of the Conditions:***

*In the event of an exercise by the Issuer of any of its call options or repurchase rights pursuant to Condition 7, the Guarantor intends to raise, though does not have an obligation to do so, against issue proceeds at least equal to the amount payable on redemption, within the 12 months preceding the redemption becoming effective, securities ranking junior to, or pari passu with, the 8.25 year Non-Call Capital Securities, and/or ordinary shares or to sell existing ordinary shares (save for shares purchased against cash within a period of 12 months prior to the relevant sales date of the respective existing ordinary shares) in each case with an aggregate "equity credit" from Standard & Poor's ("**S&P**") that is at least equal to the aggregate "equity credit" of the 8.25 year Non-Call Capital Securities, unless:*

*(a) the issuer rating assigned by S&P to the Guarantor is at least BBB and the Issuer is comfortable that such a rating would not fall below this level as a result of such redemption or repurchase, or*

*(b) the 8.25 year Non-Call Capital Securities do not receive an "equity credit" from S&P at the time of such redemption or purchase, or*

*(c) in the case of a repurchase only, a repurchase of less than (x) 10 per cent. of the aggregate principal amount of the 8.25 year Non-Call Securities originally issued in any period of 12 consecutive months, or (y) 25 per cent. of the aggregate principal amount of the 8.25 year Non-Call Capital Securities originally issued in any period of 10 consecutive years, or*

*(d) such redemption or repurchase occurs on or after the 2043 Step-Up Date, or*

*(e) such redemption is pursuant to a Tax Deductibility Event or a Rating Event (to the extent it is triggered by a change of methodology at S&P) or a Withholding Tax Event.*

## **SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES IN GLOBAL FORM**

The 5.5 year Non-Call Capital Securities and the 8.25 year Non-Call Capital Securities will each initially be in the form of the 5.5 year Non-Call Temporary Global Capital Security and the 8.25 year Non-Call Temporary Global Capital Security which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg.

The 5.5 year Non-Call Temporary Global Capital Security and the 8.25 year Non-Call Temporary Global Capital Security will be exchangeable in whole or in part for interests in the 5.5 year Non-Call Permanent Global Capital Security and 8.25 year Non-Call Permanent Global Capital Security respectively, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the 5.5 year Non-Call Temporary Global Capital Security or the 8.25 year Non-Call Temporary Global Capital Security unless exchange for interests in the 5.5 year Non-Call Permanent Global Capital Security or the 8.25 year Non-Call Permanent Global Capital Security, as the case may be, is improperly withheld or refused. In addition, interest payments in respect of the 5.5 year Non-Call Capital Securities and the 8.25 year Non-Call Capital Securities cannot be collected without such certification of non-U.S. beneficial ownership.

The 5.5 year Non-Call Permanent Global Capital Security and the 8.25 year Non-Call Permanent Global Capital Security will become exchangeable in whole, but not in part, for 5.5 year Non-Call Capital Securities and 8.25 year Non-Call Capital Securities in definitive form (the "**5.5 year Non-Call Definitive Capital Securities**" and the "**8.25 year Non-Call Definitive Capital Securities**" respectively) in the denomination of €100,000 (and integral multiples of €1,000 in excess thereof up to and including €199,000) each at the request of the bearer of the 5.5 year Non-Call Permanent Global Capital Security and the 8.25 year Non-Call Permanent Global Capital Security, as the case may be, against presentation and surrender of the 5.5 year Non-Call Permanent Global Capital Security or the 8.25 year Non-Call Permanent Global Capital Security, as the case may be, to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 12(a) (*Default and Enforcement*) occurs.

So long as the 5.5 year Non-Call Capital Securities and the 8.25 year Non-Call Capital Securities are represented, respectively, by a 5.5 year Non-Call Temporary Global Capital Security and a 8.25 year Non-Call Temporary Global Capital Security or a 5.5 year Non-Call Permanent Global Capital Security and a 8.25 year Non-Call Permanent Global Capital Security and the relevant clearing system(s) so permit, the 5.5 year Non-Call Capital Securities and the 8.25 year Non-Call Capital Securities, as the case may be, will be tradable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no 5.5 year Non-Call Definitive Capital Securities or 8.25 year Non-Call Definitive Capital Securities will be issued with a denomination above €199,000.

Whenever the 5.5 year Non-Call Permanent Global Capital Security or the 8.25 year Non-Call Permanent Global Capital Security are to be exchanged for 5.5 year Non-Call Definitive Capital Securities or 8.25 year Non-Call Definitive Capital Securities, as the case may be, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such 5.5 year Non-Call Definitive Capital Securities or 8.25 year Non-Call Definitive Capital Securities, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the 5.5 year Non-Call Permanent Global Capital Security or the 8.25 year Non-Call Permanent Global Capital Security to the bearer of the 5.5 year Non-Call Permanent Global Capital Security or the 8.25 year Non-Call Permanent Global Capital Security, as the case may be, against the surrender of the 5.5 year Non-Call Permanent Global Capital Security or the 8.25 year Non-Call Permanent Global Capital Security to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the 5.5 year Non-Call Temporary Global Capital Security, the 8.25 year Non-Call Temporary Global Capital Security, the 5.5 year Non-Call Permanent Global Capital Security and the 8.25 year Non-Call Permanent Global Capital Security will contain provisions which modify the Conditions as they apply, respectively, to the 5.5 year Non-Call Temporary Global Capital Security, the 8.25 year Non-Call Temporary Global Capital Security, the 5.5 year Non-Call Permanent Global Capital Security and the 8.25 year Non-Call Permanent Global Capital Security. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the 5.5 year Non-Call Temporary Global Capital Security, the 8.25 year Non-Call Temporary Global Capital Security, the 5.5 year Non-Call Permanent Global Capital Security and the 8.25 year Non-Call Permanent Global Capital Security will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the 5.5 year Non-Call Temporary Global Capital Security and the 8.25 year Non-Call Temporary Global Security or (as the case may be) the 5.5 year Non-Call Permanent Global Capital Security and the 8.25 year Non-Call Permanent Global Capital Security to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the 5.5 year Non-Call Capital Securities and the 8.25 year Non-Call Capital Securities. On each occasion on which a payment of principal or interest is made in respect of the 5.5 year Non-Call Temporary Global Capital Security and 8.25 year Non-Call Temporary Global Capital Security or (as the case may be) the 5.5 year Non-Call Permanent Global Capital Security and 8.25 year Non-Call Permanent Global Capital Security, the Issuer shall procure that the payment is noted in a schedule thereto.

*Payments on business days:* In the case of all payments made in respect of the 5.5 year Non-Call Temporary Global Capital Security, the 8.25 year Non-Call Temporary Global Capital Security, the 5.5 year Non-Call Permanent Global Capital Security and the 8.25 year Non-Call Permanent Global Capital Security, "**business day**" means any day on which the TARGET System is open.

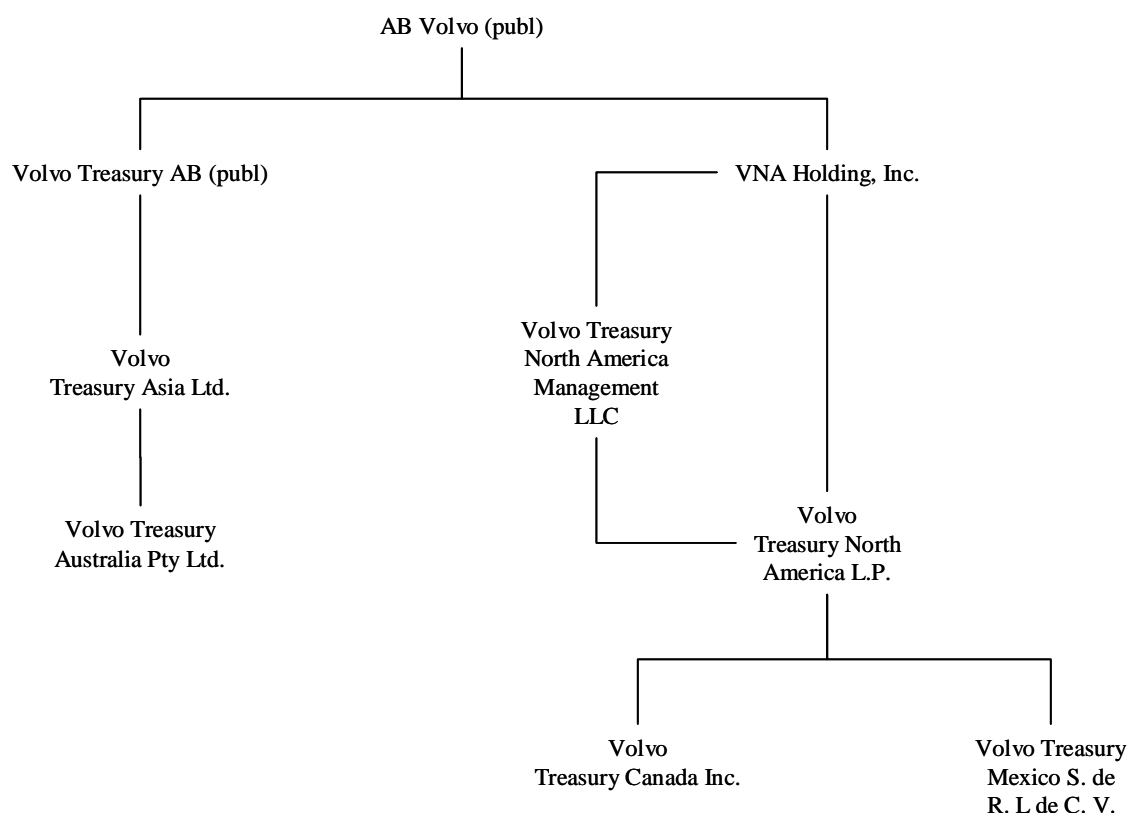
*Notices:* (i) in respect of the 5.5 year Non-Call Capital Securities, notwithstanding Condition 19 (*Notices*), while all the 5.5 year Non-Call Capital Securities are represented by the 5.5 year Non-Call Permanent Global Capital Security (or by the 5.5 year Non-Call Permanent Global Capital Security and/or the 5.5 year Non-Call Temporary Global Capital Security) and the 5.5 year Non-Call Permanent Global Capital Security is (or the 5.5 year Non-Call Permanent Global Capital Security and/or the 5.5 year Non-Call Temporary Global Capital Security are) deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such 5.5 year Non-Call Capital Securities are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), and (ii) in respect of the 8.25 year Non-Call Capital Securities, notwithstanding Condition 19 (*Notices*), while all the 8.25 year Non-Call Capital Securities are represented by the 8.25 year Non-Call Permanent Global Capital Security (or by the 8.25 year Non-Call Permanent Global Capital Security and/or the 8.25 year Non-Call Temporary Global Capital Security) and the 8.25 year Non-Call Permanent Global Capital Security is (or the 8.25 year Non-Call Permanent Global Capital Security and/or the 8.25 year Non-Call Temporary Global Capital Security are) deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such 8.25 year Non-Call Capital Securities are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)),

## **USE OF PROCEEDS**

The net proceeds of the issue of the Capital Securities will be used by the Issuer for general corporate purposes.

**DESCRIPTION OF THE ISSUER**  
**BACKGROUND AND MAIN ACTIVITIES**

**Organisation**



**HISTORY AND DESCRIPTION**

Volvo Treasury AB (publ) (the "**Issuer**") is a wholly-owned subsidiary of the Guarantor 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 and has its registered office in Göteborg, Sweden and address at SE-405 08 Göteborg, Sweden. The telephone number of the office is +46 31 66 95 33. As at 30 September 2014, 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 at a par value of SEK 100 each.

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 2013 Annual Report 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. The Guarantor applies the Code as it has shares listed on the Stockholm Stock Exchange.

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

Ulf Niklasson	President, Volvo Treasury AB (publ), Member of the Board of the Association of Swedish Treasurers
Thomas Lestin	Vice President and Global Head of Treasury and Trading, Volvo Treasury AB (publ)
Sune Martinsson	Vice President and CFO, Volvo Treasury AB (publ)
Ulf Rapp	Vice President and Head of Legal, 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 Göteborg, 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 Göteborg not later than 30 June each year.

Anders Osberg	Chairman of the Board, Senior Vice President BA Finance & Business Development, AB Volvo (publ)
Ulf Niklasson	President of Volvo Treasury AB (publ), Member of the Board of the Association of Swedish Treasurers
Rune Alsterholm	External Board Member
Ulf Rapp	Vice President and Head of Legal, 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 Göteborg, 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.

## DESCRIPTION OF THE GUARANTOR

### General

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

The objects of the Guarantor'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 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 Guarantor is the holding company of all the companies in the Volvo Group, directly or indirectly, and the assets of the Guarantor are substantially comprised of shares in Volvo Group companies. The Guarantor 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 Guarantor 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 has also included production of aircraft engine components (and related services) and financial services. 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 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, and the formation of a joint-venture for the production of trucks and buses with India-based Eicher Motors in 2008, 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 entirely on the commercial transport products segment.

Headquartered in Göteborg, Sweden the Volvo Group had 93,438 employees as at 30 September 2014. 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 Exchange, Sweden.

### Principal activities

The Volvo Group has its origins in 1927. The first truck, the Series 1, was presented in January 1928. Today, 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 vision is to become the world leader in sustainable transport solutions by:

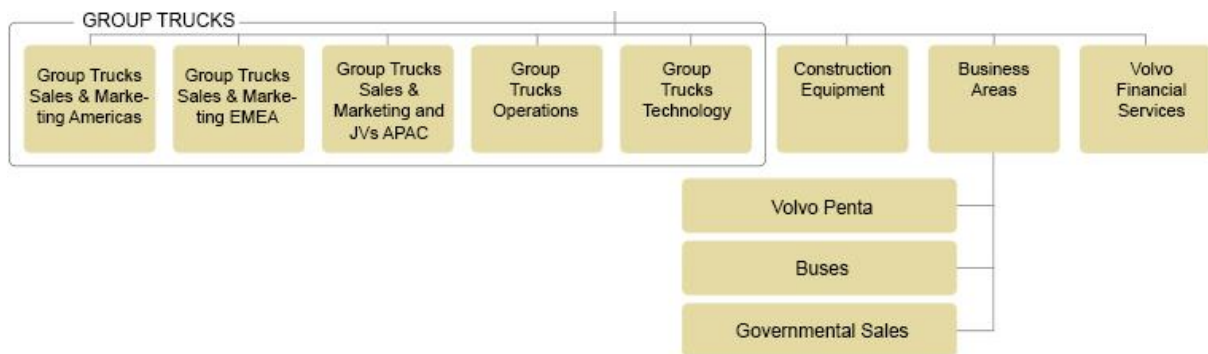
- creating value for customers in selected segments;
- pioneering products and services for the transport and infrastructure industries;
- driving quality, safety and environmental care; and
- working with energy, passion and respect for the individual.

## Principal markets

Volvo Group customers are active in more than 190 countries worldwide, mainly in Europe, Asia and North America. 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 2014 were Europe which accounted for 37 per cent. of net sales, North America 27 per cent. and Asia 19 per cent.. The Industrial Operations' net sales per segment during the first nine months of 2014 were distributed as follows: Trucks 68 per cent., Construction Equipment 20 per cent., Buses 6 per cent., Volvo Penta 3 per cent. and Corporate Functions, Group Functions and Other Areas 3 per cent..

## Organisational Structure



The Volvo Group's business activities are organized into six business areas: Group Trucks, Construction Equipment, Buses, Volvo Penta, Governmental Sales and Volvo Financial Services.

The Group Trucks operations, which account for almost two-thirds of the Volvo Group's total sales, are organized into five divisions. There are three sales and marketing divisions: Group Trucks Sales & Marketing Americas (with responsibility for North and South America), Group Trucks Sales & Marketing EMEA (with responsibility for Europe, the Middle East and Africa) and Group Trucks Sales & Marketing and JVs APAC (with responsibility for Asia and the Pacific region and for the Group's joint-venture truck companies). There is also a division with responsibility for product development of engines, transmissions and trucks as well as for purchasing: Group Trucks Technology ("GTT"). Finally, Group Trucks Operations ("GTO") is a division within Group Trucks with responsibility for production of trucks and the Volvo Group's engines and transmissions. GTO is also responsible for the Group's spare parts supply and logistics operations. As of 1 January 2015 the current three sales and market regions in Group Trucks will be merged into a single global sales organization, which will be organized in seven regions with underlying market organizations. Today's three regional sales offices will be consolidated into a single global head office for sales located in Gothenburg, Sweden. The new organization will generate opportunities for a more cost-effective global structure with a clearer focus on customers, brands and product offering. In conjunction with the merger of the sales organization, the existing purchasing department for the truck operation will be moved from GTT to GTO.

There are seven Corporate Functions: Corporate Human Resources, Corporate Sustainability & Public Affairs, Corporate Communication, Corporate Finance & Control, Corporate Legal & Compliance, Corporate Process & IT and Corporate Strategy, providing support to the CEO and the Group Executive Team with expertise in each Corporate Function area and developing standards for the entire organization through policies, directives and guidelines.

In addition there are 18 Group Functions that provide services and/or products to the entire Volvo Group, for example Volvo IT, Accounting & Company Control and Volvo Group University.



## **Recent Developments – Significant Events**

### ***Chinese authority approves joint venture between the Volvo Group and Dongfeng Motor Group***

On 7 January 2014, the National Development and Reform Commission (NDRC) in China gave its approval of the establishment of a joint venture between the Volvo Group and Dongfeng Motor Group Company Limited. Completion is subject to certain conditions including the approval of other Chinese authorities. As previously announced in January 2013, AB Volvo has signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45 per cent. of a new subsidiary of DFG, Dongfeng Commercial Vehicles (DFCV), which will include the major part of DFG's medium- and heavy-duty commercial vehicles business.

### ***Divestiture of Volvo Rents completed***

The previously announced divestiture of Volvo Rents was completed on 31 January 2014. The price amounted to USD 1.1 billion, corresponding to SEK 6.9 billion.

### ***Volvo Group divests commercial real estate***

On 28 March 2014, companies in the Volvo Group signed an agreement to sell commercial real estate to companies jointly owned by Hemfosa Fastigheter AB and AB Sagax, and to companies owned by AB Sagax. The purchase consideration, on a cash and debt free basis, is expected to be approximately SEK 2 billion. On 15 April 2014 the sale was essentially completed. Companies within the Volvo Group completed a transaction where approximately SEK 1.8 billion of the total purchase sum was transferred. The remaining part of the transaction is expected to be completed later during the second quarter of 2014.

### ***Annual General Meeting of AB Volvo***

The Annual General Meeting of AB Volvo held on 2 April 2014 approved the Board of Directors' proposal that a dividend of SEK 3.00 per share be paid to the company's shareholders.

Jean-Baptiste Duzan, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg and Lars Westerberg were reelected as members of the AB Volvo Board. Carl-Henric Svanberg was reelected as Chairman of the Board. Matti Alahuhta, James W. Griffith and Kathryn V. Marinello were elected as new members of the Board. Ravi Venkatesan, Ying Yeh and Peter Bijur are no longer members of the Board of Directors.

Matti Alahuhta Member of the Board (since 2 April 2014). Master of Science, Doctor of Science. Board Chairman: Outotec Corporation, Aalto University Foundation, DevCo Partners Oy. Vice Chairman: Confederation of Finnish Industries. Board member: Kone Corporation, UPM Kymmene Corporation, International Institute for Management Development, ABB Ltd.

James W. Griffith Member of the Board (since 2 April 2014). Member of the Remuneration Committee. B Sc Industrial Engineering, MBA from Stanford University. Board member: Illinois Tool Works Inc.

Kathryn V. Marinello Member of the Board (since 2 April 2014). BA from State University of New York at Albany, MBA from Hofstra University. Board member: General Motors Company. Senior Advisor, Ares Management, LLC.

The registered accounting firm PricewaterhouseCoopers AB was reelected as the company's auditor for a period of four years.

Carl-Olof By, representing AB Industrivärden, Lars Förberg, representing Cevian Capital, Yngve Slyngstad, representing Norges Bank Investment Management, Håkan Sandberg, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen and the Chairman of the Board were elected members of the Election Committee.

At the Board meeting held on 2 April 2014, Lars Westerberg, Jean-Baptiste Duzan and Hanne de Mora were appointed members of the Audit Committee. Lars Westerberg was appointed Chairman of the Audit Committee.

Carl-Henric Svanberg, Anders Nyrén and James W. Griffith were appointed members of the Remuneration Committee. Carl-Henric Svanberg was appointed Chairman of the Remuneration Committee.

A remuneration policy for senior executives was adopted in accordance with the Board of Directors' motion. The Annual General Meeting of the Guarantor decides on the fees to be paid to the Board members of the Guarantor elected by the shareholders. The Annual General Meeting of the Guarantor held on 2 April 2014 approved the proposal of the Election Committee that, for the period until the close of the next Annual General Meeting, the Chairman of the Board should receive a fee of SEK 3,250,000 and each of the remaining members elected by the Annual General Meeting should receive a fee of SEK 950,000, with the exception of the President, who does not receive a director's fee. In addition, the Chairman of Audit Committee should receive SEK 300,000 and the other members of the Audit Committee SEK 150,000 each and the Chairman of the Remuneration Committee should receive SEK 125,000 and the other members of the Remuneration Committee SEK 100,000 each.

Moreover, the Meeting adopted the Board of Directors' motion concerning a long-term, share-based incentive program for a maximum of 300 senior executives in the Volvo Group comprising the years 2014–2016, including transfer of treasury shares to the participants in the program as matching-and performance shares, based on the same principles as the program adopted by the Annual General Meeting held in 2011, however with a certain adjustment of the performance targets.

#### ***Changes to the Board of Directors and Volvo Group Executive Team***

On 9 May 2014, Mats Henning was appointed as a new member of the Board and Tommy Olsson was appointed deputy member of the Board by the employee organizations. Peteris Lauberts is no longer a member of the Board and Hans Hansson is no longer a deputy member of the Board.

Mats Henning                                      Member of the Board (since 9 May 2014). Employee Representative.

Tommy Olsson                                      Deputy member of the Board (since 9 May 2014). Employee Representative.

Scott Rafkin and Jan Gurander were appointed as members of the Volvo Group Executive Team. Patrick Olney and Anders Osberg are no longer members of the Volvo Group Executive Team.

Scott Rafkin                                      Executive Vice President Volvo Financial Services. Has held various senior positions within Volvo Financial Services since 2001, most recently as Acting President January-June 2014 and CFO 2009-2014. Senior Vice President 2001-2009. Member of the Group Executive Team since 1 July 2014.

Jan Gurander                                      Executive Vice President Corporate Finance & Control and CFO. With Volvo 2000-2001 (Head of Business Unit Finance) and since 2014. Member of the Group Executive Team since 1 January 2014.

#### ***Volvo Construction Equipment finalizes acquisition of hauler business from Terex***

On 30 May 2014, the previously announced acquisition of Terex's hauler business was completed. The purchase consideration amounted to USD 160 million (approximately SEK 1 billion) on a cash and debt-free basis. The deal includes the main production facility in Motherwell, Scotland and two product ranges that offer both rigid and articulated haulers. It also includes the distribution of haulers in the U.S. as well as a 25.2 per cent. holding in Inner Mongolia North Hauler Joint Stock Co. (NHL), which manufactures and sells rigid haulers under the Terex brand in China. In 2013, the acquired businesses (excluding NHL) had net sales of approximately USD 228 million (approximately SEK 1.5 billion) and an operating income of approximately USD 9.5 million (approximately SEK 60 million).

***Volvo Group signs EUR 3.5 billion revolving credit facilities***

On 1 July 2014, the Volvo Group through its subsidiary Volvo Treasury AB signed new credit facilities of EUR 3.5 billion. The new facilities replace the company's existing EUR 2 billion and EUR 1.2 billion revolving credit facilities signed in 2011 and 2012. The new facilities consist of one facility amounting to EUR 2.3 billion with a tenor of five years and a second one amounting to EUR 1.2 billion with a tenor of three years. Both have one plus one year extension options.

***Volvo Group ordered by U.S. Court to pay penalties in engine emission case***

The U.S. Court of Appeals for the District of Columbia Circuit has ruled that the Volvo Group should pay penalties and interest of approximately SEK 508 million following a dispute between the Volvo Group and the U.S. Environmental Protection Agency (EPA) regarding emission compliance of diesel engines. The Court of Appeals affirmed a District Court's ruling that model year 2005 Volvo Penta engines violated the provisions of a Consent Decree.

In 2012 the District Court issued a judgment ordering the Volvo Group to pay penalties and interest for engines which Volvo claims were not part of the decree. Volvo filed an appeal on several grounds. The Court of Appeals' ruling was rendered on 18 July 2014.

***Increased scope for the strategic program 2013-2015 and changed format for external follow-up***

The Volvo Group's current strategic program for the period 2013-2015 is ongoing and there is a high speed in the implementation of the activities that have been launched. The overall aim of the activities is to improve the profitability of the Volvo Group. In the previously communicated profit improvement target, SEK 6.5 billion is targeted structural cost reductions. Potential to reduce structural costs further has been identified, among other things by creating a more efficient truck sales organization, further cost reduction activities in Volvo Construction Equipment ("**Volvo CE**") in order to right-size the cost structure and address product profitability as well as a review of what is core and non-core in the IT operations. The unaudited Interim Report for the First Three Quarters of the Financial Year 2014, which is incorporated by reference in this Prospectus, includes further information on the strategic program.

***Volvo CE transfers backhoe loaders and motor graders to SDLG to improve profitability***

As part of the Volvo Group's ongoing activities to improve profitability and reduce costs, Volvo Construction Equipment will discontinue development and production of its current product line of Volvo-branded backhoe loaders and motor graders. In the future, these products will instead be manufactured by Volvo CE's Chinese company SDLG.

As communicated in conjunction with the report on the third quarter of 2014, further cost-saving measures will be implemented in Volvo CE to adapt the cost structure and to address the profitability of certain products. A review of the operation has now been performed, resulting in the decision by Volvo CE to discontinue product development and production of backhoe loaders and motor graders in Europe and Americas and transfer these operations to its Chinese company SDLG. Combined with other efficiency enhancement measures, this will result in a workforce reduction of about 1,000 employees, of whom the majority are in Poland, the US and Brazil.

The current product lines of technologically advanced and high-spec Volvo-branded backhoe loaders and motor graders have addressed a relatively small premium segment of the market. SDLG-branded backhoe loaders and motor graders will better serve customer demands in the large and growing value segment of the market.

Currently, motor graders are built at Volvo CE's production sites in Shippensburg, US, and Pederneiras, Brazil, while backhoe loaders are manufactured in Pederneiras, Brazil, and Wroclaw, Poland. Ceasing European production of backhoe loaders will result in the closure of Volvo CE's operations in Wroclaw.

The measures within Volvo CE are a part of the series of new activities within the increased scope of Volvo Group's strategic program 2013-2015, which was published in conjunction with the report on the third quarter 2014. Combined, these activities are expected to reduce Volvo Group's structural costs by SEK 3.5 billion. Together with ongoing activities, the ambition in the strategic program is to reduce Volvo Group's structural costs by SEK 10 billion compared to 2012 and that all activities are implemented by the end of 2015 with a full-year savings-effect in 2016. The unaudited Interim Report for

the First Three Quarters of the Financial Year 2014, which is incorporated by reference in this Prospectus, includes further information on the strategic program,

***The Volvo Group receives Statement of objections from the European Commission regarding on-going antitrust investigation***

The Volvo Group has on 20 November 2014 received a Statement of objections from the European Commission, stating the Commission's preliminary view that Volvo and other companies in the truck industry may have breached EU antitrust rules. The Statement of objections does not prejudice the final outcome of the Commission proceedings. Volvo is now evaluating the implications of the Statement of objections.

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. The Volvo Group is cooperating fully with the authorities and has previously announced that it is of the view that it is probable that Volvo Group's financial results and cash flow may be materially adversely affected as a result of the Commission's investigation.

The Statement of objections is a formal step in the Commission's antitrust investigations, informing the parties concerned in writing of the Commission's preliminary standpoint. Subsequent to the Statement of objections the parties may examine the documents in the Commission's investigation file and provide a response, before the Commission takes a decision on the matter. Volvo is now evaluating the implications of the Statement of objections and will issue a response in due course.

***Provision for expected credit losses for Volvo CE in China***

Volvo CE's operating income for the fourth quarter of 2014 will be negatively impacted by approximately SEK 650 million from a provision for expected credit losses in China. The provision will have limited impact on the Volvo Group's cash flow and net financial debt in the fourth quarter 2014.

Following an extended period of declining demand, low machine utilization and lower raw materials prices, profitability for customers and dealers primarily in the Chinese mining industry has declined and their financial position has weakened. The risk for future credit losses has therefore increased and as a consequence Volvo CE is provisioning SEK 650 million in the fourth quarter of 2014. The current provision level for expected credit losses is based on Volvo Group's prevailing best estimate.

***The Volvo Group makes provision related to EU antitrust investigation***

After an evaluation of the Statement of objections, issued by the European Commission on 20 November 2014 in the on-going antitrust investigation relating to the time period prior to 18 January 2011, the Volvo Group has decided to make a provision of EUR 400 M (SEK 3.7 billion). The provision will impact the operating income negatively in the fourth quarter of 2014.

As a result of an evaluation of the Statement of objections, the Volvo Group will make a provision of EUR 400 M (SEK 3.7 billion) in the fourth quarter of 2014. However, the proceedings are still at an early stage and there are a number of uncertainties associated with the final outcome of the Commission's investigation as well as the amount of a potential fine. The Volvo Group will re-assess the size of the provision regularly following the development of the proceedings.

The provision will impact the Volvo Group's operating income in the segment Trucks. The net financial debt and cash flow will not be impacted in the fourth quarter of 2014.

In January 2011, the Volvo Group and a number of other companies in the truck industry became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. Volvo has previously announced that it is probable that Volvo Group's financial results and cash flow may be materially adversely affected as a result of the Commission's investigation.

## Management and Conflicts of Interest

Information relating to the management of the Guarantor is incorporated by reference through the 2013 Annual Report and the "Recent Developments – Significant Events" section above. The business address of the Board of Directors and the Volvo Group Executive Team is AB Volvo (publ), SE-405 08 Göteborg, Sweden.

As at 30 September 2014, the cumulative shareholdings of the Board members of the Guarantor and the members of the Volvo Group Executive Team amounted to less than 1 per cent. of the votes and shares in the Guarantor.

Conflicts of interest may occasionally occur between duties of a member of the Board of the Guarantor 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 Guarantor and such member's private interests to the best of the Guarantor'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 Group. Employees' private interests shall not influence, or appear to influence, their judgement or actions in performing their duties as representatives of the Group.

## Major Shareholders

The share capital amounts to SEK 2,554 million and is fully paid up. The share capital of the Guarantor 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 513,115,100 Series A shares and 1,615,305,120 Series B shares as at 30 September 2014.

On 30 September 2014, the following shareholders were known to the Guarantor to be the largest shareholders of the Guarantor.

Owner	Holding of	Holding of	Holding of	Registered		Outstanding	
	A-shares	B-shares	A+B-shares	Capital	Votes	Capital	Votes
<b>Industrivärden</b>	142,164,571	6,448,694	148,613,265	7.0%	21.2%	<b>7.3%</b>	<b>22.1%</b>
<b>Cevian Capital</b>	84,383,884	24,490,311	108,874,195	5.1%	12.9%	<b>5.1%</b>	<b>12.9%</b>
<b>Norges Bank Investment Management</b>	31,504,757	93,015,840	120,520,597	5.9%	6.0%	<b>6.1%</b>	<b>6.3%</b>
<b>SHB<sup>1</sup></b>	37,359,589	786,792	38,146,381	1.8%	5.5%	<b>1.9%</b>	<b>5.8%</b>
<b>Alecta</b>	23,175,000	66,710,000	89,885,000	4.2%	4.4%	<b>4.4%</b>	<b>4.6%</b>
<b>AFA Insurance</b>	22,006,263	3,998,483	26,004,746	1.2%	3.3%	<b>1.3%</b>	<b>3.5%</b>
<b>AMF Insurance &amp; Funds</b>	13,150,000	41,600,007	54,750,007	2.6%	2.6%	<b>2.7%</b>	<b>2.7%</b>
<b>AP4 Fund</b>	10,913,777	5,996,140	16,909,917	0.8%	1.7%	<b>0.8%</b>	<b>1.8%</b>
<b>Swedbank Robur Funds</b>	2,079,479	89,693,648	91,773,027	4.3%	1.6%	<b>4.5%</b>	<b>1.7%</b>
<b>Skandia Liv</b>	6,754,381	6,699,528	13,453,909	0.6%	1.1%	<b>0.7%</b>	<b>1.1%</b>

<sup>1</sup> Including shares held by SHB, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa, and Oktogonen)

On 30 September 2014, the Guarantor held 20,728,135 A-shares and 79,070,096 B-shares as treasury shares. As of the same time, there were approximately 242,600 shareholders of the Guarantor's shares registered with the Swedish Securities Register Centre, Euroclear Sweden AB.

The Guarantor confirms that, to the knowledge of the Guarantor, as of 30 September 2014, no other entity or person directly or indirectly controls the Guarantor.

### **Auditors**

The Guarantor's auditors are elected at the annual general meeting. The current auditor is PricewaterhouseCoopers AB ("**PwC**"), which was elected at the 2014 Annual General Meeting of the Guarantor for a period of four years. Two PwC partners, authorised public accountants Peter Clemedtson and Johan Rippe, 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.

### **Litigation**

On 19 July 2014 the Volvo Group disclosed that the U.S. Court of Appeals for the District of Columbia Circuit had ruled that the Volvo Group should pay penalties and interest of approximately USD 72 million following a dispute between the Volvo Group and the U.S. Environmental Protection Agency (EPA) regarding emission compliance of diesel engines. The Court of Appeals affirmed a District Court's ruling that model year 2005 Volvo Penta engines violated the provisions of a Consent Decree. This had a negative impact on Volvo Group's operating income of SEK 422 million in the third quarter of 2014 in the segment Group functions and other.

Volvo Group is subject to the below investigations by competition authorities. Volvo Group is cooperating fully with the respective authority.

In April 2011, the Volvo Group's truck business in Korea and a number of other truck companies became the subject of an investigation by the Korean Fair Trade Commission. The Korean Fair Trade Commission has issued a decision, received by Volvo on 19 December 2013, imposing a fine in the amount of approximately SEK 104 million. Volvo has appealed the decision and a contingent liability in a corresponding amount has been disclosed.

In January 2011, the Volvo Group and a number of other companies in the truck industry became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. The Volvo Group is cooperating fully with the authorities and has previously announced that it is of the view that it is probable that Volvo Group's financial results and cash flow may be materially adversely affected as a result of the Commission's investigation.

On 20 November 2014, the Volvo Group received a Statement of objections from the European Commission, in the on-going antitrust investigation relating to the time period prior to 18 January 2011, stating the Commission's preliminary view that Volvo and other companies in the truck industry may have breached EU antitrust rules. The Statement of objections does not prejudice the final outcome of the Commission proceedings.

The Statement of objections is a formal step in the Commission's antitrust investigations, informing the parties concerned in writing of the Commission's preliminary standpoint. Subsequent to the Statement of objections the parties may examine the documents in the Commission's investigation file and provide a response, before the Commission takes a decision on the matter.

After an evaluation of the Statement of objections, the Volvo Group has decided to make a provision of EUR 400 million (SEK 3.7 billion). The provision will impact the operating income negatively in the fourth quarter of 2014.

However, the proceedings are still at an early stage and there are a number of uncertainties associated with the final outcome of the Commission's investigation as well as the amount of a potential fine. The Volvo Group will re-assess the size of the provision regularly following the development of the proceedings.

The provision will impact the Volvo Group's operating income in the segment Trucks. The net financial debt and cash flow will not be impacted in the fourth quarter of 2014.

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

The Volvo Group is also involved in a number of legal proceedings other than those described above. The Volvo Group does not assess that these in aggregate are 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 holder of Capital Securities or any person purchasing, selling or otherwise dealing in Capital Securities. Prospective holders of Capital Securities and holders of Capital Securities 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 Capital Securities. The overview is based on the laws of the Kingdom 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 Capital Securities and is neither intended to be nor should be construed as legal or tax advice. In particular, the overview does not address situations where Capital Securities are held in an investment savings account (Sw. investeringssparkonto) or the rules regarding reporting obligations for, among others, payers of interest. Specific tax consequences, which are not described below, may be applicable to certain categories of corporations, e.g. investment companies and life insurance companies. Investors should consult their professional tax advisers regarding the Swedish and foreign tax consequences (including the applicability and effect of double taxation treaties) of acquiring, owning and disposing of Capital Securities in their particular circumstances.*

#### ***Non-resident holders of Capital Securities***

As used herein, a non-resident holder means a holder of Capital Securities 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 Capital Securities, 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 Capital Securities should not be subject to Swedish income tax provided that such holder does not have a permanent establishment in Sweden to which the Capital Securities 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 Capital Securities.

#### ***Resident holders of Capital Securities***

As used herein, a resident holder means a holder of Capital Securities 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 Capital Securities, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Capital Securities) will be taxable.

If the Capital Securities 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 Capital Securities.

### **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 Capital Securities 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.*



## ***Withholding Tax***

### *(i) Non-resident holders of Capital Securities*

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 as amended (the "**Laws**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Capital Securities, nor on accrued but unpaid interest in respect of the Capital Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Capital Securities held by non-resident holders of Capital Securities.

Under the Laws implementing EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "**Territories**"), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent fiscal authority of Luxembourg or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Capital Securities coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent. On 18 March 2014, the Luxembourg Government submitted to the Luxembourg Parliament Draft Bill N° 6668 on taxation of savings income putting an end to the current withholding tax regime as from 1 January 2015 and implementing the automatic exchange of information as from that date. This draft Bill is in line with the announcement of the Luxembourg government dated 10 April 2013.

### *(ii) Resident holders of Capital Securities*

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 Capital Securities, nor on accrued but unpaid interest in respect of Capital Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Capital Securities held by Luxembourg resident holders of Capital Securities.

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 of 10 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 Capital Securities coming within the scope of the Law would be subject to withholding tax of 10 per cent.

## **EU Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC (the "**Taxation of Savings Income Directive**") on the taxation of savings income in the form of interest payments, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid or secured by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive. On 18 March 2014, the Luxembourg Government submitted to the Luxembourg Parliament Draft Bill N° 6668

on taxation of savings income. This Draft Bill is in line with the announcement of the Luxembourg Government dated 10 April 2013.

The European Council formally adopted a Council Directive amending the Taxation of Savings Income Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply the new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Taxation of Savings Income Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

#### **U.S. withholding tax under FATCA**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Issuer (and the Guarantor, where applicable) may be classified as an FFI.

The new withholding regime was phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Capital Securities characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Capital Securities characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Capital Securities are issued before the grandfathering date, and additional Capital Securities of the same series are issued on or after that date, the additional Capital Securities may not be treated as grandfathered, which may have negative consequences for the existing Capital Securities, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into or are in the process of negotiating intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "**Model 1**" and "**Model 2**" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not generally be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. Sweden and the United States have entered into a Model 1 IGA. Under this IGA, the Issuer expects that payments on Capital Securities generally will be exempt from withholding under FATCA even if such Capital Securities are not grandfathered.

Even if this were not the case, whilst the Capital Securities are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Capital Securities by the Issuer, the Guarantor (where applicable), any paying agent and the Common Depositary, given that each of the entities in the payment chain between the Issuer or the Guarantor (where applicable) and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Capital Securities. The documentation expressly contemplates the possibility that the Capital Securities may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Capital Securities will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Capital Securities.**

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

**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**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Capital Securities (including secondary market transactions) in certain circumstances.

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 Capital Securities 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.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

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

## SUBSCRIPTION AND SALE

BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Nordea Bank Danmark A/S and Skandinaviska Enskilda Banken AB (publ) (the "**Joint Bookrunners**") have, pursuant to a Subscription Agreement dated 8 December 2014 in respect of the 5.5 year Non-Call Capital Securities (the "**5.5 year Non-Call Subscription Agreement**") and a Subscription Agreement dated 8 December 2014 in respect of the 8.25 year Non-Call Capital Securities (the "**8.25 year Non-Call Subscription Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for (i) the 5.5 year Non-Call Capital Securities at an issue price equal to 99.781 per cent. of the principal amount of the 5.5 year Non-Call Capital Securities, less any applicable commission, and (ii) the 8.25 year Non-Call Capital Securities at an issue price equal to 99.855 per cent. of the principal amount of the 8.25 year Non-Call Capital Securities, less any applicable commission. In addition, the Issuer will pay certain costs incurred by it and the Joint Bookrunners in connection with the issue of the Capital Securities. The Joint Bookrunners are entitled to terminate the 5.5 year Non-Call Subscription Agreement and/or the 8.25 year Non-Call Subscription Agreement in certain limited circumstances prior to the issue of the 5.5 year Non-Call Capital Securities and the 8.25 year Non-Call Capital Securities respectively.

### United States

The Capital Securities have not been and will not be registered under the Securities Act or the securities law of any U.S. state, and may not be offered or sold, directly or indirectly, in the United States of America or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or such state securities laws. The Capital Securities are being offered and sold only outside of the United States to non-U.S. persons in reliance upon an exemption from registration under the Securities Act pursuant to Regulation S.

Each Joint Bookrunner has represented and agreed that:

- (i) it has not offered or sold, and will not offer or sell, the Capital Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the issue date of the Capital Securities, within the United States or to, or for the account or benefit of, U.S. persons; and
- (ii) it will have sent to each distributor or manager to which it sells Capital Securities during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities within the United States or to, or for the account or benefit of, U.S. persons.

Terms used in this paragraph and not otherwise defined in this Prospectus have the meanings given to them in Regulation S.

In addition, until 40 days after the commencement of the offering of the Capital Securities, an offer or sale of Capital Securities within the United States by a manager that is not participating in the offering may violate the registration requirements of the Securities Act.

### United Kingdom

Each Joint Bookrunner has represented and agreed that:

- (i) 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 Capital Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Securities in, from or otherwise involving the United Kingdom.

## **France**

Each of the Joint Bookrunners has represented and agreed that (i) it has not offered or sold and will not offer or sell, directly or indirectly, any Capital Securities to the public in France and (ii) it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the Capital Securities and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), acting for their own account, 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 Joint Bookrunner agrees that it will not market or offer the Capital Securities in Sweden other than in circumstances that are deemed not to be an offer to the public in Sweden under the Financial Instruments Trading Act (1991:980) (*Lag (1991:980) om handel med finansiella instrument*).

## **General**

Each Joint Bookrunner has agreed to observe all applicable laws and regulations in each jurisdiction in or from which it may acquire, offer, sell or deliver Capital Securities or have in its possession or distribute this Prospectus or any other offering material relating to the Capital Securities. No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Capital Securities, or the possession or distribution of this Prospectus or any other offering material relating to the Capital Securities, in any country or jurisdiction where action for that purpose is required. Accordingly, the Capital Securities may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Capital Securities may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Capital Securities by it will be made on the same terms.

## GENERAL INFORMATION

### 1. Authorisation

The creation and issue of the Capital Securities has been authorised by a resolution of the Board of Directors of the Issuer dated 25 November 2014. The giving of the Guarantee of the Capital Securities has been authorised by a resolution of the Board of Directors of the Guarantor dated 16 October 2014 and 24 November 2014.

### 2. Listing and admission to trading of Capital Securities on the Luxembourg Stock Exchange

Application has been made to the Luxembourg Stock Exchange for the Capital Securities 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. The estimated total expenses related to the admission to trading are €23,400.

### 3. Clearing Systems

The Capital Securities have been accepted for clearance through Clearstream, Luxembourg and Euroclear.

The International Securities Identification Number (ISIN) for the 5.5 year Non-Call Capital Securities is XS1150673892 and the Common Code is 115067389.

The International Securities Identification Number (ISIN) for the 8.25 year Non-Call Capital Securities is XS1150695192 and the Common Code is 115069519.

The address of Euroclear is 1 boulevard du Roi Albert II, 1210 Bruxelles, Belgium and the address of Clearstream, Luxembourg is 42 avenue John Fitzgerald Kennedy, L-1855 Luxembourg, Grand-Duchy of Luxembourg.

### 4. Documents Available

Copies of the following documents may be inspected during normal business hours at the registered office of the Issuer and from the specified office of the Principal Paying Agent in London:

- (i) the constitutional documents in English of the Issuer and the Guarantor;
- (ii) the audited annual consolidated and non-consolidated financial statements of the Issuer for each of the financial years ended 31 December 2012 and 31 December 2013, in each case together with the audit reports prepared in connection therewith;
- (iii) the audited annual consolidated and non-consolidated financial statements of the Guarantor for each of the financial years ended 31 December 2012 and 31 December 2013, in each case together with the audit reports prepared in connection therewith;
- (iv) the unaudited interim report of the Issuer for the six month period ended 30 June 2014;
- (v) the unaudited interim report of the Guarantor and the Volvo Group for the nine month period ended 30 September 2014;
- (vi) the Trust Deeds and the Paying Agency Agreements; and
- (vii) a copy of this Prospectus.

In addition, this Prospectus and each document incorporated by reference are available on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

## 5. Yield

The yield in respect of the 5.5 year Non-Call Capital Securities is 4.250 per cent. *per annum* and is calculated at the Issue Date on the basis of the issue price of the 5.5 year Non-Call Capital Securities. It is not an indication of future yield.

The yield in respect of the 8.25 year Non-Call Capital Securities is 4.875 per cent. *per annum* and is calculated at the Issue Date on the basis of the issue price of the 8.25 year Non-Call Capital Securities. It is not an indication of future yield.

## 6. Significant or Material Change

There has been:

- (i) no significant change in the financial or trading position of the Issuer since 30 June 2014;
- (ii) no significant change in the financial or trading position of the Guarantor or the Volvo Group since 30 September 2014; and
- (iii) no material adverse change in the prospects of the Issuer since 31 December 2013.

Except as disclosed on pages 27 in part (d), on pages 73 to 76 under "Recent Developments – Significant Events" and on pages 78 to 79 under "Litigation" there has been no material adverse change in the prospects of the Guarantor or the Volvo Group, in each case since 31 December 2013.

## 7. Litigation

Except as described on pages 78 to 79, neither the Issuer nor the Guarantor 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 Guarantor 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 Guarantor and/or the Volvo Group.

## 8. Auditors

The auditors of the Guarantor and the Issuer are PricewaterhouseCoopers AB, who have audited the annual financial statements of the Guarantor and the Issuer, without qualification, in accordance with generally accepted auditing principles in Sweden for the financial periods ended 31 December 2012 and 31 December 2013. PricewaterhouseCoopers AB 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).

## 9. Conflicts

Certain of the Joint Bookrunners 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 Joint Bookrunners 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 Joint Bookrunners 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 Joint Bookrunners 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 Capital Securities. Any such short positions could adversely affect future trading prices of the Capital Securities. The Joint Bookrunners 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.

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**PricewaterhouseCoopers AB**

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**LUXEMBOURG LISTING AGENT**

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