

- »» In the fourth quarter, net sales increased by 8% to SEK 76.6 billion (70.8). Adjusted for currency movements and acquired and divested units net sales increased by 13%.
- »» The fourth quarter operating income amounted to SEK 3,077 M (2,190) excluding restructuring charges of SEK 581 M (990) and a write-down of Volvo Rents of SEK 1,500 M. Including restructuring charges and the write-down operating income amounted to SEK 996 M (1,200). Currency exchange rates had a negative impact of SEK 1,007 M.
- »» Operating margin in the fourth quarter was 4.0% (3.1) excluding restructuring charges and the write-down of Volvo Rents. Including restructuring charges and the write-down operating margin amounted to 1.3% (1.7).
- »» In the fourth quarter, diluted earnings per share were SEK 0.24 (0.40).
- »» In the fourth quarter, operating cash flow in the Industrial Operations was positive in an amount of SEK 10.3 billion (4.7), which contributed to a reduction of the net financial debt-to-equity-ratio to 29.0%.
- »» The Board of Directors proposes a dividend of SEK 3.00 per share (3.00).
- »» Structural reduction of white-collar employees by 4,400 planned, including the previously announced reduction of 2,000 consultants and employees, of which a majority will be implemented during 2014.



	Fourth quarter		Year	
	2013	2012 <sup>1</sup>	2013	2012 <sup>1</sup>
Net sales, SEK M	<b>76,642</b>	70,811	<b>272,622</b>	299,814
Operating income excl. restructuring charges, SEK M	<b>1,577</b>	2,190	<b>7,854</b>	19,619
Operating margin excl. restructuring charges, %	<b>2,1</b>	3,1	<b>2,9</b>	6,5
Restructuring charges, SEK M	<b>(581)<sup>2</sup></b>	(990) <sup>2,3</sup>	<b>(715)<sup>2</sup></b>	(1,550) <sup>2,3</sup>
Operating income, SEK M	<b>996</b>	1,200	<b>7,138</b>	18,069
Operating margin, %	<b>1,3</b>	1,7	<b>2,6</b>	6,0
Income after financial items, SEK M	<b>237</b>	706	<b>4,721</b>	15,495
Income for the period, SEK M	<b>548</b>	869	<b>3,802</b>	11,378
Diluted earnings per share, SEK	<b>0.24</b>	0.40	<b>1.76</b>	5.61
Operating Cash Flow in Industrial Operations, SEK Bn	<b>10.3</b>	4.7	<b>1.5</b>	(4.9)
Return on shareholders' equity, rolling 12 months, %			<b>5.0</b>	14.7

<sup>1</sup> Restated according to new accounting principles. See Volvo Group Annual Report 2012, Note 31.

<sup>2</sup> Restructuring charges included in the efficiency program.

<sup>3</sup> Other restructuring charges for comparison reasons.

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# Quarter 4

## CEO'S COMMENTS

# Improved profitability in Trucks and strong cash flow in the fourth quarter



The fourth quarter for the Volvo Group was characterized by a high activity level, with a number of product launches. We have entered into 2014 with a new product portfolio that will strengthen the Group's competitiveness. During 2013, extra costs associated with the product renewal put pressure on the Group's profitability, and this was also the case in the fourth quarter. We have a further couple of quarters before we are through the industrialization of the new generation of trucks and the phase-out of the old generations. We can, however, already now see that the reception of the new generation of Volvo Trucks has exceeded our expectations and contributed to the Volvo brand increasing its market share in Europe to historically high levels. The new generation from Renault Trucks and UD Quester have also been well-received by customers, even if it is not yet evident in our sales since they were launched later.

In the fourth quarter, the Group's net sales rose 8% year-on-year, and amounted to SEK 76.6 billion with an operating margin of 4.0% adjusted for restructuring charges and the write-down of Volvo Rents. The seasonally good operating cash flow of SEK 10.3 billion in our Industrial Operations contributed to the strengthening of our financial position, and at the end of the year the Industrial Operations' net financial debt was 29.0% of equity. The Board of Directors proposes a dividend of SEK 3.00 per share, compared with SEK 3.00 in the year-earlier period.

Last autumn we announced a Group-wide efficiency program based on activities related to the implementation of the Group's strategies and which will be implemented in 2014 and 2015. We have now finished the detailed analysis of the consequences of the program and estimate that approximately 4,400 white-collar employees and consultants will be affected by personnel reductions, including the previously announced 2,000 within staff and group support functions. White-collar employees worldwide will primarily be reduced in Group Trucks Operations, Group Trucks Technology, Group Trucks Sales and Marketing EMEA, IS/IT, Finance and Human Resources. This is a consequence of the transformation the Group is undergoing. With a new organization and new ways of working in place, we will also be able to utilize our resources more cost efficiently. The personnel reductions will begin immediately and a majority will be implemented during 2014.

During the quarter, we made two key announcements aimed at focusing on and strengthening our core business. We agreed to divest Volvo Rents in North America, a transaction that was completed in January. We also announced the acquisition of the Terex Corporation's rigid and articulated hauler business.

Furthermore, in early January, the National Development and Reform Commission (NDRC) in China approved our strategic alliance with Dongfeng with a 45% ownership in Dongfeng Commercial Vehicles. Comple-

tion is subject to certain conditions including the approvals of other Chinese authorities, but we aim to conclude the transaction by mid-year 2014. Through this alliance, we will get a leading position within medium-duty and heavy-duty trucks in China, which is the world's largest truck market.

### High truck deliveries

During the fourth quarter, deliveries from our truck operations rose by 15% year-on-year to slightly more than 61,000 trucks. The increase was driven by good demand in North America and Brazil, as well as a prebuy effect in Europe ahead of the transition to tougher emission regulations that took effect at the beginning of this year. Profitability was improved and the operating margin, excluding restructuring costs, improved to 5.7% compared with 4.0% a year earlier.

In Europe order intake fell during the fourth quarter, which was in line with expectations after the prebuy effect during 2013. For Volvo, order intake declined by 16% compared to last year, and we have reduced our production from the elevated levels we had during the fourth quarter. For Renault Trucks, order intake declined by 30%, which among other things is explained by the fact that we are in the middle of the transition from the old generation to the new generation of trucks. In light of the order intake during the fourth quarter we have cut Renault Trucks' production and will implement a number of stop days in the factories to adapt

to the lower order backlog. In all, this means lower capacity utilization in the European industrial system during the first quarter.

Demand in North America is on a good level, and following a weak start to 2013 we gradually recovered our market shares and ended the year at a higher level than 2012. An increasing number of customers in North America are choosing the Group's engines and transmissions for their trucks, which gradually will translate into a bigger aftermarket business.

Our truck business in Brazil has had a very good development in recent years, evidenced by the growth in market shares. During 2013, Volvo was named the "Most desirable brand" in the truck industry and was on top in image and customer satisfaction. To maintain the good momentum we and our independent dealers are keeping a high pace in the expansion of the aftermarket business.

In Asia the Group's investments for the future continued and VECV, our joint venture company in India, launched the Eicher Pro Series, which is a range of 11 trucks and buses developed for India and other emerging markets. Our new UD Quester truck for Asia and other emerging markets has been very well received. There is good customer demand for the Quester, but deliveries will be restricted for some time since we are starting up production in a new plant and a new supply chain. In Japan, we continue the long-term work to increase efficiency in our dealer network and the industrial operation.

#### **Weak profitability in challenging markets for Volvo CE**

During the fourth quarter Volvo CE's net sales amounted to SEK 13 billion, which was on the same level as last year, and the operating margin was 2.1%, also on par with last year. Volvo CE is affected by a market char-

acterized by tough price competition, weak product mix, low capacity utilization and unfavorable exchange rates.

The profitability level is unsatisfactory and we are therefore implementing a number of activities to strengthen the development, including a review of the product portfolio and increased efforts to reduce product costs. These measures are important in order to improve profitability in the medium to long term, even though they will not have an immediate effect.

For 2014 we expect a slight improvement in market demand, mainly driven by China and Europe. We have seen a somewhat increased activity ahead of the spring season and our order intake was up 7% in the quarter compared to last year, with general construction driving the improvement. However, demand in the important and profitable mining segment remains soft.

#### **Continued weak market for buses**

Demand in the global bus market remains on a low level, with continued price pressure, primarily in Europe, however there are early signs of some recovery in North America. Bus deliveries rose 9% in the fourth quarter and the higher volumes contributed to Volvo Buses reversing last year's loss of SEK 22 M to a profit of SEK 50 M. The weak market with price pressure and unfavorable exchange rates have a negative impact on profitability, and Volvo Buses is implementing cost-savings measures to strengthen profitability.

For Volvo Penta, the fourth quarter is seasonally weak. Despite this, Volvo Penta was able to achieve an operating margin of 4.0% (0.7) thanks to good cost control and competitive products in both the marine and industrial segments.

Volvo Financial Services continued to perform well in most markets. The return on equity amounted to 12.1% for the full year 2013.

#### **2014 - The year of efficiency improvements**

The year we have left behind us was characterized by extensive product launches, which involved a lot of hard work in all parts of the Group and an elevated cost level. Although we still have a couple of quarters ahead of us before we are completely through the Group's largest product renewal ever, this year will be characterized by efficiency improvements, including a reduction in activities and costs, as well as personnel reductions. This will play an important part in the work to achieve the Group's strategic and financial targets.



Olof Persson  
President and CEO

## IMPORTANT EVENTS

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

On January 7, 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 (DFG). Completion is subject to certain conditions including the approvals of other Chinese authorities. As previously announced, AB Volvo has signed an agreement with DFG to acquire 45% 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.

### AB Volvo divests Volvo Rents in North America

As part of its strategic effort to focus on the core business, the Volvo Group in December agreed to sell Volvo Rents to the US private equity firm Platinum Equity for approximately SEK 7.0 billion. The transaction had a negative impact on the Group's operating income of SEK 1.5 billion in the fourth quarter of 2013. The transaction was completed at the end of January and as a consequence net financial debt in the Volvo Group's Industrial

Operation was reduced by SEK 7.0 billion. Volvo CE will continue to sell products to Volvo Rents under the new ownership.

### Volvo Construction Equipment set to acquire hauler business from Terex

In a move that will improve the company's penetration in the core earthmoving segment and extend its presence in light mining, Volvo Construction Equipment in December agreed to acquire the off-highway hauler business of the Terex Corporation for a purchase consideration of approx. USD 160 M (approx. SEK 1 billion) on a cash and debt free basis. The acquisition includes the hauler manufacturer Terex Equipment Ltd and related assets and intellectual property. The deal, which is subject to regulatory approval, 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% holding in Inner Mongolia North Hauler Joint Stock Co (NHL), which manufactures and sells rigid haulers under the Terex brand in China. NHL is listed on the Shanghai Stock Exchange. The transaction is expected to be finalized during the second quarter of 2014.

### Previously reported important events

- New Volvo FM
- New Volvo FMX
- More fuel efficient engines launched in North America
- Annual General Meeting of AB Volvo
- New Renault Trucks Range
- Volvo Trucks has renewed its entire European truck range and launched Euro 6
- Volvo Group to increase warranty reserves
- Termination of local assembly of Renault Trucks in Turkey
- Volvo Group takes an important strategic step with the launch of Quester
- The Volvo Group ranked as one of the world's most sustainable companies
- The Volvo Group announces comprehensive efficiency program linked to the strategy
- Volvo Group to optimize truck manufacturing in Europe
- Staff and support function rationalization

Detailed information about the events is available at [www.volvogroup.com](http://www.volvogroup.com)

## FINANCIAL SUMMARY OF THE FOURTH QUARTER

**VOLVO GROUP****Net sales and operating income**

During the fourth quarter of 2013, Volvo Group's net sales increased by 8% to SEK 76,642 M (70,811). Adjusted for both changes in exchange rates and acquired and divested units net sales increased by 13%. Operating income amounted to SEK 1,577 M excluding charges of SEK 581 M related to the Group-wide Efficiency Program. Including the charges, operating income amounted to SEK 996 M (1,200). In the fourth quarter of 2013, a write-down of Volvo Rents had a negative impact of SEK 1,500 M. For detailed information on the development, see separate sections below.

**Financial items**

Net interest expense in the fourth quarter was SEK 804 M compared with an expense of SEK 542 M in the previous year. In the third quarter of 2013 net interest expense amounted to SEK 554 M. The higher net interest expense compared to the third quarter of 2013 is primarily the result of an adjustment of SEK 156 M related to capitalized borrowing costs in the previous quarters mainly as a result of applying a lower interest rate.

Income Statement Volvo Group SEK M	Fourth quarter		Year	
	2013	2012	2013	2012
<b>Net sales Volvo Group</b>	<b>76,642</b>	<b>70,811</b>	<b>272,622</b>	<b>299,814</b>
<b>Operating Income Volvo Group</b>	<b>996</b>	<b>1,200</b>	<b>7,138</b>	<b>18,069</b>
<i>Operating income excl. restructuring charges, Industrial operations</i>	<i>1,181</i>	<i>1,799</i>	<i>6,332</i>	<i>18,123</i>
<i>Restructuring charges</i>	<i>(581)<sup>1</sup></i>	<i>(990)<sup>1,2</sup></i>	<i>(715)<sup>1</sup></i>	<i>(1,550)<sup>1,2</sup></i>
<i>Operating income, Industrial operations</i>	<i>600</i>	<i>809</i>	<i>5,616</i>	<i>16,573</i>
<i>Operating income Customer Finance</i>	<i>397</i>	<i>391</i>	<i>1,522</i>	<i>1,496</i>
Interest income and similar credits	<b>89</b>	284	<b>381</b>	453
Interest expense and similar charges	<b>(893)</b>	(826)	<b>(2,810)</b>	(2,949)
Other financial income and expenses	<b>45</b>	49	<b>11</b>	(78)
<b>Income after financial items</b>	<b>237</b>	<b>706</b>	<b>4,721</b>	<b>15,495</b>
Income taxes	<b>311</b>	163	<b>(919)</b>	(4,116)
<b>Income for the period</b>	<b>548</b>	<b>869</b>	<b>3,802</b>	<b>11,378</b>

1 Restructuring charges included in the efficiency program

2 Other restructuring charges for comparison reasons

Other financial income and expenses amounted to a positive SEK 45 M compared with a positive SEK 49 M in the fourth quarter of 2012.

**Income taxes**

The tax income in the fourth quarter amounted to SEK 311 M positively impacted by revaluations of deferred tax. In the fourth quarter of 2012 tax income amounted to SEK 163 M.

**Income for the period and earnings per share**

Income for the period amounted to SEK 548 M in the fourth quarter of 2013 compared with SEK 869 M in the fourth quarter of 2012.

Basic and diluted earnings per share in the fourth quarter amounted to SEK 0.24 compared with basic earnings of SEK 0.41 per share and diluted earnings of SEK 0.40 in the fourth quarter of 2012.



## VOLVO GROUP'S INDUSTRIAL OPERATIONS

# Higher sales

In the fourth quarter, net sales for the Volvo Group's Industrial Operations increased by 9% to SEK 74,898 M (68,934). Adjusted for both changes in exchange rates and acquired and divested units net sales in the Industrial Operations increased by 13%. Sales increased in all markets except Asia and Other markets.

### Earnings impacted by write-down of Volvo Rents and restructuring charges

In the fourth quarter of 2013, operating income for the Volvo Group's Industrial Operations amounted to SEK 600 M (809), including a write-down of Volvo Rents of SEK 1,500 M and charges of SEK 581 M related to the Group-wide Efficiency Program. Excluding both the write-down of Volvo Rents and restructuring charges, the underlying operating income amounted to SEK 2,681 M (1,799).

The operating margin, including the write-down of Volvo Rents and the restructuring charges, was 0.8% (1.2). The underlying operating margin amounted to 3.6% (2.6).

The higher underlying operating income is primarily an effect of higher sales of new trucks, positive price realization and improved capacity utilization in the industrial system, partly off-set by a negative impact from currency exchange rate movements and higher costs for research and development.

Operating income was negatively impacted by a net amortization of investments in research and development in an amount of SEK 38 M, compared to a net capitalization of SEK 669 M in the fourth quarter last year.

Compared with the fourth quarter of 2012, changes in currency exchange rates had a negative impact on operating income amounting to SEK 1,007 M.

In the fourth quarter of 2012 the divestment of Volvo Aero had a positive impact of SEK 254 M.

### Net sales by market area

SEK M	Fourth quarter			Year			Share of industrial operations' net sales, %
	2013	2012	Change in, %	2013	2012	Change in, %	
Western Europe	<b>25,945</b>	22,357	16	<b>84,293</b>	88,325	(5)	32
Eastern Europe	<b>5,943</b>	5,720	4	<b>18,626</b>	20,751	(10)	7
North America	<b>16,635</b>	13,753	21	<b>60,237</b>	68,297	(12)	23
South America	<b>7,364</b>	7,074	4	<b>28,751</b>	27,970	3	11
Asia	<b>13,768</b>	14,774	(7)	<b>52,805</b>	64,667	(18)	20
Other markets	<b>5,244</b>	5,257	-	<b>20,708</b>	22,188	(7)	8
<b>Total Industrial operations</b>	<b>74,898</b>	<b>68,934</b>	<b>9</b>	<b>265,420</b>	<b>292,198</b>	<b>(9)</b>	<b>100</b>

### Income Statement Industrial operations

SEK M	Fourth quarter		Year	
	2013	2012	2013	2012
<b>Net sales</b>	<b>74,898</b>	68,934	<b>265,420</b>	292,198
Cost of sales	<b>(59,099)</b>	(55,292)	<b>(209,307)</b>	(227,745)
<b>Gross income</b>	<b>15,799</b>	<b>13,642</b>	<b>56,113</b>	<b>64,454</b>
<i>Gross margin, %</i>	<b>21,1</b>	19,8	<b>21,1</b>	22,1
Research and development expenses	<b>(4,191)</b>	(3,805)	<b>(15,124)</b>	(14,635)
Selling expenses	<b>(7,128)</b>	(6,964)	<b>(26,904)</b>	(26,230)
Administrative expenses	<b>(1,596)</b>	(1,540)	<b>(5,824)</b>	(5,535)
Other operating income and expenses	<b>(2,308)</b>	(496)	<b>(2,710)</b>	(1,538)
Income (loss) from investments in joint ventures and associated companies	<b>(3)</b>	16	<b>96</b>	99
Income from other investments	<b>27</b>	(44)	<b>(31)</b>	(42)
<b>Operating income</b>	<b>600</b>	<b>809</b>	<b>5,616</b>	<b>16,573</b>
<i>Operating margin, %</i>	<b>0,8</b>	1,2	<b>2,1</b>	5,7
Operating income before depreciation and amortization (EBITDA)	<b>5,821</b>	4,233	<b>20,089</b>	31,200
<i>EBITDA margin, %</i>	<b>7,8</b>	6,1	<b>7,6</b>	10,7
<i>Whereof restructuring charges, SEK M</i>	<b>(581)<sup>1</sup></b>	(990) <sup>1,2</sup>	<b>(715)<sup>1</sup></b>	(1,550) <sup>1,2</sup>
<i>Operating income excl. restructuring charges, SEK M</i>	<b>1,181</b>	1,799	<b>6,332</b>	18,123
<i>Operating margin excl. restructuring charges, %</i>	<b>1,6</b>	2,6	<b>2,4</b>	6,2

1 Restructuring charges included in the efficiency program.

2 Other restructuring charges for comparison reasons.

### Strong seasonal cash flow in the Industrial Operations

In the fourth quarter of 2013, operating cash flow from the Industrial Operations was positive in an amount of SEK 10.3 billion (4.7). The positive cash flow is primarily an effect of a reduction in working capital in an amount of SEK 8.8 billion which in turn primarily comes from higher trade payables and lower inventories.

## VOLVO GROUP'S CUSTOMER FINANCE

# Strong growth and solid profitability

The customer finance business recorded strong levels of new business volume and assets under management reached all-time highs. This profitable growth, along with stable portfolio performance, resulted in solid results for the quarter.

New financing volume during the quarter amounted to SEK 15.0 billion (12.4). Adjusting for movements in exchange rates, new financing volume increased by 24.2% compared to the fourth quarter of 2012. In total, 16,450 (14,063) new Volvo Group units were financed during the quarter. In the markets where financing is offered, the average market penetration rate in the fourth quarter was 28% (28%).

As of December 31, 2013, the gross credit portfolio amounted to SEK 105.3 billion (100.9). On a currency adjusted basis, the credit portfolio increased by 6.3% when compared to the fourth quarter of 2012.

Income Statement Customer Finance SEK M	Fourth quarter		Year	
	2013	2012	2013	2012
Finance and lease income	<b>2,452</b>	2,507	<b>9,539</b>	9,783
Finance and lease expenses	<b>(1,397)</b>	(1,530)	<b>(5,534)</b>	(6,036)
<b>Gross income</b>	<b>1,055</b>	<b>977</b>	<b>4,005</b>	<b>3,747</b>
Selling and administrative expenses	<b>(439)</b>	(408)	<b>(1,640)</b>	(1,694)
Credit provision expenses	<b>(244)</b>	(184)	<b>(923)</b>	(639)
Other operating income and expenses	<b>25</b>	6	<b>79</b>	83
<b>Operating income</b>	<b>397</b>	<b>391</b>	<b>1,522</b>	<b>1,496</b>
Income taxes	<b>(128)</b>	(86)	<b>(468)</b>	(434)
<b>Income for the period</b>	<b>270</b>	<b>305</b>	<b>1,054</b>	<b>1,062</b>
<i>Return on Equity, 12 months rolling values</i>			<b>12.1%</b>	<b>12.5%</b>

Credit provisions in the quarter amounted to SEK 244 M (184) while write-offs of SEK 220 M (188) were recorded. Credit reserves decreased from 1.34% to 1.31% of the credit portfolio at September 30, 2013 and December 31, 2013, respectively. The annualized write-off ratio through December 31, 2013 was 0.71% (0.58%).

Operating income in the fourth quarter was on par with last year and amounted to SEK 397 M (391). During the quarter, VFS syndicated approximately SEK 3.1 billion of the credit portfolio, including SEK 1.8 billion in Brazil in accordance with its risk diversification and funding strategy. The result of the syndications is included in Other operating income and expenses.

## VOLVO GROUP FINANCIAL POSITION

Net financial debt, excluding provisions for post-employment benefits, in the Industrial Operations amounted to SEK 19.8 billion at December 31, 2013, a decrease of SEK 11.3 billion compared to the end of the third quarter, and equal to 29.0% of shareholders' equity. Including provisions for post-employment benefits, the Industrial Operations net financial debt amounted to SEK 32.1 billion, which is equal to 46.8% of shareholders' equity. The decrease in net financial debt including provisions for post-employment benefits is mainly an effect of positive cash flow of SEK 10.3 billion.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined, amounted to SEK 29.6 billion at December 31, 2013. In addition to this, granted but unutilized credit facilities

amounted to SEK 31.9 billion. Cash and cash equivalents as of December 31, 2013 include 0.2 (0.2) billion that is not available for use by the Volvo Group and SEK 7.7 billion (9.4) where other limitations exist, mainly liquid funds in countries where exchange controls or other legal restrictions apply. With that it is not possible to immediately use the liquid funds in other parts of the Volvo Group, however normally there is no limitation for use for the Volvo Group's operation in the respective country.

During the fourth quarter, currency movements increased the Volvo Group's total assets by SEK 1.9 billion related to revaluation of assets in foreign subsidiaries.

The equity ratio in the Volvo Group amounted to 22.4% on December 31, 2013 compared to 22.7% at year-end 2012. On

the same date, the equity ratio in the Industrial Operations amounted to 27.0% (27.0).

At December 31, 2013 shareholder's equity in the Volvo Group amounted to SEK 77.4 billion.

The sale of Volvo Rents, that was concluded on January 31, 2014, had a positive impact on the Group's cash flow in an amount of SEK 7.0 billion and a corresponding reduction in the Industrial Operations' net financial debt in the first quarter of 2014.

### Number of employees

On December 31, 2013 the Volvo Group had 95,533 regular employees and 14,794 temporary employees and consultants, compared with 96,137 regular employees and 13,452 temporary employees and consultants at year-end 2012.



## BUSINESS SEGMENT OVERVIEW

Net sales	Fourth quarter				Year	
	2013	2012	Change in, %	Change in, % <sup>1</sup>	2013	2012
SEK M						
Trucks	51,961	46,990	11	16	178,474	189,156
Construction Equipment	13,005	12,572	3	6	53,437	63,558
Buses	5,512	5,384	2	7	16,707	19,587
Volvo Penta	1,777	1,754	1	3	7,550	7,631
Volvo Aero	-	-	-	-	-	5,219
Corporate Functions, Group Functions & Other	3,592	2,718	-	-	12,410	14,197
Eliminations	(949)	(483)	-	-	(3,158)	(7,150)
<b>Industrial operations</b>	<b>74,898</b>	<b>68,934</b>	<b>9</b>	<b>13</b>	<b>265,420</b>	<b>292,198</b>
Customer Finance	2,452	2,507	(2)	1	9,539	9,783
Reclassifications and eliminations	(708)	(630)	-	-	(2,336)	(2,167)
<b>Volvo Group</b>	<b>76,642</b>	<b>70,811</b>	<b>8</b>	<b>13</b>	<b>272,622</b>	<b>299,814</b>

Operating income excl. restructuring charges	Fourth quarter			Year	
	2013	2012	Change in, %	2013	2012
SEK M					
Trucks	2,965	1,882	58	6,824	12,219
Construction Equipment	272	235	16	2,592	5,667
Buses	50	(22)	320	(190)	148
Volvo Penta	72	13	454	626	549
Volvo Aero	-	-	-	-	775
Corporate Functions, Group Functions & Other	(2,198) <sup>4</sup>	(290)	-	(3,570)	(1,115)
Eliminations	20	(17)	-	49	(120)
<b>Industrial operations</b>	<b>1,181</b>	<b>1,799</b>	<b>(34)</b>	<b>6,332</b>	<b>18,123</b>
Customer Finance	397	391	1	1,522	1,496
<b>Volvo Group excl. restructuring charges</b>	<b>1,577</b>	<b>2,190</b>	<b>(28)</b>	<b>7,854</b>	<b>19,619</b>
<b>Restructuring charges</b>					
Trucks	(549)	(880)		(679)	(1,440)
Construction Equipment	0	0		0	0
Buses	0	(110)		0	(110)
Volvo Penta	0	0		0	0
Corporate Functions, Group Functions & Other	(32)	0		(36)	0
<b>Industrial operations</b>	<b>(581)</b>	<b>(990)</b>		<b>(715)</b>	<b>(1,550)</b>
Customer Finance	-	-		-	-
<b>Total</b>	<b>(581)<sup>2</sup></b>	<b>(990)<sup>2,3</sup></b>		<b>(715)<sup>2</sup></b>	<b>(1,550)<sup>2,3</sup></b>
<b>Volvo Group</b>	<b>996</b>	<b>1,200</b>		<b>7,138</b>	<b>18,069</b>

Operating margin excl. restructuring charges	Fourth quarter		Year	
	2013	2012	2013	2012
%				
Trucks	5.7	4.0	3.8	6.5
Construction Equipment	2.1	1.9	4.9	8.9
Buses	0.9	(0.4)	(1.1)	0.8
Volvo Penta	4.0	0.7	8.3	7.2
Volvo Aero	-	-	-	14.9
<b>Industrial operations</b>	<b>1.6</b>	<b>2.6</b>	<b>2.4</b>	<b>6.2</b>
<b>Volvo Group excl. restructuring charges</b>	<b>2.1</b>	<b>3.1</b>	<b>2.9</b>	<b>6.5</b>
<b>Volvo Group</b>	<b>1.3<sup>2</sup></b>	<b>1.7<sup>2,3</sup></b>	<b>2.6<sup>2</sup></b>	<b>6.0<sup>2,3</sup></b>

1 Adjusted for exchange rate fluctuations and acquired and divested units.

2 Restructuring charges included in the efficiency program.

3 Other restructuring charges for comparison reasons.

4 Including a write-down of Volvo Rents amounting to SEK 1,500 M in the fourth quarter 2013.

## OVERVIEW OF INDUSTRIAL OPERATIONS

**TRUCKS**

## Improved earnings

- »» High deliveries – strong demand in Brazil and US, pre-buy in Europe
- »» Operating margin 5.7% excluding restructuring charges
- »» Stable markets expected for 2014

**Stable truck markets expected for 2014**

In 2013, the total market for heavy-duty trucks in Europe increased by 8% for the full year, however there was a strong finish to the year due to the fact that customers chose to renew their fleets ahead of the new emissions standard, Euro 6, which became effective in January 2014. As a consequence, demand in Europe is expected to be slow in the beginning of the year and then gradually improve. The total market for heavy-duty trucks in North America decreased 5% in 2013 as a result of slow growth and, for much of the year, customer caution regarding the U.S. government's handling of budgetary and economic issues. In Brazil the total market for heavy-duty trucks rose by 19%, supported by attractive financing rates and a strong crop season. For 2014, the markets are expected to be relatively stable and the Volvo Group forecasts for the total truck markets for 2014 (presented in a table to the right) have been kept unchanged compared to previous forecasts.

**Deliveries rose by 15% in the fourth quarter**

In the fourth quarter of 2013, the Volvo Group delivered a total of 61,613 trucks, which was 15% more than in the fourth quarter of 2012 and 28% more than in the third quarter of 2013.

**Mixed order intake – strong in North America and Asia, slower in Europe – as expected**

The total net orders were up by 12% in the fourth quarter compared with the year-earlier

**Net sales by market area**

SEK M	Fourth quarter		Change in, %	Year		Change in, %
	2013	2012		2013	2012	
Europe	<b>24,257</b>	20,466	19	<b>73,640</b>	76,365	(4)
North America	<b>10,934</b>	8,665	26	<b>40,314</b>	42,650	(5)
South America	<b>5,739</b>	5,452	5	<b>23,318</b>	21,172	10
Asia	<b>7,433</b>	8,634	(14)	<b>26,740</b>	33,404	(20)
Other markets	<b>3,597</b>	3,772	(5)	<b>14,462</b>	15,566	(7)
<b>Total</b>	<b>51,961</b>	<b>46,990</b>	<b>11</b>	<b>178,474</b>	<b>189,156</b>	<b>(6)</b>

**Total market development**

Registrations, number of trucks	Year		Change in, %	Forecast 2014	Change vs. previous forecast
	2013	2012			
Europe 30*					
heavy-duty	<b>240,151</b>	221,816	8	<b>230,000</b>	Unchanged
North America					
heavy-duty	<b>236,334</b>	249,583	(5)	<b>250,000</b>	Unchanged
Brazil heavy-duty	<b>103,829</b>	87,430	19	<b>105,000</b>	Unchanged
China heavy-duty	<b>774,104</b>	636,001	22	<b>700,000</b>	Unchanged
China medium-duty	<b>286,839</b>	290,269	(1)	<b>280,000</b>	Unchanged
India heavy-duty	<b>131,708</b>	195,140	(33)	<b>145,000</b>	Unchanged
India medium-duty	<b>76,318</b>	94,186	(19)	<b>88,000</b>	Unchanged
Japan heavy-duty	<b>33,811</b>	32,043	6	<b>35,000</b>	Unchanged

\* EU minus Bulgaria plus Norway and Switzerland

**Deliveries per market**

Number of trucks	Fourth quarter		Change in, %	Year		Change in, %
	2013	2012		2013	2012	
Europe	<b>28,922</b>	23,660	22	<b>82,088</b>	84,355	(3)
North America	<b>12,773</b>	10,477	22	<b>44,755</b>	47,806	(6)
South America	<b>7,490</b>	6,493	15	<b>29,137</b>	23,443	24
Asia	<b>8,485</b>	8,727	(3)	<b>28,692</b>	31,757	(10)
Other markets	<b>3,943</b>	4,177	(6)	<b>15,602</b>	16,899	(8)
<b>Total Trucks</b>	<b>61,613</b>	<b>53,534</b>	<b>15</b>	<b>200,274</b>	<b>204,260</b>	<b>(2)</b>
Non-consolidated operations						
Eicher (100%)	<b>6,786</b>	10,079	(33)	<b>31,422</b>	39,063	(20)
DND (100%)	<b>32</b>	105	(70)	<b>213</b>	450	(53)
<b>Total volumes</b>	<b>68,431</b>	<b>63,718</b>	<b>7</b>	<b>231,909</b>	<b>243,773</b>	<b>(5)</b>

period. Net orders of 52,683 trucks and deliveries of 61,613 trucks resulted in a book-to-bill ratio of 86% for the Group's wholly-owned operations. Orders posted large regional differences in the quarter, where orders in Europe reached 14,322, a decline of 23% compared to the previous year. Earlier in the year many transport companies renewed their truck fleets with Euro 5 trucks, and during the fourth quarter they held back their orders of Euro 6 trucks for delivery in the beginning of 2014. Many of Renault Trucks' customers chose to wait ordering new trucks until they have had the opportunity to test drive and evaluate the new generation that was launched in the autumn.

In North America, order intake during the fourth quarter increased by 67% compared with the fourth quarter last year with a particularly strong development for the Volvo brand.

In South America, orders increased slightly. Compared with the fourth quarter of 2012 orders in Asia increased by 49% as a result of higher demand in Japan and orders for the new UD Quester heavy-duty truck range for growth markets.

#### Operating margin of 5.7%

During the fourth quarter of 2013, the truck operation's net sales amounted to SEK 51,961 M, which was 11% higher than in the fourth quarter of 2012. Adjusted for changes in exchange rates net sales increased by 16% compared to the fourth quarter last year.

#### Net order intake per market

Antal lastbilar	Fourth quarter			Year		
	2013	2012	Change in %	2013	2012	Change in %
Europe	<b>14,322</b>	18,563	(23)	<b>82,427</b>	79,608	4
Volvo	<b>8,408</b>	10,063	(16)	<b>49,408</b>	41,770	18
Renault Trucks	<b>5,914</b>	8,500	(30)	<b>33,018</b>	37,838	(13)
North America	<b>16,690</b>	10,024	67	<b>51,542</b>	39,775	30
Mack	<b>5,687</b>	3,867	47	<b>19,835</b>	15,439	28
Volvo	<b>10,972</b>	6,082	80	<b>31,309</b>	23,803	32
South America	<b>7,612</b>	7,469	2	<b>30,827</b>	26,551	16
Asia	<b>9,494</b>	6,378	49	<b>32,802</b>	29,987	9
Other markets	<b>4,565</b>	4,690	(3)	<b>16,703</b>	15,709	6
<b>Total Trucks</b>	<b>52,683</b>	<b>47,124</b>	<b>12</b>	<b>214,301</b>	<b>191,630</b>	<b>12</b>
Non-consolidated operations						
Eicher (100%)	<b>6,740</b>	10,041	(33)	<b>31,449</b>	38,877	(19)
DND (100%)	<b>28</b>	97	(71)	<b>174</b>	359	(52)
<b>Total volumes</b>	<b>59,451</b>	<b>57,262</b>	<b>4</b>	<b>245,924</b>	<b>230,866</b>	<b>7</b>

The truck operations posted an operating income of SEK 2,965 M in the fourth-quarter, excluding charges of SEK 549 M related to the Group-wide efficiency program. In the fourth quarter of 2012, operating income amounted to SEK 1,882 M excluding restructuring charges of SEK 880 M. The operating margin, excluding restructuring charges was 5.7%, compared with 4.0% in the year-earlier period. The improvement was mainly due to higher delivery volumes, positive price realization and better capacity utilization in the industrial system, which was partly offset by costs associated with the change-over to new truck models in production, negative currency effects and higher

costs for research and development compared with the fourth quarter of 2012.

Cash spend in research and development was reduced by SEK 228 M compared to last year but this was offset by a move from a net capitalization of development costs last year to a net amortization this year with a total year-over-year change of SEK 827 M. In all, costs for research and development increased by SEK 599 M compared with the fourth quarter 2012

Compared with the fourth quarter of 2012, operating income was negatively impacted by changes in currency exchange rates in an amount of SEK 791 M.



## CONSTRUCTION EQUIPMENT

### Sales up 3%, weak earnings

- » Some market stabilization, but mining segment remains soft
- » Volvo CE set to acquire hauler business from Terex
- » Martin Weissburg, previously President of Volvo Financial Services, new President of Volvo CE



#### Chinese market up in fourth quarter

Measured in units, the total market for construction equipment in Europe decreased by 4% during January to November 2013 compared to the same period a year earlier. North America was up 1% while South America was up 5%. Asia, excluding China was up 1% and China was also up 1%. In China the market shows sign of recovery in general construction.

Compared with the weak period September-November of 2012, the Chinese market was up 24%, mainly driven by smaller and medium sized excavators. Europe was up 7% as was South America, mainly driven by governmental deals with low prices. Asia, excluding China was also up 7%, fully driven by Japan since India and South-East Asia are decreasing.

For 2014 the total market in China is expected to increase in the range of 0% to 10% measured in units (unchanged forecast). Europe is also expected to increase in the range of 0% to 10% (previous forecast minus 5% to plus 10%). North America, South America and Asia excluding China, are all expected to be in the range minus 5% to plus 5% (previous forecasts minus 5% to plus 10%).

In the fourth quarter Volvo CE's deliveries increased by 9% compared to the same period in 2012. The main drivers came from two areas: market growth and market share growth. The global construction equipment industry starts to recover after reaching the lowest level earlier in the year. The main growth comes from China, followed by a

#### Net sales by market area

Mkr	Fourth quarter		Change in, %	Year		Change in, %
	2013	2012		2013	2012	
Europe	<b>4,122</b>	3,861	7	<b>16,356</b>	16,518	(1)
North America	<b>2,105</b>	1,973	7	<b>8,319</b>	12,027	(31)
South America	<b>831</b>	761	9	<b>3,314</b>	3,788	(13)
Asia	<b>5,100</b>	5,143	(1)	<b>21,911</b>	27,033	(19)
Other markets	<b>846</b>	833	2	<b>3,539</b>	4,193	(16)
<b>Total</b>	<b>13,005</b>	<b>12,572</b>	<b>3</b>	<b>53,437</b>	<b>63,558</b>	<b>(16)</b>

#### Deliveries per market

Number of machines	Fourth quarter		Change in, %	Year		Change in, %
	2013	2012		2013	2012	
Europe	<b>3,156</b>	2,710	16	<b>13,522</b>	12,545	8
North America	<b>1,368</b>	1,115	23	<b>5,240</b>	6,782	(23)
South America	<b>876</b>	749	17	<b>3,568</b>	3,908	(9)
Asia	<b>11,109</b>	10,576	5	<b>44,892</b>	49,263	(9)
Other markets	<b>780</b>	679	15	<b>3,564</b>	2,982	20
<b>Total deliveries</b>	<b>17,289</b>	<b>15,829</b>	<b>9</b>	<b>70,786</b>	<b>75,480</b>	<b>(6)</b>
Of which:						
Volvo	<b>8,925</b>	7,863	14	<b>38,155</b>	40,331	(5)
SDLG	<b>8,364</b>	7,966	5	<b>32,631</b>	35,149	(7)
Of which in China	<b>7,311</b>	6,753	8	<b>27,559</b>	30,780	(10)

#### Net order intake per market

Number of machines	Fourth quarter		Change in, %	Year		Change in, %
	2013	2012		2013	2012	
Europe	<b>3,830</b>	3,343	15	<b>14,085</b>	12,294	15
North America	<b>1,547</b>	1,772	(13)	<b>5,595</b>	8,293	(33)
South America	<b>702</b>	687	2	<b>3,300</b>	3,859	(14)
Asia	<b>11,281</b>	10,534	7	<b>44,776</b>	48,706	(8)
Other markets	<b>695</b>	589	18	<b>3,652</b>	3,108	17
<b>Total orders</b>	<b>18,055</b>	<b>16,925</b>	<b>7</b>	<b>71,408</b>	<b>76,261</b>	<b>(6)</b>
Of which:						
Volvo	<b>9,691</b>	8,959	8	<b>38,777</b>	41,112	(6)
SDLG*	<b>8,364</b>	7,966	5	<b>32,631</b>	35,149	(7)
Of which in China	<b>7,311</b>	6,753	8	<b>27,559</b>	30,780	(10)

\* For SDLG-branded machines, order intake is calculated as the number of machines delivered.

lower growth in EMEA and Americas. At the same time, Volvo CE's focus on driving compact product market share proved to be successful both in Europe and China. On the other hand, the mining sector continued to be soft in the fourth quarter, resulting in a low mix of large products in the delivery numbers.

#### **Earnings impacted by mix and currency**

In the fourth quarter of 2013, net sales increased by 3% to SEK 13,005 M (12,572). Adjusted for currency movements net sales increased by 6%. The sales increase is mainly a consequence of higher sales of

smaller equipment. Demand for larger machines is still muted as the mining segment across the world is still very slow.

Operating income increased to SEK 272 M (235) and the operating margin was 2.1% (1.9). The low earnings in the fourth quarter were negatively impacted by a negative product mix with lower sales into the higher margin mining segment, pricing pressure as well as negative currency exchange movements. Compared with the fourth quarter of 2012 changes in currency exchange rates had a negative impact on operating income of SEK 156 M.

#### **Strengthened product portfolio**

In December Volvo CE announced that it has agreed with the Terex Corporation to acquire the hauler manufacturer Terex Equipment Ltd, including related assets and intellectual property. The deal, which is subject to regulatory approval, 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% holding in Inner Mongolia North Hauler Joint Stock Co (NHL), which manufactures and sells rigid haulers under the Terex brand in China.

## BUSES

### Positive result in a weak market

- »» Continued weak markets
- »» Operating income of SEK 50 M
- »» Order for 414 city buses to New York City



#### Weak global bus market shows signs of recovery in North America and China

Demand remained low on the global bus market in the fourth quarter. The general economic situation in Europe keeps the market under pressure. In Asia growth is still on low levels, but the market is expected to recover in 2014. In China, the government has put policies in place to subsidize hybrid, plug-in hybrid and fully electric buses. The Indian market continues to be weak, with the coach segment being particularly low as a direct consequence of a struggling economy. The North American market continues to recover slowly.

#### Electric Buses and Bus Rapid Transit in focus

Volvo Buses' North American subsidiary, Nova Bus, and the Société de transport de Montréal have entered into an agreement on an electrification project for the public transit system of Montréal. In addition, Nova Bus has received an order for 414 low floor city buses, with an option for 700 additional vehicles, for MTA New York City Transit.

Volvo Buses has strengthened its hybrid program with the sales start of the Volvo 7900 Articulated Hybrid bus. It has capacity for 154 passengers and up to 30% lower fuel consumption than the current diesel model.

Deliveries in the fourth quarter amounted to 3,096 buses, compared to 2,849 units for the same period 2012, which is an increase of 9%. Order intake in the fourth quarter totaled 2,406, which was a decrease of 17% compared to the fourth quarter 2012.

#### Net sales by market area

SEK M	Fourth quarter		Change in, %	Year		Change in, %
	2013	2012		2013	2012	
Europe	<b>1,620</b>	1,825	(11)	<b>5,429</b>	6,200	(12)
North America	<b>2,171</b>	1,826	19	<b>5,929</b>	6,675	(11)
South America	<b>701</b>	801	(13)	<b>1,836</b>	2,794	(34)
Asia	<b>628</b>	508	24	<b>2,055</b>	2,149	(4)
Other markets	<b>392</b>	422	(7)	<b>1,457</b>	1,768	(18)
<b>Total</b>	<b>5,512</b>	<b>5,384</b>	<b>2</b>	<b>16,707</b>	<b>19,587</b>	<b>(15)</b>

#### Deliveries per market

Number of buses	Fourth quarter		Change in, %	Year		Change in, %
	2013	2012		2013	2012	
Europe	<b>666</b>	715	(7)	<b>2,146</b>	2,491	(14)
Western Europe	<b>642</b>	701	(8)	<b>2,073</b>	2,427	(15)
Eastern Europe	<b>24</b>	14	71	<b>73</b>	64	14
North America	<b>692</b>	536	29	<b>1,752</b>	1,826	(4)
South America	<b>949</b>	962	(1)	<b>2,434</b>	2,560	(5)
Asia	<b>553</b>	405	37	<b>1,822</b>	1,564	17
Other markets	<b>236</b>	231	2	<b>756</b>	856	(12)
<b>Total Buses</b>	<b>3,096</b>	<b>2,849</b>	<b>9%</b>	<b>8,910</b>	<b>9,297</b>	<b>(4)</b>

#### Positive result in the quarter

Net sales in the fourth quarter increased by 2% to SEK 5,512 M (5,384). Adjusted for currency fluctuations, sales increased by 7%.

Operating income amounted to SEK 50 M compared to an operating loss of SEK 22 M during the fourth quarter of 2012 excluding restructuring charges of SEK 110 M in the fourth quarter last year. Operating margin was a positive 0.9% compared to a negative 0.4% excluding restructuring charges in the fourth quarter of last year. Increased volumes contributed to a positive result in the fourth quarter. However, weak market development

and pricing pressure continue to impact profitability. Compared with the fourth quarter of 2012, operating income was negatively impacted by changes in currency exchange rates in an amount of SEK 70 M.

A global cost reduction program is in effect in Volvo Buses to offset the negative market development and to compensate for currency effects.

**VOLVO PENTA**

## Improved profitability despite weak markets

- » Continued weak markets
- » Inroads into new segments
- » Operating margin of 4.0% (0,7)

**Weak total market**

The total demand for leisure boats is generally weak. Cutbacks and rationalizations continue to dominate everyday operations in the boat industry. In Asia, the level of activity has increased. New marinas are being planned and several European boat builders have been acquired by or have formed joint ventures with Chinese companies. The total demand for marine engines for 2013 fell by slightly more than 10% compared with the year-earlier period. Volvo Penta's deliveries declined 6%, resulting in stronger market shares.

Continued low demand from the Chinese construction sector had a negative impact on the global market for industrial engines during the quarter. Global demand for equipment also remained low within the mining sector. The prebuy effect ahead of the forthcoming emission legislation had a positive impact on demand in Europe during the quarter. The total market for diesel-driven generator sets, Volvo Penta's largest segment in industrial engines, continued to expand as a result of stable demand in Western Europe, Turkey and the Middle East.

**Net sales by market area**

SEK M	Fourth quarter		Change in, %	Year		Change in, %
	2013	2012		2013	2012	
Europe	901	808	11	3,714	3,620	3
North America	316	325	(3)	1,491	1,486	-
South America	99	83	19	297	306	(3)
Asia	381	452	(16)	1,692	1,867	(9)
Other markets	80	86	(7)	356	352	1
<b>Total</b>	<b>1,777</b>	<b>1,754</b>	<b>1</b>	<b>7,550</b>	<b>7,631</b>	<b>(1)</b>

**Inroads into new segments**

The successful introduction of Glass Cockpit, a cooperation between Garmin and Volvo Penta, generated major interest in the industry. This, along with the increased penetration of the IPS, is paving the way for larger market shares and higher sales. Volvo Penta's efforts to enter the segment for boats measuring between 60 and 100 feet have resulted in leading boat builders launching new models with Volvo Penta propulsion.

Volvo Penta continued promoting its product program for off-road industrial engines and during the fourth quarter the first engines complying with Tier4 final were delivered to customers in the US for installation in material-handling equipment, among others.

The volume in the total order book at December 31, 2013 was 7% higher than in the year-earlier period.

**Improved operating margin**

Net sales in the fourth quarter of 2013 rose 1%, year-on-year, to SEK 1,777 M (1,754). Adjusted for exchange-rate fluctuations, net sales increased by 3%. Sales were distributed between both business segments as follows: Marine SEK 923 M (916) and Industrial SEK 854 M (838).

Operating income amounted to SEK 72 M compared with SEK 13 M in the year-earlier period. Earnings were positively impacted by good cost control and a favorable market and product mix. The operating margin was 4.0% (0.7).

**CONSOLIDATED INCOME STATEMENT**

## Fourth quarter

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Net sales</b>	<b>74,898</b>	<b>68,934</b>	<b>2,452</b>	<b>2,507</b>	<b>(708)</b>	<b>(631)</b>	<b>76,642</b>	<b>70,811</b>
Cost of Sales	<b>(59,099)</b>	(55,292)	<b>(1,397)</b>	(1,530)	<b>708</b>	631	<b>(59,789)</b>	(56,192)
<b>Gross income</b>	<b>15,799</b>	<b>13,642</b>	<b>1,055</b>	<b>977</b>	<b>0</b>	<b>0</b>	<b>16,853</b>	<b>14,618</b>
Research and development expenses	<b>(4,191)</b>	(3,805)	<b>0</b>	0	<b>0</b>	0	<b>(4,191)</b>	(3,805)
Selling expenses	<b>(7,128)</b>	(6,964)	<b>(429)</b>	(401)	<b>0</b>	0	<b>(7,558)</b>	(7,365)
Administrative expenses	<b>(1,596)</b>	(1,540)	<b>(9)</b>	(7)	<b>0</b>	0	<b>(1,605)</b>	(1,547)
Other operating income and expenses	<b>(2,308)</b>	(496)	<b>(220)</b>	(177)	<b>0</b>	0	<b>(2,528)</b>	(674)
Income (loss) from investments in joint ventures and associated companies	<b>(3)</b>	16	<b>0</b>	0	<b>0</b>	0	<b>(3)</b>	16
Income from other investments	<b>27</b>	(44)	<b>0</b>	0	<b>0</b>	0	<b>27</b>	(44)
<b>Operating income</b>	<b>600</b>	<b>809</b>	<b>397</b>	<b>391</b>	<b>0</b>	<b>0</b>	<b>996</b>	<b>1,200</b>
Interest income and similar credits	<b>89</b>	136	<b>0</b>	0	<b>0</b>	149	<b>89</b>	284
Interest expense and similar charges	<b>(893)</b>	(677)	<b>0</b>	0	<b>0</b>	(149)	<b>(893)</b>	(826)
Other financial income and expenses	<b>45</b>	49	<b>0</b>	0	<b>0</b>	0	<b>45</b>	49
<b>Income after financial items</b>	<b>(160)</b>	<b>316</b>	<b>397</b>	<b>391</b>	<b>0</b>	<b>0</b>	<b>237</b>	<b>706</b>
Income taxes	<b>439</b>	249	<b>(128)</b>	(86)	<b>0</b>	0	<b>311</b>	163
<b>Income for the period*</b>	<b>279</b>	<b>565</b>	<b>270</b>	<b>305</b>	<b>0</b>	<b>0</b>	<b>548</b>	<b>869</b>
*Attributable to:								
Equity holders of the parent company							<b>485</b>	821
Minority interests							<b>63</b>	48
							<b>548</b>	<b>869</b>
Basic earnings per share, SEK							<b>0.24</b>	0.41
Diluted earnings per share, SEK							<b>0.24</b>	0.40

**CONSOLIDATED OTHER COMPREHENSIVE INCOME**

## Fourth quarter

SEK M	2013	2012
<b>Income for the period</b>	<b>548</b>	869
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	<b>(185)</b>	796
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	<b>484</b>	158
Share of OCI related to joint ventures and associated companies	<b>21</b>	(84)
Exchange differences on hedge instruments of net investment in foreign operations	<b>0</b>	0
Accumulated translation difference reversed to income	<b>47</b>	(52)
Available for sale investments	<b>356</b>	165
Cash flow hedges	<b>(23)</b>	10
<b>Other comprehensive income, net of income taxes</b>	<b>700</b>	993
<b>Total comprehensive income for the period*</b>	<b>1,248</b>	<b>1,862</b>
*Attributable to:		
Equity holders of the parent company	<b>1,156</b>	1,865
Minority interests	<b>92</b>	(3)
	<b>1,248</b>	<b>1,862</b>



**CONSOLIDATED INCOME STATEMENT**

Year

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total		
	2013	2012	2013	2012	2013	2012	2013	2012	
<b>Net sales</b>	<b>265,420</b>	<b>292,198</b>	<b>9,539</b>	<b>9,783</b>	<b>(2,337)</b>	<b>(2,167)</b>	<b>272,622</b>	<b>299,814</b>	
Cost of Sales	<b>(209,307)</b>	(227,745)	<b>(5,534)</b>	(6,036)	<b>2,337</b>	2,167	<b>(212,504)</b>	(231,615)	
<b>Gross income</b>	<b>56,113</b>	<b>64,454</b>	<b>4,005</b>	<b>3,747</b>	<b>0</b>	<b>0</b>	<b>60,118</b>	<b>68,199</b>	
Research and development expenses	<b>(15,124)</b>	(14,635)	<b>0</b>	0	<b>0</b>	0	<b>(15,124)</b>	(14,635)	
Selling expenses	<b>(26,904)</b>	(26,230)	<b>(1,602)</b>	(1,665)	<b>0</b>	0	<b>(28,506)</b>	(27,894)	
Administrative expenses	<b>(5,824)</b>	(5,535)	<b>(38)</b>	(29)	<b>0</b>	0	<b>(5,862)</b>	(5,563)	
Other operating income and expenses	<b>(2,710)</b>	(1,538)	<b>(843)</b>	(556)	<b>0</b>	0	<b>(3,554)</b>	(2,096)	
Income (loss) from investments in joint ventures and associated companies	<b>96</b>	99	<b>0</b>	0	<b>0</b>	0	<b>96</b>	99	
Income from other investments	<b>(31)</b>	(42)	<b>0</b>	0	<b>0</b>	0	<b>(30)</b>	(42)	
<b>Operating income</b>	<b>5,616</b>	<b>16,573</b>	<b>1,522</b>	<b>1,496</b>	<b>0</b>	<b>0</b>	<b>7,138</b>	<b>18,069</b>	
Interest income and similar credits	<b>381</b>	453	<b>0</b>	0	<b>0</b>	0	<b>381</b>	453	
Interest expense and similar charges	<b>(2,810)</b>	(2,949)	<b>0</b>	0	<b>0</b>	0	<b>(2,810)</b>	(2,949)	
Other financial income and expenses	<b>11</b>	(78)	<b>0</b>	0	<b>0</b>	0	<b>11</b>	(78)	
<b>Income after financial items</b>	<b>3,199</b>	<b>13,999</b>	<b>1,522</b>	<b>1,496</b>	<b>0</b>	<b>0</b>	<b>4,721</b>	<b>15,495</b>	
Income taxes	<b>(451)</b>	(3,682)	<b>(468)</b>	(434)	<b>0</b>	0	<b>(919)</b>	(4,116)	
<b>Income for the period*</b>	<b>2,748</b>	<b>10,317</b>	<b>1,054</b>	<b>1,062</b>	<b>0</b>	<b>0</b>	<b>3,802</b>	<b>11,378</b>	
*Attributable to:									
Equity holders of the parent company							<b>3,583</b>	11,160	
Minority interests							<b>219</b>	219	
							<b>3,802</b>	<b>11,378</b>	
Basic earnings per share, SEK							<b>1,77</b>	5,61	
Diluted earnings per share, SEK							<b>1,76</b>	5,61	

**CONSOLIDATED OTHER COMPREHENSIVE INCOME**

Year

Mkr	2013	2012
<b>Income for the period</b>	<b>3,802</b>	11,378
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	<b>3,904</b>	(2,234)
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	<b>(1,634)</b>	(3,395)
Share of OCI related to joint ventures and associated companies	<b>(135)</b>	(191)
Exchange differences on hedge instruments of net investment in foreign operations	<b>0</b>	0
Accumulated translation difference reversed to income	<b>37</b>	(118)
Available for sale investments	<b>470</b>	343
Cash flow hedges	<b>9</b>	8
<b>Other comprehensive income, net of income taxes</b>	<b>2,651</b>	<b>(5,587)</b>
<b>Total comprehensive income for the period*</b>	<b>6,453</b>	<b>5,791</b>
*Attributable to:		
Equity holders of the parent company	<b>6,196</b>	5,655
Minority interests	<b>257</b>	136
	<b>6,453</b>	<b>5,791</b>

## CONSOLIDATED BALANCE SHEET

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012
<b>Assets</b>								
<b>Non-current assets</b>								
Intangible assets	36,479	38,592	109	106	0	0	36,588	38,698
<i>Tangible assets</i>								
Property, plant and equipment	52,146	54,084	87	105	0	0	52,233	54,189
Assets under operating leases	17,013	21,263	13,714	12,543	(5,055)	(4,784)	25,672	29,022
<i>Financial assets</i>								
Investments in joint ventures and associated companies	4,377	4,523	0	0	0	0	4,377	4,523
Other shares and participations	1,944	1,614	6	6	0	0	1,950	1,620
Non-current customer-financing receivables	727	600	49,466	47,329	(6,401)	(6,773)	43,792	41,156
Deferred tax assets	12,326	15,106	840	770	0	0	13,166	15,876
Prepaid pensions	11	0	11	0	0	0	22	0
Non-current interest-bearing receivables	550	653	34	0	(104)	(316)	480	337
Other non-current receivables	3,017	3,334	128	127	(208)	(373)	2,937	3,088
<b>Total non-current assets</b>	<b>128,590</b>	<b>139,769</b>	<b>64,395</b>	<b>60,986</b>	<b>(11,768)</b>	<b>(12,246)</b>	<b>181,217</b>	<b>188,510</b>
<b>Current assets</b>								
Inventories	40,964	39,741	189	352	0	0	41,153	40,093
<i>Current receivables</i>								
Customer-financing receivables	679	797	40,854	39,946	(1,464)	(910)	40,069	39,833
Tax assets	1,692	978	57	35	0	0	1,749	1,013
Interest-bearing receivables	1,645	3,038	473	0	(1,209)	(464)	909	2,574
Internal funding	2,256	4,612	0	0	(2,256)	(4,612)	0	0
Accounts receivable	29,170	26,395	245	121	0	0	29,415	26,516
Other receivables	12,207	11,753	1,383	2,651	(936)	(2,114)	12,654	12,290
Non interest-bearing assets held for sale	8,102	-	-	-	-	-	8,102	-
Interest-bearing assets held for sale	2	-	-	-	-	-	2	-
Marketable securities	2,570	3,129	21	1	0	0	2,591	3,130
Cash and cash equivalents	25,660	23,465	1,679	2,116	(371)	(374)	26,968	25,207
<b>Total current assets</b>	<b>124,947</b>	<b>113,908</b>	<b>44,901</b>	<b>45,222</b>	<b>(6,236)</b>	<b>(8,474)</b>	<b>163,612</b>	<b>150,656</b>
<b>Total assets</b>	<b>253,537</b>	<b>253,678</b>	<b>109,296</b>	<b>106,208</b>	<b>(18,004)</b>	<b>(20,720)</b>	<b>344,829</b>	<b>339,166</b>
<b>Equity and liabilities</b>								
<b>Equity attributable to the equity holders of the parent company</b>								
Minority interests	1,333	1,266	0	0	0	0	1,333	1,266
<b>Total equity</b>	<b>68,467</b>	<b>68,493</b>	<b>8,906</b>	<b>8,558</b>	<b>(8)</b>	<b>0</b>	<b>77,365</b>	<b>77,051</b>
<i>Non-current provisions</i>								
Provisions for post-employment benefits	12,249	18,772	73	63	0	0	12,322	18,835
Provisions for deferred taxes	324	2,971	2,082	1,879	0	0	2,406	4,850
Other provisions	6,005	5,545	183	187	2	8	6,190	5,740
<i>Non-current liabilities</i>								
Bond loans	46,585	43,092	0	0	0	0	46,585	43,092
Other loans	31,219	33,351	12,182	11,630	(6,537)	(6,553)	36,864	38,428
Internal funding	(34,027)	(33,990)	35,761	34,298	(1,734)	(308)	0	0
Other liabilities	14,315	13,828	665	742	(3,503)	(3,856)	11,477	10,714
Current provisions	11,246	10,916	58	50	0	10	11,304	10,976
<i>Current liabilities</i>								
Loans	46,806	45,456	6,705	6,393	(1,959)	(1,836)	51,552	50,013
Internal funding	(38,090)	(33,746)	39,659	38,600	(1,569)	(4,854)	0	0
Non interest-bearing liabilities held for sale	332	-	-	-	-	-	332	-
Interest-bearing liabilities held for sale	18	-	-	-	-	-	18	-
Trade payables	53,685	46,313	216	159	0	0	53,901	46,472
Tax liabilities	1,072	614	48	(154)	0	0	1,120	460
Other liabilities	33,331	32,063	2,758	3,803	(2,696)	(3,331)	33,393	32,535
<b>Total equity and liabilities</b>	<b>253,537</b>	<b>253,678</b>	<b>109,296</b>	<b>106,208</b>	<b>(18,004)</b>	<b>(20,720)</b>	<b>344,829</b>	<b>339,166</b>

## CONSOLIDATED CASH FLOW STATEMENT

### Fourth quarter

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Operating activities</b>								
Operating income (loss)	0.6	0.7	0.4	0.4	0.0	0.0	1.0	1.1
Depreciation tangible assets	2.0	1.6	0.0	0.0	0.0	0.0	2.0	1.6
Amortization intangible assets	2.5	0.9	0.0	0.0	0.1	0.0	2.6	0.9
Depreciation leasing vehicles	0.7	0.9	0.8	0.7	0.0	0.0	1.5	1.6
Other non-cash items	0.5	0.2	0.2	0.2	0.0	(0.1)	0.7	0.3
Total change in working capital whereof	8.8	6.7	(4.0)	(3.7)	0.0	1.3	4.8	4.3
<i>Change in accounts receivable</i>	(1.6)	1.0	0.0	0.1	0.0	0.1	(1.6)	1.2
<i>Change in customer financing receivables</i>	(0.3)	0.0	(4.5)	(3.8)	0.3	1.2	(4.5)	(2.6)
<i>Change in inventories</i>	3.0	5.4	0.0	0.0	0.0	0.0	3.0	5.4
<i>Change in trade payables</i>	7.3	0.2	0.1	(0.1)	0.1	0.1	7.5	0.2
<i>Other changes in working capital</i>	0.4	0.1	0.4	0.1	(0.4)	(0.1)	0.4	0.1
Interest and similar items received	0.1	0.1	0.0	0.0	0.0	0.2	0.1	0.3
Interest and similar items paid	(0.7)	(0.7)	0.0	0.0	0.1	(0.2)	(0.6)	(0.9)
Other financial items	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0
Income taxes paid	(0.5)	(0.8)	(0.1)	(0.2)	0.0	0.1	(0.6)	(0.9)
<b>Cash flow from operating activities</b>	<b>13.9</b>	<b>9.6</b>	<b>(2.7)</b>	<b>(2.6)</b>	<b>0.2</b>	<b>1.3</b>	<b>11.4</b>	<b>8.3</b>
<b>Investing activities</b>								
Investments in tangible assets	(2.7)	(3.3)	0.0	0.0	0.0	0.0	(2.7)	(3.3)
Investments in intangible assets	(0.8)	(1.5)	0.0	0.0	0.0	0.0	(0.8)	(1.5)
Investment in leasing vehicles	(0.4)	(0.6)	(2.3)	(2.2)	0.0	0.0	(2.7)	(2.8)
Disposals of fixed assets and leasing vehicles	0.3	0.5	1.0	0.5	0.0	0.0	1.3	1.0
<b>Operating cash flow</b>	<b>10.3</b>	<b>4.7</b>	<b>(4.0)</b>	<b>(4.3)</b>	<b>0.2</b>	<b>1.3</b>	<b>6.5</b>	<b>1.7</b>
Investments and divestments of shares, net							0.1	0.0
Acquired and divested operations, net							0.1	4.4
Interest-bearing receivables incl marketable securities							2.9	(2.0)
<b>Cash-flow after net investments</b>							<b>9.6</b>	<b>4.1</b>
<b>Financing activities</b>								
Change in loans, net							(3.5)	0.1
Dividend to AB Volvo shareholders							0.0	0.0
Dividend to minority shareholders							0.0	0.0
Other							0.0	(0.1)
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>6.1</b>	<b>4.1</b>
Translation difference on cash and cash equivalents							0.0	(0.1)
<b>Change in cash and cash equivalents</b>							<b>6.1</b>	<b>4.0</b>

**CONSOLIDATED CASH FLOW STATEMENT**

Year

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Operating activities</b>								
Operating income	<b>5.6</b>	16.1	<b>1.5</b>	1.5	<b>0.0</b>	0.0	<b>7.1</b>	17.6
Depreciation tangible assets	<b>6.2</b>	5.9	<b>0.0</b>	0.0	<b>0.0</b>	0.0	<b>6.2</b>	5.9
Amortization intangible assets	<b>5.0</b>	3.2	<b>0.0</b>	0.0	<b>0.1</b>	0.0	<b>5.1</b>	3.2
Depreciation leasing vehicles	<b>3.2</b>	2.9	<b>2.9</b>	2.7	<b>0.0</b>	0.0	<b>6.1</b>	5.6
Other non-cash items	<b>1.5</b>	0.8	<b>0.9</b>	0.6	<b>0.0</b>	0.0	<b>2.4</b>	1.4
Total change in working capital whereof	<b>(2.0)</b>	(9.2)	<b>(8.7)</b>	(14.6)	<b>(0.1)</b>	1.9	<b>(10.8)</b>	(21.9)
<i>Change in accounts receivable</i>	<b>(4.8)</b>	(1.2)	<b>(0.1)</b>	0.1	<b>0.0</b>	0.0	<b>(4.9)</b>	(1.1)
<i>Change in customer financing receivables</i>	<b>(0.1)</b>	0.2	<b>(8.9)</b>	(14.8)	<b>0.3</b>	1.9	<b>(8.7)</b>	(12.7)
<i>Change in inventories</i>	<b>(3.2)</b>	0.6	<b>0.1</b>	0.3	<b>(0.2)</b>	0.0	<b>(3.3)</b>	0.9
<i>Change in trade payables</i>	<b>7.9</b>	(7.6)	<b>0.1</b>	(0.1)	<b>0.0</b>	0.1	<b>8.0</b>	(7.6)
<i>Other changes in working capital</i>	<b>(1.8)</b>	(1.2)	<b>0.1</b>	(0.1)	<b>(0.2)</b>	(0.1)	<b>(1.9)</b>	(1.4)
Interest and similar items received	<b>0.4</b>	0.5	<b>0.0</b>	0.0	<b>0.0</b>	0.0	<b>0.4</b>	0.5
Interest and similar items paid	<b>(2.4)</b>	(2.8)	<b>0.0</b>	0.0	<b>0.0</b>	(0.1)	<b>(2.4)</b>	(2.9)
Other financial items	<b>(0.3)</b>	(0.3)	<b>0.0</b>	0.0	<b>0.0</b>	0.0	<b>(0.3)</b>	(0.3)
Income taxes paid	<b>(2.6)</b>	(4.7)	<b>(0.2)</b>	(0.7)	<b>0.0</b>	0.1	<b>(2.8)</b>	(5.3)
<b>Cash flow from operating activities</b>	<b>14.6</b>	<b>12.4</b>	<b>(3.6)</b>	<b>(10.5)</b>	<b>0.0</b>	<b>1.9</b>	<b>11.0</b>	<b>3.8</b>
<b>Investing activities</b>								
Investments in tangible assets	<b>(8.3)</b>	(9.3)	<b>0.0</b>	0.0	<b>0.0</b>	0.0	<b>(8.3)</b>	(9.3)
Investments in intangible assets	<b>(3.9)</b>	(5.3)	<b>0.0</b>	0.0	<b>0.0</b>	0.0	<b>(3.9)</b>	(5.3)
Investment in leasing vehicles	<b>(1.5)</b>	(3.6)	<b>(6.8)</b>	(6.5)	<b>0.1</b>	0.1	<b>(8.2)</b>	(10.0)
Disposals of fixed assets and leasing vehicles	<b>0.6</b>	0.9	<b>2.8</b>	2.2	<b>0.0</b>	0.0	<b>3.4</b>	3.1
<b>Operating cash flow</b>	<b>1.5</b>	<b>(4.9)</b>	<b>(7.6)</b>	<b>(14.8)</b>	<b>0.1</b>	<b>2.0</b>	<b>(6.0)</b>	<b>(17.7)</b>
Investments and divestments of shares, net							<b>0.0</b>	(1.2)
Acquired and divested operations, net							<b>0.9</b>	3.4
Interest-bearing receivables incl marketable securities							<b>0.5</b>	3.7
<b>Cash-flow after net investments</b>							<b>(4.6)</b>	<b>(11.8)</b>
<b>Financing activities</b>								
Change in loans, net							<b>13.0</b>	14.1
Dividend to AB Volvo shareholders							<b>(6.1)</b>	(6.1)
Dividend to minority shareholders							<b>(0.2)</b>	0.0
Other							<b>0.1</b>	0.0
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>2.2</b>	<b>(3.8)</b>
Translation difference on cash and cash equivalents							<b>(0.5)</b>	(0.8)
<b>Change in cash and cash equivalents</b>							<b>1.7</b>	<b>(4.6)</b>

**CONSOLIDATED NET FINANCIAL POSITION**

SEK M	Industrial operations		Volvo Group	
	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	<b>43,792</b>	41,156
Non-current interest-bearing receivables	<b>550</b>	653	<b>480</b>	337
Current interest-bearing assets				
Customer-financing receivables	-	-	<b>40,069</b>	39,833
Interest-bearing receivables	<b>1,645</b>	3,038	<b>909</b>	2,574
Internal funding	<b>2,256</b>	4,612	-	-
Interest-bearing assets held for sale	<b>2</b>	0	<b>2</b>	0
Marketable securities	<b>2,570</b>	3,129	<b>2,591</b>	3,130
Cash and cash equivalents	<b>25,660</b>	23,465	<b>26,968</b>	25,207
<b>Total financial assets</b>	<b>32,683</b>	<b>34,897</b>	<b>114,811</b>	<b>112,237</b>
Non-current interest-bearing liabilities				
Bond loans	<b>(46,585)</b>	(43,092)	<b>(46,585)</b>	(43,092)
Other loans	<b>(31,219)</b>	(33,351)	<b>(36,864)</b>	(38,428)
Internal funding	<b>34,027</b>	33,990	-	-
Current interest-bearing liabilities				
Loans	<b>(46,806)</b>	(45,456)	<b>(51,552)</b>	(50,013)
Internal funding	<b>38,090</b>	33,745	-	-
Interest-bearing liabilities held for sale	<b>(18)</b>	0	<b>(18)</b>	0
<b>Total financial liabilities</b>	<b>(52,511)</b>	<b>(54,163)</b>	<b>(135,019)</b>	<b>(131,534)</b>
<b>Net financial position excl post-employment benefits</b>	<b>(19,828)</b>	<b>(19,266)</b>	<b>(20,208)</b>	<b>(19,297)</b>
Provisions for post-employment benefits, net	<b>(12,238)</b>	(18,772)	<b>(12,300)</b>	(18,835)
<b>Net financial position incl post-employment benefits</b>	<b>(32,066)</b>	<b>(38,038)</b>	<b>(32,508)</b>	<b>(38,131)</b>

## CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Fourth quarter 2013	Year 2013
<b>Beginning of period</b>	<b>(42.8)</b>	<b>(38.0)</b>
Cash flow from operating activities	13.9	14.6
Investments in fixed assets	(3.9)	(13.7)
Disposals	0.3	0.6
<b>Operating cash-flow</b>	<b>10.3</b>	<b>1.5</b>
Investments and divestments of shares, net	0.1	0.0
Acquired and divested operations, net	0.2	0.4
Capital injections to/from Customer Finance operations	0.0	0.4
Currency effect	0.6	3.4
Dividend paid to AB Volvo shareholders	0.0	(6.1)
Dividend paid to minority shareholders	0.0	(0.2)
Remeasurements of defined benefit pension plans	(0.2)	6.0
Pension payments and costs, net	0.1	0.3
Other changes	(0.4)	0.2
<b>Total change</b>	<b>10.7</b>	<b>5.9</b>
<b>Net financial position at end of period</b>	<b>(32.1)</b>	<b>(32.1)</b>

## CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Year	
	2013	2012
<b>Total equity at end of previous period</b>	<b>77.1</b>	<b>85.7</b>
<b>IFRS transition effect</b>	<b>-</b>	<b>(8.8)</b>
<b>Total equity at beginning of period</b>	<b>77.1</b>	<b>76.9</b>
<b>Shareholders' equity attributable to equity holders of the parent company at beginning of period</b>	<b>75.8</b>	<b>75.8</b>
Income for the period	3.6	11.2
Other comprehensive income	2.6	(5.5)
<b>Total comprehensive income</b>	<b>6.2</b>	<b>5.7</b>
Dividend to AB Volvo's shareholders	(6.1)	(6.1)
Share-based payments	0.1	0.0
Transactions with minority interests	0.0	0.0
Other changes	0.0	0.4
<b>Shareholders' equity attributable to equity holders of the parent company at end of period</b>	<b>76.0</b>	<b>75.8</b>
<b>Minority interests at beginning of period</b>	<b>1.3</b>	<b>1.1</b>
Income for the period	0.2	0.2
Other comprehensive income	0.1	0.0
<b>Total comprehensive income</b>	<b>0.3</b>	<b>0.2</b>
Dividend	(0.2)	0.0
Minority regarding acquisitions and divestments	0.0	0.0
Other changes	0.0	0.0
<b>Minority interests at end of period</b>	<b>1.4</b>	<b>1.3</b>
<b>Total equity at end of period</b>	<b>77.4</b>	<b>77.1</b>

**KEY RATIOS**

<b>Industrial operations</b>	Year	
	2013	2012
Gross margin, %	<b>21.1</b>	22.1
Research and development expenses in % of net sales	<b>5.7</b>	5.0
Selling expenses in % of net sales	<b>10.1</b>	9.0
Administrative expenses in % of net sales	<b>2.2</b>	1.9
Operating margin excl. restructuring charges, % <sup>1,2</sup>	<b>2.4<sup>1</sup></b>	6.2 <sup>1,2</sup>
Operating margin, %	<b>2.1</b>	5.7
1 Restructuring charges included in the efficiency program.		
2 Other restructuring charges for comparison reasons.		
	<b>Dec 31 2013</b>	Dec 31 2012
Return on operating capital, %, 12 months rolling values	<b>5.9</b>	16.7
Net financial position at end of period, SEK billion	<b>(32.1)</b>	(38.0)
Net financial position excl. pensions at end of period, SEK billion	<b>(19.8)</b>	(19.3)
Net financial position in % of total equity at end of period	<b>(46.8)</b>	(55.5)
Net financial position excl. pensions in % of total equity at end of period	<b>(29.0)</b>	(28.1)
Total equity as percentage of total assets, end of period	<b>27.0</b>	27.0

<b>Customer Finance</b>	<b>Dec 31 2013</b>	Dec 31 2012
Return on shareholders' equity, %, 12 months rolling values	<b>12.1</b>	12.5
Equity ratio at end of period, %	<b>8.1</b>	8.1
Asset growth, % from preceding year end until end of period	<b>2.9</b>	7.1

<b>Volvo Group</b>	Year	
	2013	2012
Gross margin, %	<b>22.1</b>	22.7
Research and development expenses in % of net sales	<b>5.5</b>	4.9
Selling expenses in % of net sales	<b>10.5</b>	9.3
Administrative expenses in % of net sales	<b>2.2</b>	1.9
Operating margin excl. restructuring charges, % <sup>1,2</sup>	<b>2.9<sup>1</sup></b>	6.5 <sup>1,2</sup>
Operating margin, %	<b>2.6</b>	6.0
1 Restructuring charges included in the efficiency program.		
2 Other restructuring charges for comparison reasons.		
	<b>Dec 31 2013</b>	Dec 31 2012
Basic earnings per share, SEK, 12 months rolling values	<b>1.77</b>	5.61
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	<b>37.5</b>	42.2
Return on shareholders' equity, %, 12 months rolling values	<b>5.0</b>	14.7
Total equity as percentage of total assets, end of period	<b>22.4</b>	22.7

**SHARE DATA**

	Year	
	2013	2012
Basic earnings per share, SEK	<b>1.77</b>	5.61
Diluted earnings per share, SEK	<b>1.76</b>	5.61
Number of shares outstanding, million	<b>2.028</b>	2.028
Average number of shares during period, million	<b>2.028</b>	2.028
Average diluted number of shares during period, million	<b>2.030</b>	2.030
Number of company shares, held by AB Volvo, million	<b>100</b>	101
Average number of company shares, held by AB Volvo, million	<b>101</b>	101

## QUARTERLY FIGURES

SEK M unless otherwise stated					
<b>Industrial operations</b>	4/2012	1/2013	2/2013	3/2013	4/2013
<b>Net sales</b>	<b>68,934</b>	<b>56,380</b>	<b>70,830</b>	<b>63,312</b>	<b>74,898</b>
Cost of sales	(55,292)	(44,800)	(55,943)	(49,464)	(59,099)
<b>Gross income</b>	<b>13,642</b>	<b>11,580</b>	<b>14,887</b>	<b>13,848</b>	<b>15,799</b>
Research and development expenses	(3,805)	(3,626)	(3,596)	(3,711)	(4,191)
Selling expenses	(6,964)	(6,395)	(6,981)	(6,400)	(7,128)
Administrative expenses	(1,540)	(1,295)	(1,482)	(1,452)	(1,596)
Other operating income and expenses	(496)	(184)	23	(241)	(2,308)
Income (loss) from investments in joint ventures and associated companies	16	42	(6)	63	(3)
Income from other investments	(44)	(20)	1	(39)	27
<b>Operating income Industrial operations</b>	<b>809</b>	<b>101</b>	<b>2,846</b>	<b>2,069</b>	<b>600</b>
<i>Whereof restructuring charges <sup>1)</sup></i>	<i>(990)</i>	<i>(14)</i>	<i>(16)</i>	<i>(104)</i>	<i>(581)</i>
<b>Operating income excl. Restructuring charges, Industrial operations <sup>1)</sup></b>	<b>1,799</b>	<b>115</b>	<b>2,862</b>	<b>2,174</b>	<b>1,181</b>
<b>Customer Finance</b>					
Finance and lease income	2,507	2,351	2,386	2,350	2,452
Finance and lease expenses	(1,530)	(1,413)	(1,393)	(1,331)	(1,397)
<b>Gross income</b>	<b>977</b>	<b>937</b>	<b>993</b>	<b>1,019</b>	<b>1,055</b>
Selling and administrative expenses	(408)	(403)	(401)	(396)	(439)
Credit provision expenses	(184)	(161)	(224)	(293)	(244)
Other operating income and expenses	6	8	48	(3)	25
<b>Operating income Customer Finance</b>	<b>391</b>	<b>381</b>	<b>416</b>	<b>327</b>	<b>397</b>
<b>Volvo Group</b>					
<b>Operating income</b>	<b>1,200</b>	<b>482</b>	<b>3,262</b>	<b>2,398</b>	<b>996</b>
Interest income and similar credits	284	98	101	93	89
Interest expense and similar charges	(826)	(558)	(712)	(647)	(893)
Other financial income and expenses	49	(123)	229	(140)	45
<b>Income after financial items</b>	<b>706</b>	<b>(101)</b>	<b>2,880</b>	<b>1,704</b>	<b>237</b>
Income taxes	163	(147)	(795)	(288)	311
<b>Income for the period*</b>	<b>869</b>	<b>(248)</b>	<b>2,086</b>	<b>1,415</b>	<b>548</b>
*Attributable to					
Equity holders of AB Volvo	821	(304)	2,015	1,387	485
Minority interests	48	56	71	28	63
	<b>869</b>	<b>(248)</b>	<b>2,086</b>	<b>1,415</b>	<b>548</b>
<b>Key operating ratios, Industrial operations</b>					
Gross margin, %	19.8	20.5	21.0	21.9	21.1
Research and development expenses in % of net sales	5.5	6.4	5.1	5.9	5.6
Selling expenses in % of net sales	10.1	11.3	9.9	10.1	9.5
Administrative expenses in % of net sales	2.2	2.3	2.1	2.3	2.1
Operating margin excl. restructuring charges, % <sup>1)</sup>	2.6	0.2	4.0	3.4	1.6
Operating margin, %	1.2	0.2	4.0	3.3	0.8
<b>Depreciation, amortization and revaluation, included above</b>					
Product and Software development, amortization	741	706	762	877	937
Goodwill, revaluation for Volvo Rents					1,458
Other intangible assets, amortization	133	81	81	73	79
Tangible assets, depreciation	3,266	2,766	3,015	3,030	3,557
<b>Total</b>	<b>4,140</b>	<b>3,553</b>	<b>3,858</b>	<b>3,980</b>	<b>6,030</b>
Of which					
Industrial operations	3,423	2,849	3,127	3,276	5,221
Customer Finance	716	705	731	704	809
<b>Total</b>	<b>4,140</b>	<b>3,553</b>	<b>3,858</b>	<b>3,980</b>	<b>6,030</b>
<b>Research and development expenses</b>					
Capitalization	1,304	1,172	1,140	542	766
Amortization	(635)	(610)	(650)	(768)	(804)
<b>Net capitalization of research and development expenses</b>	<b>669</b>	<b>562</b>	<b>489</b>	<b>(226)</b>	<b>(38)</b>



## QUARTERLY FIGURES

Share data	4/2012	1/2013	2/2013	3/2013	4/2013
Earnings per share, SEK <sup>2</sup>	0.41	(0.15)	0.99	0.68	<b>0.24</b>
Number of shares outstanding, million	2,028	2,028	2,028	2,028	<b>2,028</b>
Average number of shares during period, million	2,028	2,028	2,028	2,028	<b>2,028</b>
Number of company shares, held by AB Volvo, million	101	101	101	100	<b>100</b>

Net sales	4/2012	1/2013	2/2013	3/2013	4/2013
SEK M					
Trucks	46,990	37,031	46,234	43,248	<b>51,961</b>
Construction Equipment	12,572	12,136	16,019	12,278	<b>13,005</b>
Buses	5,384	3,482	4,008	3,705	<b>5,512</b>
Volvo Penta	1,754	1,839	2,159	1,775	<b>1,777</b>
Corporate Functions, Group Functions & Other	2,718	2,554	3,170	3,094	<b>3,592</b>
Eliminations	(485)	(662)	(760)	(787)	<b>(949)</b>
<b>Industrial operations</b>	<b>68,934</b>	<b>56,380</b>	<b>70,830</b>	<b>63,312</b>	<b>74,898</b>
Customer Finance	2,507	2,351	2,385	2,350	<b>2,452</b>
Reclassifications and eliminations	(630)	(387)	(459)	(783)	<b>(708)</b>
<b>Volvo Group</b>	<b>70,811</b>	<b>58,344</b>	<b>72,756</b>	<b>64,880</b>	<b>76,642</b>

Operating income excl. restructuring charges	4/2012	1/2013	2/2013	3/2013	4/2013
SEK M					
Trucks	1,882	115	1,851	1,893	<b>2,965</b>
Construction Equipment	235	500	1,324	496	<b>272</b>
Buses	(22)	(88)	11	(164)	<b>50</b>
Volvo Penta	13	100	290	165	<b>72</b>
Corporate Functions, Group Functions & Other	(290)	(516)	(617)	(239)	<b>(2,198)</b>
Eliminations	(17)	4	3	23	<b>20</b>
<b>Industrial operations</b>	<b>1,799</b>	<b>115</b>	<b>2,862</b>	<b>2,174</b>	<b>1,181</b>
Customer Finance	391	381	416	327	<b>397</b>
<b>Volvo Group</b>	<b>2,190</b>	<b>496</b>	<b>3,278</b>	<b>2,502</b>	<b>1,577</b>

Restructuring charges	4/2012	1/2013	2/2013	3/2013	4/2013
Trucks	(880)	(14)	(16)	(100)	<b>(549)</b>
Construction Equipment	-	-	-	-	-
Buses	(110)	-	-	-	-
Volvo Penta	-	-	-	-	-
Corporate Functions, Group Functions & Other	-	-	-	(4)	<b>(32)</b>
<b>Industrial operations</b>	<b>(990)</b>	<b>(14)</b>	<b>(16)</b>	<b>(104)</b>	<b>(581)</b>
Customer Finance	-	-	-	-	-
<b>Volvo Group</b>	<b>(990)</b>	<b>(14)</b>	<b>(16)</b>	<b>(104)</b>	<b>(581)</b>
<b>Volvo Group <sup>1</sup></b>	<b>1,200</b>	<b>482</b>	<b>3,262</b>	<b>2,398</b>	<b>996</b>

Operating margin excl. restructuring charges	4/2012	1/2013	2/2013	3/2013	4/2013
%					
Trucks	4.0	0.3	4.0	4.4	<b>5.7</b>
Construction Equipment	1.9	4.1	8.3	4.0	<b>2.1</b>
Buses	(0.4)	(2.5)	0.3	(4.4)	<b>0.9</b>
Volvo Penta	0.7	5.4	13.4	9.3	<b>4.0</b>
<b>Industrial operations</b>	<b>2.6</b>	<b>0.2</b>	<b>4.0</b>	<b>3.4</b>	<b>1.6</b>
<b>Volvo Group</b>	<b>3.1</b>	<b>0.9</b>	<b>4.5</b>	<b>3.9</b>	<b>2.1</b>
<b>Volvo Group <sup>1</sup></b>	<b>1.7</b>	<b>0.8</b>	<b>4.5</b>	<b>3.7</b>	<b>1.3</b>

<sup>1</sup> Restructuring charges are presented separately; see section Efficiency program for restructuring charges included in the Efficiency program.

<sup>2</sup> Earnings per share are calculated as Income for the period (excl minority interests) divided by the weighted average number of shares outstanding during the period.

## ACCOUNTING PRINCIPLES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted are consistent with those described in the 2012 Annual Report for the Volvo Group. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act.

The parent company applies the Annual Accounts Act and RFR 2 Reporting for legal entities. Application of RFR 2 entails that in interim reporting for legal entities, the parent company is to apply all IFRSs and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act, and taking into account the connection between accounting and taxation.

### New accounting principles in 2013

As from January 1, 2013 Volvo applies the following new accounting standards:

*IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interest in Other Entities, IFRS 13 Fair value measurement, revised IAS 27 Separate Financial Statements, revised IAS 28 Investments in Associates and Joint Ventures, revised IAS 1 Presentation of financial statements, amendment to IFRS 7 Financial instrument: Disclosures and the amendment to IAS 19 Employee Benefits.*

The major accounting changes are:

– The joint ventures of the Volvo Group are accounted for using the equity method, as the formerly applied proportional method is no longer a valid accounting choice according to IFRS 11. The equity share in the joint venture VE Commercial Vehicles (VECV) is recognized at 45.6%. The 8.4% share in the other joint partner, the listed company Eicher Motors Ltd., is accounted for as other shares and participations and is revalued over other comprehensive income.

– The Volvo Group ceases to account for defined pension liabilities using the so called corridor method in accordance with IAS 19. Changes in the net defined pension liability or asset are instead recognized in profit or loss and other comprehensive income when they occur.

– The Volvo Group changes the presentation of the hedging effects on firm flows to be included in the finance net. They were previously reported within operating income.

The new accounting principles are applied retrospectively and hence the income statement and balance sheet for 2012 have been adjusted accordingly. Note 31 in the Volvo Group Annual Report 2012 describes the content of the new accounting principles, that are material for the Volvo Group, in more detail and presents the effect of the new principles on the quarterly consolidated income statement and balance sheet, net financial position and segment reporting for the comparative year 2012. The Annual Report is available at [www.volvogroup.com](http://www.volvogroup.com)

## EFFICIENCY PROGRAM

The Volvo Group has decided to combine a number of actions into a Group-wide efficiency program. The program encompasses both reduction of white collar employees and consultants and efficiency enhancements in the global industrial system. The actions' common feature is that they are the result of the implementation of the Group's three-year strategies and that they are designed to enhance efficiency and competitiveness.

It is estimated that the program will entail restructuring costs totaling approximately SEK 5 billion, whereof approximately SEK 0.5 billion is expected to have no impact on cash flow. The majority of the restructuring charges are expected to impact operating income during 2014. Savings are expected to amount to approximately SEK 4 billion

annually, and will generate results gradually in 2014, with full effect achieved by the end of 2015.

As from the third quarter 2013 operating cost related to the efficiency program is presented separately, when relevant for operational follow-up. As a result, in this report operating income and operating margin is presented both including and excluding restructuring charges. The cost included in the efficiency program includes all restructuring cost, not only cost that meet the definition of restructuring provisions. The cost is recognized as Other operating income and expense in the Group's Income statement.

In the fourth quarter 2013, SEK 581 M related to the efficiency program is presented separately. Some of the, in previous quarters, recognized restructuring cost are

included in the efficiency program. A major part of the restructuring cost recognized in the fourth quarter 2012, is related to the efficiency program. Of the SEK 990 M restructuring costs recognized in the fourth quarter 2012 approximately SEK 600 M is related to the efficiency program and concerns Group Trucks Sales & Marketing EMEA. In the fourth quarter 2013, the SEK 581 M recognized is related to the relocation of cab trim operations from Umeå to Gothenburg, the closure of the engine crankshaft machining plant in Leganes and the consolidation of the industrial footprint in Japan.

Please refer to the CEO comments and the description of important events in this report for information on the announced activities within the program.

### Efficiency program cost, provision and cash-flow

SEK billion

whereof  
items with  
no cash-flow  
effect

#### Total restructuring cost, efficiency program

Announced total restructuring cost	5.0	0.5
Cost recognized		
Previous quarters*	0.7	0.1
Current quarter	0.6	0.4
Total cost recognized	1.3	
<b>Remaining restructuring cost to be recognized</b>	<b>3.7</b>	<b>0.0</b>

#### Restructuring provision, efficiency program fourth quarter 2013

Opening balance	0.5
Utilized	(0.1)
New provision	0.1
<b>Closing balance</b>	<b>0.5</b>

\* From fourth quarter 2012

## CORPORATE ACQUISITIONS AND DIVESTMENTS

At the end of the fourth quarter there are assets of SEK 8,104 M and liabilities of SEK 350 M reclassified as assets and liabilities held for sale. This mainly refers to the process to divest Volvo Rents in North America, the divestment took place January 31, 2014. The Volvo Group sold Volvo Rents to the US private equity firm Platinum Equity for approximately SEK 7.0 billion. At closing on January 31, 2014, net financial debt in the Volvo Group's Industrial Operation was reduced by the same amount. In the fourth quarter 2013 a loss of SEK 1.5 billion was

recognized in operating income within the segment "Group functions, corporate functions and other". Net sales for Volvo Rents in 2013 amounted to SEK 4,212 M and operating income for the corresponding period amounted to negative SEK 133 M. In connection with the divestment Volvo Rents repaid their loans to Volvo Financial Services, the outstanding amount of loans as of December 31, 2013 was SEK 6 billion.

The divestment is in line with the strategic effort to focus on the core business for the Volvo Group.

There is also real estate amounting to SEK 1,014 M classified as assets held for sale at December 31, 2013.

Volvo has not made any acquisitions or other divestments during the fourth quarter that have had a significant impact on the Volvo Group.

## EXTENDED CURRENCY DISCLOSURES

Currency effect on operating income Industrial operations SEK M	Compared to fourth quarter 2012			Compared to third quarter 2013		
	Fourth quarter 2013	Fourth quarter 2012	Change	Fourth quarter 2013	Third quarter 2013	Change
Net flows in foreign currency			<b>(680)</b>			<b>(28)</b>
Realized gains and losses on hedging contracts <sup>1</sup>	3	2	<b>1</b>	3	6	<b>(3)</b>
Unrealized gains and losses on receivables and liabilities in foreign currency	(162)	16	<b>(178)</b>	(162)	(59)	<b>(102)</b>
Unrealized gains and losses on hedging contracts <sup>1</sup>	16	(2)	<b>18</b>	16	13	<b>2</b>
Translation effect on operating income in foreign subsidiaries			<b>(168)</b>			<b>3</b>
<b>Total currency effect on operating income Industrial operations</b>			<b>(1,007)</b>			<b>(128)</b>

<sup>1</sup> The currency effect from Volvo Aero has been excluded for 2012.

Applicable currency rates	Quarterly exchange rates		Close rates	
	Fourth quarter 2013	Fourth quarter 2012	December 2013	December 2012
BRL	2.86830	3.23760	2.78210	3.18850
CNY	1.06816	1.06640	1.07320	1.04560
EUR	8.86305	8.63560	8.95225	8.62585
JPY	0.06508	0.08246	0.06185	0.07569
USD	6.50875	6.66043	6.50965	6.51685

## FINANCIAL INSTRUMENTS

SEK M	Dec 31, 2013	
	Carrying value	Fair value
<b>Assets</b>		
<b>Financial assets at fair value through profit and loss<sup>1</sup></b>		
The Volvo Group's outstanding interest and currency risk derivatives (A)	2,542	2,542
The Volvo Group's outstanding raw materials derivatives	5	5
Marketable securities	2,591	2,591
	<b>5,138</b>	<b>5,138</b>
<b>Loans receivable and other receivables</b>		
Accounts receivable	29,415	-
Customer financing receivables <sup>2</sup>	83,861	-
Other interest-bearing receivables	509	-
	<b>113,785</b>	<b>-</b>
<b>Financial assets available for sale</b>		
Holding of shares in listed companies	1,490	1,490
Holding of shares in non-listed companies	460	-
	<b>1,950</b>	<b>1,490</b>
<b>Cash and cash equivalents</b>	<b>26,968</b>	<b>26,968</b>
<b>Liabilities</b>		
<b>Financial liabilities at fair value through profit and loss<sup>1</sup></b>		
The Volvo Group's outstanding interest and currency risk derivatives <sup>3</sup>	2,324	2,324
The Volvo Group's outstanding raw materials derivatives	55	55
	<b>2,379</b>	<b>2,379</b>
<b>Financial liabilities valued at amortized cost<sup>4</sup></b>		
Non current bond loans and other loans	83,309	86,888
Current bank loans and other loans	49,811	49,937
	<b>133,120</b>	<b>136,825</b>
<b>Trade Payables</b>	<b>53,901</b>	<b>-</b>

<sup>1</sup> IFRS 7 classifies financial instruments based on the degree that market values have been utilized when measuring fair value. All financial instruments measured at fair value held by Volvo are classified as level 2 with the exception of shares and participations, which are classified as level 1 for listed instruments and level 3 for unlisted instruments. Refer to Note 5 in the Volvo Group Annual Report 2012 for more information regarding valuation principles. None of these individual shareholdings is of significant value for Volvo. The valuation of level 2 instruments is based on market conditions using quoted market data existing at each balance sheet date. The basis for the interest is the zero-coupon-curve in each currency which calculates the present value of all the estimated future cash-flows. The fair value of forward exchange contracts is discounted to balance sheet date based on the forward rates for each currency as per balance sheet date.

<sup>2</sup> Volvo does not estimate the risk premium for the customer financing receivables and chooses therefore not to disclose fair value for this category.

<sup>3</sup> Includes a fair value of a loan related to hedge accounting negative SEK 1,157 M, netted against the derivative used to hedge the risk positive SEK 1,171 M (B).

<sup>4</sup> In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives amounting to negative SEK 1,899 M. These derivatives are presented as financial liabilities at fair value through profit and loss in the table above.

In accordance with Volvo Group policy, Volvo Group enters into netting agreement (primarily so called ISDA agreements) with all counterpart eligible for derivative transactions. The netting agreements provide the possibility for assets and liabilities to be set off under certain circumstances, such as in the case of

the counterpart's insolvency. These netting agreements have no effect on the financial result and position of the Volvo Group, since derivative transactions are accounted for on a gross-basis, with the exception of the derivatives described in note 3) of the above table. The Volvo Group's gross exposure from posi-

tive derivatives, amounting to SEK 3,713 M (A+B), is reduced by 41 % to SEK 2,203 M by netting agreements and cash deposits, so called CSA agreements. The Volvo Group is actively working with limits per counterpart in order to reduce risk for high net amounts towards individual counterparts.

## RELATED-PARTY TRANSACTIONS

Sales to associated companies amounted to SEK 515 M (405) and purchases from associated companies amounted to SEK 716 M (668) during the fourth quarter of 2013. As of December 31, 2013, receivables from

associated companies amounted to SEK 301 M (242) and liabilities to associated companies to SEK 707 M (632). Sales to joint ventures amounted to SEK 240 M (215) and purchases from joint ventures amounted

to SEK 102 M (17) during the fourth quarter of 2013. As of December 31, 2013, receivables from joint ventures amounted to SEK 143 M (91) and liabilities to joint ventures to SEK 58 M (108).

## RISKS AND UNCERTAINTIES

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favorable 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. Volvo works continuously to identify, measure and manage risk, and in some cases Volvo can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo's control, the aim is to minimize the consequences.

The risks to which the Volvo Group are 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 levels 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.

For a more elaborated account for these risks, please refer to the Risk Management section on pages 72-73 in the 2012 Annual Report for the Volvo Group. The Annual Report is available at [www.volvogroup.com](http://www.volvogroup.com).

### Risk updates for the period

Short-term risks, when applicable, are also described in the respective report per business area of this report.

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

Due to the present market conditions Volvo sees increased supplier risks where some suppliers are under financial pressure or have capacity constraints. Consequences thereof could be increased cost for Volvo or disruptions in production.

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 over-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. In April 2011, the Volvo Group's truck business in Korea and a number of other truck companies became the subject of an investigation by the Korean Fair Trade Commission. The Korean Fair Trade Commission has issued a decision, received by Volvo on December 19, 2013, imposing a fine in the amount of approximately SEK 104 M. 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 currently of the view that it is probable that the Group's result and cash flow may be materially adversely affected as a result of the ongoing investigation initiated in Europe. It is too early to assess the amounts and timing of the possible fines, and hence to what amount and when it could be accounted for. The Volvo Group has therefore not reported any contingent liability or any provision for the investigation initiated in Europe. The Volvo Group is cooperating fully with the authorities. It is otherwise referred to Note 24 of the Volvo Group Annual Report 2012, for a description of the legal proceedings and investigations the Group is currently involved in and subject to.

Total contingent liabilities as of December 31, 2013, amounted to a net amount of SEK 17,3 billion compared to SEK 17.8 billion as of December 31, 2012 and included contingent asset for 0.3 billion (same amount compared to December 31, 2012). A major part of the total contingent liabilities is related to credit guarantees issued as a result of sales in emerging markets.

The recognized amounts for contingent liabilities has not been reduced because of counter guarantees received and other collaterals in cases where a legal offsetting right does not exist. As of December 31, 2013 the estimated value of counter guarantees received and other collaterals, for example the estimated net selling price of used products, amounted to 3.8 billion compared to 4.2 billion as of December 31, 2012 and mainly pertained to credit guarantees and residual value guarantees.

## PARENT COMPANY

Income Statement SEK M	Fourth quarter		Year	
	2013	2012	2013	2012
<b>Net sales<sup>1</sup></b>	<b>244</b>	<b>203</b>	<b>659</b>	<b>670</b>
Cost of sales <sup>1</sup>	(244)	(203)	(659)	(670)
<b>Gross income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Operating expenses <sup>1</sup>	(314)	(231)	(1,057)	(978)
Income from investments in Group companies	(1,105)	3,158	(541)	3,151
Income from investments in joint ventures and associated companies	(31)	(20)	0	4
Income from other investments	(4)	4	1	9
<b>Operating income (loss)</b>	<b>(1,454)</b>	<b>2,911</b>	<b>(1,597)</b>	<b>2,186</b>
Interest income and expenses	(268)	(278)	(1,131)	(1,509)
Other financial income and expenses	(1)	(54)	(57)	(112)
<b>Income after financial items</b>	<b>(1,723)</b>	<b>2,579</b>	<b>(2,785)</b>	<b>565</b>
Allocations	831	5,628	831	5,628
Income taxes	39	(1,817)	333	(1,092)
<b>Income for the period</b>	<b>(853)</b>	<b>6,390</b>	<b>(1,621)</b>	<b>5,101</b>

<sup>1</sup> Of net sales in the fourth quarter, SEK 200 M (176) pertained to Group companies, while purchases from Group companies amounted to SEK 111 M (115).

Other comprehensive income				
<b>Income for the period</b>	<b>(853)</b>	<b>6,390</b>	<b>(1,621)</b>	<b>5,101</b>
<i>Items that may be reclassified subsequently to income statement:</i>				
Available-for-sale investments	359	134	415	313
<b>Other comprehensive income, net of income taxes</b>	<b>359</b>	<b>134</b>	<b>415</b>	<b>313</b>
<b>Total comprehensive income for the period</b>	<b>(494)</b>	<b>6,524</b>	<b>(1,206)</b>	<b>5,414</b>

Balance Sheet SEK M		
	Dec 31 2013	Dec 31 2012
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	38	52
Tangible assets	72	74
Financial assets		
Shares and participations in Group companies	60,763	56,832
Receivables from Group companies	59	83
Investments in joint ventures and associated companies	3,343	3,374
Other shares and participations	1,203	791
Deferred tax assets	2,550	1,964
Other long-term receivables	27	0
<b>Total non-current assets</b>	<b>68,055</b>	<b>63,170</b>
<b>Current assets</b>		
Short-term receivables from Group companies	8,951	12,406
Other short-term receivables	311	1,078
Cash and bank accounts	0	0
<b>Total current assets</b>	<b>9,262</b>	<b>13,484</b>
<b>Total assets</b>	<b>77,317</b>	<b>76,654</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	24,693	31,889
Untaxed reserves	5	4
Provisions	164	175
Non-current liabilities <sup>1</sup>	7	7
Current liabilities <sup>2</sup>	42,557	34,688
<b>Total shareholders' equity and liabilities</b>	<b>77,317</b>	<b>76,654</b>

<sup>1</sup> Of which SEK 7 M (7) pertains to Group companies.

<sup>2</sup> Of which SEK 42,032 M (34,164) pertains to Group companies.

Income from investments in Group companies for the fourth quarter includes dividends amounting to SEK 201 M (3) and write-downs of shareholdings of SEK 996 M (110). The year 2012 also included the gain on sales of shares in Volvo Aero AB. Allocations include Group contributions, net, of SEK 832 M (5,628).

As from January 1, 2013 the holding in the listed company Eicher Motors Ltd was revaluated to market value. Revaluation during the year has increased the value by SEK 415 M, recognized in other comprehensive income. The comparative figures for 2012 have been restated, which during the year resulted in an increase in other comprehensive income of SEK 347 M. Restatement of the value of the holding in Eicher Motors Ltd as of December 31, 2012 has resulted in an increase of Other shares and participations and Unrestricted shareholders' equity by SEK 543 M.

VE Commercial Vehicles Ltd, previously classified as an associated company in the Parent company, is from January 1, 2013 reclassified as a joint venture. This reclassification has not had any financial impact.

During the year subscription in Volvo Group Japan Co has been made by SEK 3,392 M. Shareholders' contribution has been given to Volvo Information Technology AB by SEK 600 M and to VNA Holding Inc by SEK 787 M, the latter in form of total shares in Prévost Car (US) Inc.

Investments in tangible assets amounted to SEK 37 M (74).

Financial net debt amounted to SEK 33,685 M at the end of the fourth quarter (27,042).

### Events after the balance sheet date

Volvo Rents was divested January 31, 2014, see section Corporate acquisitions and divestments for further information. No other significant events have occurred after the end of the fourth quarter 2013 that are expected to have a substantial effect on the Volvo Group.

### Proposed ordinary dividend of SEK 3.00 per share

For the full-year 2013, the Board proposes a dividend of SEK 3.00 per share, compared to SEK 3.00 per share the preceding year.

Göteborg, February 6, 2014  
AB Volvo (publ)

The Board of Directors

This report has not been reviewed by AB Volvo's auditors.

## DELIVERIES

Delivered Trucks	Fourth quarter			Year		
	2013	2012	Change in %	2013	2012	Change in %
<b>Group Trucks<sup>1</sup></b>						
Europe	<b>28,922</b>	23,660	22	<b>82,088</b>	84,355	(3)
Western Europe	<b>22,733</b>	17,748	28	<b>64,275</b>	63,730	1
Eastern Europe	<b>6,189</b>	5,912	5	<b>17,813</b>	20,625	(14)
North America	<b>12,773</b>	10,477	22	<b>44,755</b>	47,806	(6)
South America	<b>7,490</b>	6,493	15	<b>29,137</b>	23,443	24
Asia	<b>8,485</b>	8,727	(3)	<b>28,692</b>	31,757	(10)
Other markets	<b>3,943</b>	4,177	(6)	<b>15,602</b>	16,899	(8)
<b>Total Group Trucks</b>	<b>61,613</b>	<b>53,534</b>	<b>15</b>	<b>200,274</b>	<b>204,260</b>	<b>(2)</b>
Light duty (< 7 tons)	<b>3,919</b>	4,050	(3)	<b>13,188</b>	15,935	(17)
Medium duty (7-16 tons)	<b>4,849</b>	4,851	0	<b>16,779</b>	19,824	(15)
Heavy duty (>16 tons)	<b>52,845</b>	44,633	18	<b>170,307</b>	168,501	1
<b>Total Group Trucks</b>	<b>61,613</b>	<b>53,534</b>	<b>15</b>	<b>200,274</b>	<b>204,260</b>	<b>(2)</b>
<b>Non-consolidated operations</b>						
Eicher (100%)	<b>6,786</b>	10,079	(33)	<b>31,422</b>	39,063	(20)
DND (100%)	<b>32</b>	105	(70)	<b>213</b>	450	(53)
<b>Total volumes</b>	<b>68,431</b>	<b>63,718</b>	<b>7</b>	<b>231,909</b>	<b>243,773</b>	<b>(5)</b>
<b>Mack Trucks</b>						
Europe	-	19	(100)	<b>1</b>	45	(98)
Western Europe	-	-	-	<b>1</b>	-	-
Eastern Europe	-	19	(100)	-	45	(100)
North America	<b>4,696</b>	3,575	31	<b>18,244</b>	20,973	(13)
South America	<b>539</b>	946	(43)	<b>2,062</b>	2,886	(29)
Asia	<b>7</b>	-	-	<b>21</b>	30	(30)
Other markets	<b>262</b>	285	(8)	<b>971</b>	1,143	(15)
<b>Total Mack Trucks</b>	<b>5,504</b>	<b>4,825</b>	<b>14</b>	<b>21,299</b>	<b>25,077</b>	<b>(15)</b>
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	-	-	-	-	-	-
Heavy duty (>16 tons)	<b>5,504</b>	4,825	14	<b>21,299</b>	25,077	(15)
<b>Total Mack Trucks</b>	<b>5,504</b>	<b>4,825</b>	<b>14</b>	<b>21,299</b>	<b>25,077</b>	<b>(15)</b>
<b>Renault Trucks</b>						
Europe	<b>12,202</b>	11,430	7	<b>35,738</b>	41,181	(13)
Western Europe	<b>11,032</b>	10,086	9	<b>32,620</b>	36,162	(10)
Eastern Europe	<b>1,170</b>	1,344	(13)	<b>3,118</b>	5,019	(38)
North America	<b>72</b>	74	(3)	<b>196</b>	139	41
South America	<b>222</b>	414	(46)	<b>855</b>	1,266	(32)
Asia	<b>732</b>	1,225	(40)	<b>2,283</b>	4,076	(44)
Other markets	<b>1,289</b>	1,570	(18)	<b>4,884</b>	5,510	(11)
<b>Total Renault Trucks</b>	<b>14,517</b>	<b>14,713</b>	<b>(1)</b>	<b>43,956</b>	<b>52,172</b>	<b>(16)</b>
Light duty (< 7 tons)	<b>3,461</b>	3,543	(2)	<b>11,661</b>	13,941	(16)
Medium duty (7-16 tons)	<b>2,142</b>	2,229	(4)	<b>6,993</b>	7,460	(6)
Heavy duty (>16 tons)	<b>8,914</b>	8,941	0	<b>25,302</b>	30,771	(18)
<b>Total Renault Trucks</b>	<b>14,517</b>	<b>14,713</b>	<b>(1)</b>	<b>43,956</b>	<b>52,172</b>	<b>(16)</b>

<sup>1</sup> 2012 restated for new accounting rules, effective January 1, 2013, where 50/50 joint-ventures are consolidated using the equity method instead of the proportionate method.

The information is such that AB Volvo (publ) is obliged to make public pursuant to the Act on stock exchange and clearing activities (SFS 1992:543) and/or the Act on trade with financial instruments (SFS 1991:980). The information was distributed to media for publication on February 6, 2014 at 07:20 a.m.

This report contains forward-looking statements that reflect the Board of Directors' and management's current views with respect to certain future events and potential financial performance. Although the Board of Directors and the management believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business and operating initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

This report does not imply that the Company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with the NASDAQ OMX Stockholm, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.



	Fourth quarter			Year		
	2013	2012	Change in %	2013	2012	Change in %
<b>Volvo Trucks</b>						
Europe	16,720	12,211	37	46,349	43,129	7
Western Europe	11,701	7,662	53	31,654	27,568	15
Eastern Europe	5,019	4,549	10	14,695	15,561	(6)
North America	7,980	6,725	19	26,066	26,222	(1)
South America	6,682	5,092	31	26,038	19,158	36
Asia	3,693	3,863	(4)	12,150	11,636	4
Other markets	1,331	1,404	(5)	5,369	5,743	(7)
<b>Total Volvo Trucks</b>	<b>36,406</b>	<b>29,295</b>	<b>24</b>	<b>115,972</b>	<b>105,888</b>	<b>10</b>
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	700	534	31	1,865	1,781	5
Heavy duty (>16 tons)	35,706	28,761	24	114,107	104,107	10
<b>Total Volvo Trucks</b>	<b>36,406</b>	<b>29,295</b>	<b>24</b>	<b>115,972</b>	<b>105,888</b>	<b>10</b>
<b>UD Trucks<sup>1</sup></b>						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	25	103	(76)	249	472	(47)
South America	47	41	15	182	133	37)
Asia	4,053	3,639	11	14,238	16,015	(11)
Other markets	1,061	918	16	4,378	4,503	(3)
<b>Total UD Trucks</b>	<b>5,186</b>	<b>4,701</b>	<b>10</b>	<b>19,047</b>	<b>21,123</b>	<b>(10)</b>
Light duty (< 7 tons)	458	507	(10)	1,527	1,994	(23)
Medium duty (7-16 tons)	2,007	2,088	(4)	7,921	10,583	(25)
Heavy duty (>16 tons)	2,721	2,106	29	9,599	8,546	12
<b>Total UD Trucks</b>	<b>5,186</b>	<b>4,701</b>	<b>10</b>	<b>19,047</b>	<b>21,123</b>	<b>(10)</b>
<b>Non-consolidated operations</b>						
DND (100%)	32	105	(70)	213	450	(53)
<b>Total volumes</b>	<b>5,218</b>	<b>4,806</b>	<b>9</b>	<b>19,260</b>	<b>21,573</b>	<b>(11)</b>
<b>Eicher<sup>2</sup></b>						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
South America	-	-	-	-	-	-
Asia	6,786	10,079	(33)	31,422	39,063	(20)
Other markets	-	-	-	-	-	-
<b>Total Eicher</b>	<b>6,786</b>	<b>10,079</b>	<b>(33)</b>	<b>31,422</b>	<b>39,063</b>	<b>(20)</b>
Light duty (< 7 tons)	1,154	1,194	(3)	4,515	4,698	(4)
Medium duty (7-16 tons)	4,370	6,728	(35)	20,103	26,222	(23)
Heavy duty (>16 tons)	1,262	2,157	(41)	6,804	8,143	(16)
<b>Total Eicher</b>	<b>6,786</b>	<b>10,079</b>	<b>(33)</b>	<b>31,422</b>	<b>39,063</b>	<b>(20)</b>

<sup>1</sup> 2012 restated for new accounting rules, effective January 1, 2013, where 50/50 joint-ventures are consolidated using the equity method instead of the proportionate method.

<sup>2</sup> As of 2013 Eicher is reported under the equity method and consequently sales and deliveries are not consolidated in the Volvo Group.

**Further publication dates**

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Annual Report 2013	March 12, 2014 on the Group's website <a href="http://www.volvogroup.com">www.volvogroup.com</a>
Annual General Meeting 2014	April 2, 2014
Report on the first quarter 2014	April 25, 2014
Report on the second quarter 2014	July 18, 2014
Report on the third quarter 2014	October 24, 2014

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