THE VOLVO GROUP
ANNUAL REPORT 2013

ANNUAL REPORT

2013

EXTENSIVE PRODUCT RENEWAL

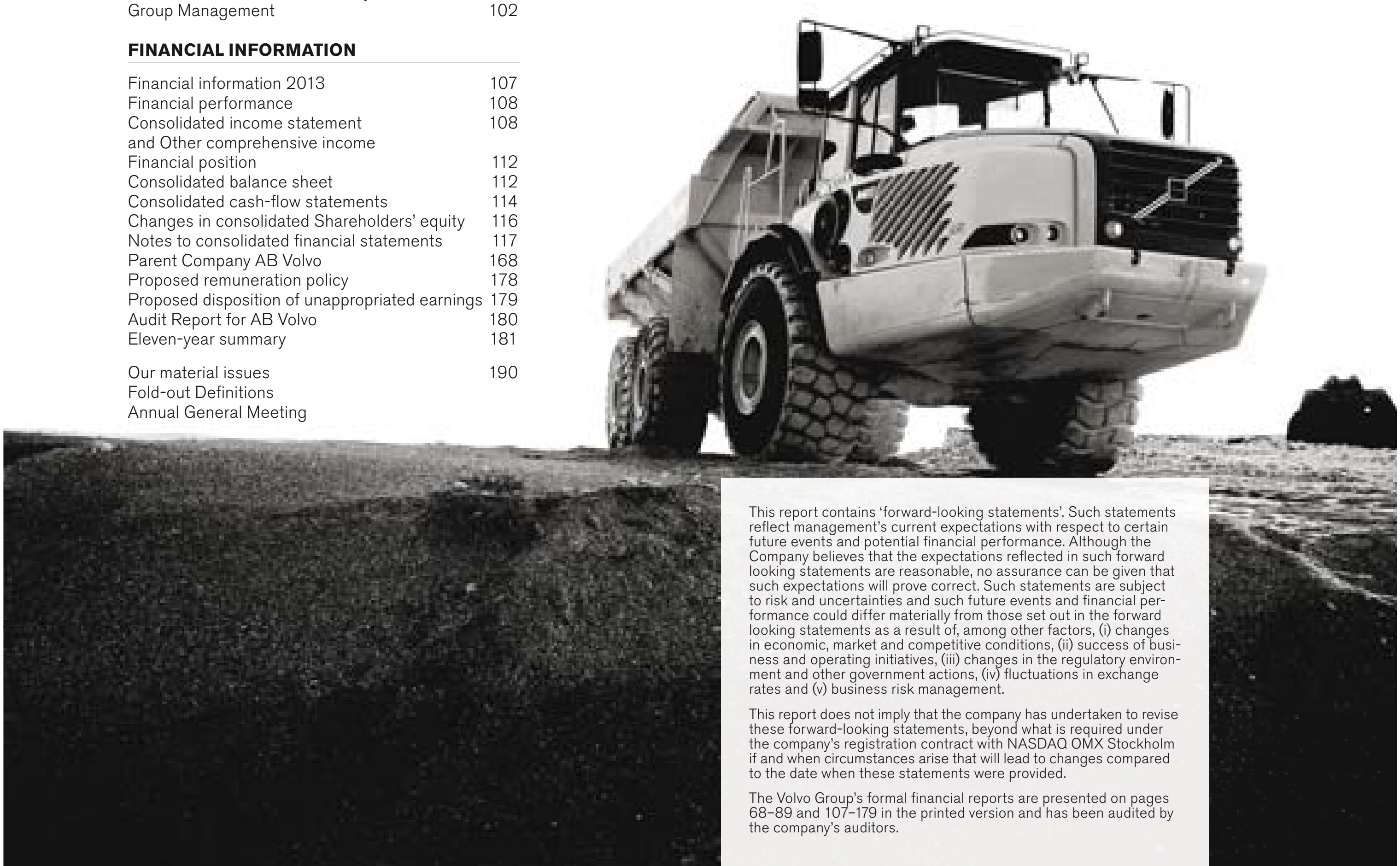
VOLVO

TOGETHER WE MOVE the WORLD

Without the type of products and services the Volvo Group provides, the societies where many of us live would not function. Like a circulatory system, our trucks, buses, engines, construction equipment and financial services are involved in many of the functions that most of us rely on every day.

For instance, according to our calculations, one in seven meals eaten in Europe reaches the consumers thanks to trucks from the Volvo Group rolling on the roads of the continent. Buses are the most common type of public transportation in the world, helping many people to reach work, school, vacations, friends and family. If all the Volvo buses in the world were to start at the same time, they would transport more than 10 million people. Our construction machines are used when building roads, houses, hospitals, airports, railroads, factories, offices, shopping centers and recreational facilities.

These are just a few examples. In this Annual Report, you can learn more about the Volvo Group – Together we move the world.



This report contains 'forward-looking statements'. Such statements reflect management's current expectations with respect to certain future events and potential financial performance. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove correct. Such statements are subject to risk and uncertainties and such future events and financial performance 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 NASDAQ OMX Stockholm if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

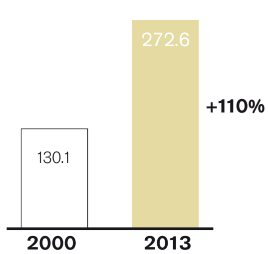
The Volvo Group's formal financial reports are presented on pages 68–89 and 107–179 in the printed version and has been audited by the company's auditors.

VOLVO GROUP

COMPLETE PARTNER

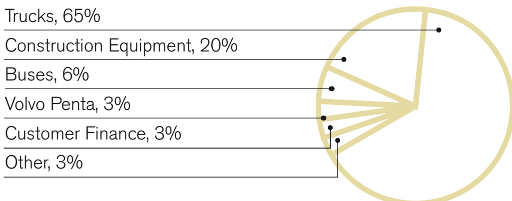
The Volvo Group is one of the world's leading manufacturers of trucks, buses, construction equipment and marine and industrial engines. The Group also provides complete solutions for financing and service. The Volvo Group, which employs about 110,000 people, has production facilities in 18 countries and sells its products in more than 190 markets. In 2013 the Volvo Group's sales amounted to about SEK 273 billion. AB Volvo's shares are listed on NASDAQ OMX Stockholm.

Volvo Group net sales
2000–2013, SEK bn



STRONG POSITIONS

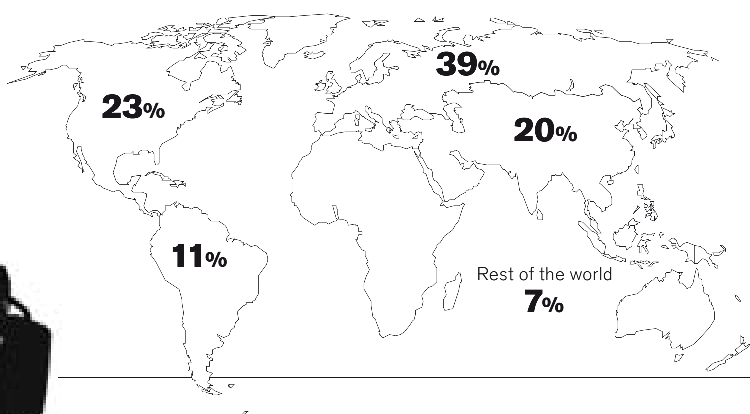
Share of net sales



- One of the world's largest manufacturers of trucks, buses and construction equipment.
- A leading independent supplier of marine and industrial engines.
- One of the world's largest manufacturers of heavy-duty diesel engines.
- Global market presence.

GLOBAL STRENGTH

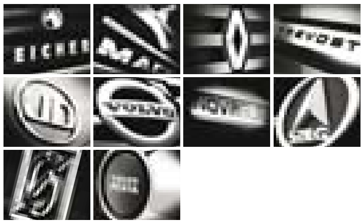
Share of net sales by market 2013



Since the streamlining towards commercial vehicles was initiated more than ten years ago, the Volvo Group has significantly strengthened its positions outside the traditionally big markets of Western Europe and North America. Positions have been moved forward by acquisitions in primarily Asia and expansion of the distribution and service networks in for instance Eastern Europe and South America. In the year 2000, markets outside of Western Europe and North America accounted for 16% of Group sales. In 2013 that share had grown to 45%.

STRONG BRANDS

By selling products under different brands, the Group can address many different customer and market segments in mature as well as growth markets.

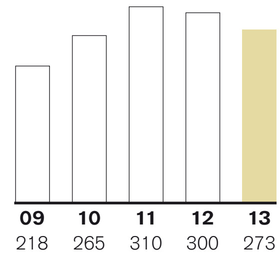


THE VOLVO GROUP 2013

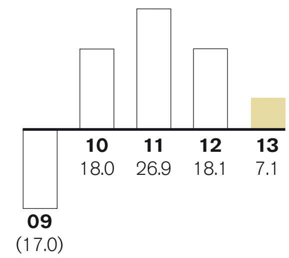
A year of product renewal

- Net sales declined by 9% to **SEK 272.6 billion** (299.8).
- Operating income excluding restructuring charges amounted to **SEK 7.9 billion** (19.6).
- Operating margin excluding restructuring charges amounted to **2.9%** (6.5).
- Net debt in the Industrial Operations amounted to **29.0%** of shareholders' equity.
- Proposed dividend of **SEK 3.00** per share (3.00).
- The **most extensive product renewal** in the Group's history.
- Group-wide **efficiency program** launched.

Net sales, SEK bn



Operating income, SEK bn



Key ratios	2013	2012[1]
Net sales, SEK M	**272,622**	299,814
Operating income excl. restructuring charges, SEK M	**7,854**	19,619
Operating margin excl. restructuring charges, %	**2.9**	6.5
Restructuring charges, SEK M	**(715)**[2]	(1,550)[2,3]
Operating income, SEK M	**7,138**	18,069
Operating margin, %	**2.6**	6.0
Income after financial items, SEK M	**4,721**	15,495
Income for the period, SEK M	**3,802**	11,378
Diluted earnings per share, SEK	**1.76**	5.61
Dividend per share, SEK	**3.00**[4]	3.00
Operating cash flow, Industrial Operations, SEK bn	**1.5**	(4.9)
Return on shareholders' equity, %	**5.0**	14.7
Number of permanent employees	**95,533**	96,137
Share of women, %	**17**	17
Share of women, Presidents and other senior executives, %	**19**	20
Employee Engagement Index, %	**76**	76
Energy consumption, MWh/SEK M	**9.6**	8.6
CO_2 emissions, tons/SEK M	**1.1**	0.8
Water consumption, m^3/SEK M	**21.9**	25.2
Share of direct material purchasing spend from CSR assessed suppliers, %	**72**	66

1 Comparative figures for 2012 are restated in accordance with new accounting principles. Read more in Note 31, Changes in the Volvo Group's Financial Reporting 2013.
2 Restructuring charges included in the efficiency program.
3 Other restructuring charges for comparison reasons.
4 According to the Board's proposal.

CEO COMMENT

A year of product renewal and the start of efficiency measures

The year 2013 was characterized by a very high activity level in the Volvo Group, with the largest product renewal in our history, the launch of a Group-wide efficiency program and measures to increase the focus on our core business.

The extensive product renewal that started with the launch of the new Volvo FH in the autumn of 2012 culminated in 2013. On the truck side we launched a completely new Volvo range in Europe, an all-new range of Renault Trucks, Euro 6 engines that significantly reduce emission levels, the heavy-duty UD Quester range for Asia and other growth markets and at the end of the year the Eicher Pro Series for India and other emerging markets. Volvo Construction Equipment and Volvo Penta launched engines that comply with the latest emission standards. Volvo Buses launched buses with Euro 6 engines, an updated coach program and an articulated hybrid bus.

Product renewal put pressure on earnings

During 2013, the product renewal put pressure on the Group's profitability, both in terms of costs associated with the launches as well as in research and development. Furthermore we had extra costs for changing the industrial system to the new products. By mid-year 2014 we will be through the industrialization of the new generations of trucks and the phase-out of the old generations. It is, however, already clear that the customer reception of the new generations of trucks has exceeded our expectations and we have entered into 2014 with a new product portfolio that really strengthens the Group's competitiveness.

A number of our markets were relatively weak during 2013, and the Group's net sales declined by 9% to SEK 272.6 billion compared with SEK 299.8 billion in the preceding year. Operating income amounted to SEK 7,138 M (18,069) and was impacted by lower volumes, negative currency development, costs associated with the extensive product renewal, restructuring charges and a write-down of Volvo Rents, which was divested in the beginning of 2014.

Despite the costs associated with the extensive product renewal we maintained our financial position. At the end of the year the Industrial Operations' net financial debt was 29% of equity, which is below our target of a maximum of 35% under normal conditions. The Board of Directors proposes an unchanged dividend of SEK 3.00 per share.

Efficiency measures

We also continued to have a high pace in the implementation of the measures connected to the Group's strategy for 2013–2015. We decided to combine a number of measures under a Group-wide efficiency program, including a structural reduction of white-collar employees and consultants, a restructuring of the industrial footprint in Europe and Japan, a more streamlined sales and service organization for trucks in Europe and a reorganization of the parts distribution globally. These measures are the consequence of the transformation that the Group is undergoing and aim to increase our efficiency and competitiveness. The program will result in restructuring costs totaling approximately SEK 5 billion. Annual savings are estimated at SEK 4 billion which will gradually generate results during 2014 and achieve their full effect by the end of 2015.

Strengthening our core business

During the year, we made a number of strategic decisions aimed at strengthening our core business. In January 2013, we signed an agreement to acquire 45% of the Chinese company Dongfeng Commercial Vehicles. Through this alliance, we will get a very strong position in the Chinese truck market, which is the world's largest. In early January 2014, the National Development and Reform Commission (NDRC) in China approved the strategic alliance. Completion is subject to certain other conditions, including the approvals from other Chinese authorities, but we aim to conclude the deal by mid-year 2014.

In December we decided to divest Volvo Rents in North America, and the transaction was completed at the end of January. As a consequence net financial debt in the Volvo Group's Industrial Operations was reduced by SEK 7.0 billion. Volvo CE will continue to sell products to Volvo Rents under the new ownership.

We also announced the acquisition of the Terex Corporation's rigid and articulated hauler business, which will strengthen Volvo CE's position in the important earthmoving segment and extend the presence in light mining. The deal, which is subject to regulatory approval, is expected to be finalized during the second quarter of 2014.

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. As I am writing this, 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, personnel reductions and measures to improve capital efficiency. All of this will play an important part in the work to provide a good return on the capital our shareholders have invested in the company and to achieve the Group's strategic and financial targets – to be one of the most profitable companies in our industry. This will also provide us with the maneuverability to continue to invest in product development, growth in new markets and ultimately to achieve our vision to become the world-leader in sustainable transport solutions.

Olof Persson
President and CEO

> We have entered into 2014 with a new product portfolio that really strengthens the Group's competitiveness.

2012	REORGANIZATION & STRATEGY
2013	EXTENSIVE PRODUCT RENEWAL
2014	EXECUTE EFFICIENCY PROGRAM & DRIVE ORGANIC GROWTH
2015	DELIVER PROFITABILITY IMPROVEMENT

READ MORE ABOUT OUR STRATEGY STARTING ON PAGE 10

TRANSPORT NEEDS TODAY AND TOMORROW

OPPORTUNITIES in our BUSINESS LANDSCAPE

The world evolves at a rapid pace, making it more important than ever for the Volvo Group to have an informed understanding of our global operating environment. As part of our business and sustainability strategies, we continually analyze megatrends and regional variations to assess their impact on our Group and to seek new business development opportunities.

From our perspective, the most significant trends driving our work to sustainably meet transport and infrastructure needs today and tomorrow are:

1. Demographic growth and urbanization
2. Climate change
3. Resource scarcity
4. Safety and security
5. Competition for skills.

Long-term challenges

1 Demographic growth and urbanization

Today over seven billion people live on the planet. By 2025 the United Nations Population Fund expects there to be eight billion people and nine billion before 2050. Half the world's population already lives in cities. However, urbanization rates by region are not uniform. The 50% milestone will be reached in Asia in 2020, but Africa will not be urbanized to this level until about 2035. These trends are driving an urgent and growing need for transportation and better infrastructure that address the social and environmental challenges of congestion, noise and pollution, and provide solutions adapted to regions at different stages of development.

2 Climate change

There is widespread agreement that the burning of fossil fuels, including oil and diesel, is a major source of greenhouse gas emissions, which causes climate change. A sustainable transport sector must respond by improving fuel efficiency and moving towards lower carbon alternatives. This challenge is driving interest and opportunities in electromobility as well as alternative and renewable fuels that reflect the varying availability of natural resources, infrastructure, political will and incentives in different regions.

3 Resource scarcity

Population growth, industrialization, urbanization and economic growth place mounting demands on the use of the planet's finite capital. Resource efficiency and finding ways to reuse materials and energy in product lifecycles is increasingly important for industry.

Examples of our solutions

City Mobility program
Through our City Mobility program, we are working collaboratively with public transport and distribution decision makers in numerous cities around the world to develop and apply new technologies and transport solutions, such as hybrid and electric vehicles.

Reducing emission, improving results
Our commitment to the WWF Climate Savers program ensures that we look for every opportunity to reduce carbon emissions from our products and production facilities. For example, we consider every aspect of the fuel efficiency and emissions equation, including engines, tractor weight, fuel type and driver behavior. This leads to new solutions with improved environmental, economic and social benefits for our truck, bus, construction equipment and engine customers.

Reducing waste and building sustainability into manufacturing and products
We work consistently with lean methodologies with a resource efficiency focus. This means implementing ways to use less material and energy, reduce waste and recycle materials. We reuse engines and components through our remanufacturing operations. With regard to energy reduction, one example is our 2013 achievement in establishing the world's first CO_2 neutral construction equipment facility in Braås, Sweden. Underscoring our commitment, the Volvo Group uses more and more lightweight materials in our product design and more materials and methods to reduce the use of potentially harmful substances in our products. The new Volvo FH cab, for instance, has been designed to offer a healthier atmosphere for the driver, by minimizing volatile organic compound (VOC) emissions from materials used in the interior, as well reducing small particles entering the cab through the climate system.

Long-term challenges

4

Safety and security

Every year, according to the World Health Organization, there are more than 1.2 million road traffic fatalities and as many as 50 million people are injured in traffic. The WHO predicts that traffic fatalities could be among the top five causes of death worldwide by 2030. The tragedy of traffic injuries and fatalities is accentuated by the fact that the problems are worst where resources to counteract them are the scarcest; for example, low and middle income countries account for the majority of traffic fatalities.

As more nations and organizations set increasingly ambitious goals for passenger and commercial traffic safety, there is a growing trend for authorities to regulate commercial vehicles and make certain safety systems mandatory. As population and economies grow, the rising number of vehicles to transport increasing volumes of goods adds to the widespread risk of theft of both vehicles and goods. Safety and security, therefore, continues to be a key focus for the transport and infrastructure industry.

5

Competition for skills

The transport and infrastructure industry requires a broad range of competences, from engineering and technical skills to management, leadership and financial skills. Multiple factors influence the availability of skilled employees for the industry, both today and in the future. These include falling interest in science, technology, engineering and mathematics (STEM) in some developed countries; limitations of the educational systems in some emerging markets; and the long-term decline in the number of people of working age in advanced markets.

Examples of our solutions

Smart vehicles and systems for safety and security
We invest in advanced research and development and collaborate with key partners to develop smart technology and vehicle safety and security solutions that improve conditions for drivers, road users, pedestrians, vehicles and cargo. As a global manufacturer of transport solutions, the Volvo Group works to help develop solutions adapted to the specific needs of each society and market and strives to find ways to collaborate on raising traffic safety standards.

A proactive and attractive employer
We see these challenges as an opportunity to create different ways of attracting and developing a competent talent pool. For example, in addition to improving the quality of training we offer in our established markets, we are now providing vocational training in growing markets. We also support many activities to increase young people's interest in STEM.

We are active in industries with long-term growth

The transportation industry is cyclical with swings up and down in the short term. Add new emission standards, political decisions and expectations about future business conditions, all of which impact customers' decisions to purchase now or wait until later. However, in the longer term, the industry's growth is closely linked to an increasing need for transportation as economies grow.

Closely linked to the GDP development
The Volvo Group is one part of the transport industry that connects production with consumption. We are what you might call the circulatory system. Demand for transport capacity and thus for many of the Group's products is closely linked to the GDP trend.

The extent of investment in infrastructure, which drives demand for building and construction equipment, is also closely linked to the GDP trend. Increased global wealth means that there is a long-term need to build roads, airports, railways, factories, offices, shopping centers, as well as housing and recreational facilities. The registrations of new trucks on a particular market often follows the same pattern as economic growth in the region.

– The transport industry is largely in tune with the overall economic development, but demand for our products is also to a large extent determined by expectations about the future business conditions, says Johan Adler, Head of Economic Research in the Volvo Group.

Short-term factors affecting demand
In the short term, demand is affected by a number of factors including fuel prices, interest rates, the implementation of new emission regulations, etc. New emission standards have traditionally resulted in more expensive, more technically complex trucks. This has often generated an advance purchasing effect, a pre-buy, as haulage companies have taken the opportunity to update their fleets just before the new regulations come into force. At the same time, new regulations have positive effects on the environment.

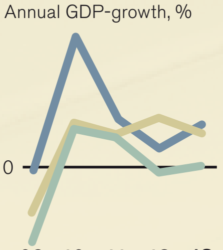
For instance, the EU moved to the Euro 6 emission standard at year-end 2013. The new standard entails significant cuts in emissions of nitrogen oxides and particulates, which is good for the environment. In order to reach these cuts, more advanced and thus more expensive engine technology is needed. During the autumn of 2013 there was an increase in demand for Euro 5 trucks as some customers chose to invest in these trucks ahead of the new emission standards.

Markets move at different paces
The transportation industry is directly linked to economic developments, but the global economies do not move at the same pace. Countries that are heavily dependent on exports, such as Sweden and Germany, are more affected when consumers in other countries tighten their belts. Countries like the USA and Brazil are also impacted by a slowdown, but to a lesser degree, as they have such large domestic markets and a relatively small part of what they produce is exported.

– The fact that the Volvo Group is global is an enormous advantage. If we had not been established on the growth markets, we wouldn't have been in the position we currently enjoy, says Johan Adler.

Growth rates in different parts of the world
According to Consensus Economics, global GDP grew by 2.4% in 2013 compared with 2.6% in 2012. GDP in the EU was flat following a decline of 0.4% in 2012. U.S. GDP increased by 1.9% (2.8%). Japan's GDP expanded by 1.7% (1.4%). Growth in countries such as Brazil, India and China continued to be relatively subdued in 2013. For 2014, global GDP is expected to grow by 3.1%. The expected acceleration in global GDP growth in 2014 is largely driven by the improvements in the U.S. and Europe.

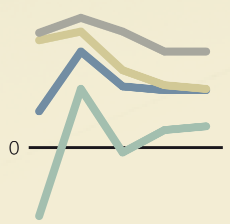
Economic growth in the U.S., Europe and Brazil
Annual GDP-growth, %



09	10	11	12	13	
(0.3)	7.5	2.7	1.0	2.4	Brazil
(4.5)	2.1	1.6	(0.4)	(0.0)	EU
(2.8)	2.5	1.8	2.8	1.9	The U.S.

Source: Consensus Economics

Economic growth in Asia
Annual GDP-growth, %

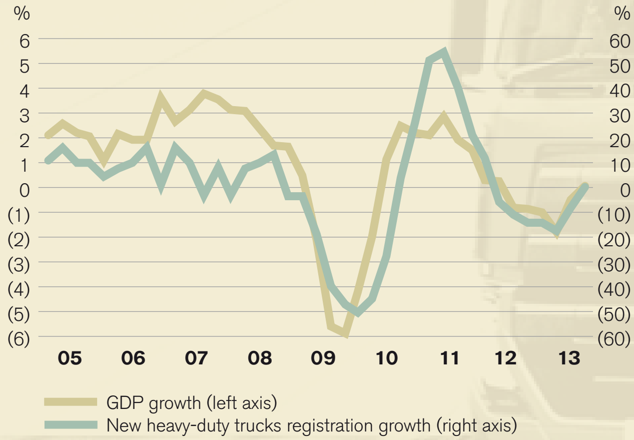


09	10	11	12	13	
9.2	10.4	9.3	7.7	7.7	China
8.6	9.3	6.2	5.0	4.7	India
2.9	7.7	4.9	4.6	4.6	Asia/ Pacific*
(5.5)	4.7	(0.4)	1.4	1.7	Japan

* China, Hong Kong, South Korea, Taiwan, Indonesia, Malaysia, Singapore, Thailand, Phillippines, Vietnam, Australia, New Zealand, India, Japan, Sri Lanka

Source: Consensus Economics

The Volvo business moves in close tandem with macroeconomic development
Euro area GDP and heavy-duty trucks registration growth



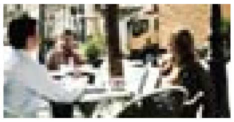
Volvo FE a flexible performer

How effectively will you work today? With features including a Volvo developed engine program and I-Shift transmission, the flexible new Volvo FE meets the challenges posed by city or regional distribution, light construction, utilities and refrigerated transport jobs with true efficiency.

STRATEGY

VISION
CORE VALUES
CODE OF CONDUCT
and
WANTED POSITION

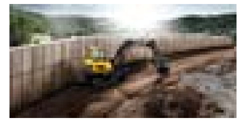
The Volvo Group is part of the global society as well as many local societies. This provides us with the opportunity to influence and contribute to social and business development. We strive to act responsibly, take into account the opinions of various stakeholders and create value for our shareholders and society. The vision is to become the world leader in sustainable transport solutions.



Our Vision

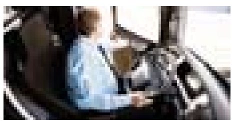
The Volvo Group's vision is to become the world leader in sustainable transport solutions by:

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



Our Wanted position 2020

- We are among the most profitable in our industry.
- We are our customers' closest business partners.
- We have captured profitable growth opportunities.
- We are proven innovators of energy-efficient transport and infrastructure solutions.
- We are a global team of high performing people.



Our Values

The Volvo Group views its corporate culture as a unique asset, since it is difficult for competitors to copy. By applying and strengthening the expertise and culture we have built up over the years, we can achieve our vision.

Quality, safety and environmental care are the values that form the Volvo Group's common base and are important components of our corporate culture. The corporate core values have a long tradition and permeate our organization, our products and our way of working. They are an important part of our commitment to corporate social responsibility.

Our Code of Conduct

The Code of Conduct is the mandatory, Group-wide policy for appropriate business behavior and responsibility towards our stakeholders, and is the backbone of the Group's CSR and sustainability commitment. The Code of Conduct outlines the Volvo Group's principles and minimum standard for conducting business in an appropriate, responsible and transparent manner. The policy consists of business ethics, human rights and social justice and environmental principles which shall be applied in policies, decisions and activities.

Quality

Quality is an expression of our goal to offer reliable products and services. In all aspects of our operations, from product development and production to delivery and customer support, the focus shall be on customers' needs and expectations. Our goal is to meet or exceed their expectations. With a customer focus based on everyone's commitment and participation, our aim is to be number one in customer satisfaction. This is based on a culture in which all employees are responsive and aware of what must be accomplished to be the best business partner.

Safety

Safety pertains to how our products are used in society. We have had a leading position in issues regarding safety for a long time; our goal is to maintain this position. A focus on safety is an integral part of our product development work. Our employees are highly aware of safety issues, and the knowledge gained from our internal crash investigations is applied in product development. Our goal is to reduce the risk of accidents and mitigate the consequences of any accidents that may occur as well as to improve the personal safety and the work environment of the drivers of our vehicles and equipment. Our long-term vision is zero accidents with Volvo Group products.

Environmental care

We believe that it is self-evident that our products and our operations shall have the lowest possible adverse impact on the environment. We are working to further improve energy efficiency and to reduce emissions in all aspects of our business, with particular focus on the use of our products. Our goal is for the Volvo Group to be ranked as a leader in environmental care within our industry. To achieve this goal, we strive for a holistic view, continuous improvement, technical development and efficient resource utilization.

Business ethics principles

Volvo Group strives for integrity and compliance with business ethics principles in all parts of our operations and prefers to work with component suppliers, consultants, distributors and other business partners that share the same values. The most important principles to apply and implement relate to anti-corruption, not facilitating money laundering, reporting in a transparent, truthful and timely manner, fair competition and compliance with tax rules.

Principles of human rights and social justice

Volvo Group shall support and respect the protection of internationally proclaimed human rights and make sure that the Group is not complicit in human rights abuses. Volvo Group's commitment to employees is that all employees shall be treated with respect and be offered equal opportunities, be provided the conditions for a safe and healthy work environment and have the right to join an association to represent their interests.

Environmental principles

Environmental care has been a corporate core value for the Volvo Group since 1972 and is an integrated part of daily business throughout the value chain. We strive to design our processes and products in such a way that energy, natural resources and raw material shall be used efficiently. We aim to avoid materials and methods posing environmental and health risks.

Strategic framework

Strategies can be viewed as maps that guide everyday work and decision-making in order to achieve the Volvo Group Wanted Position 2020 and the Vision. The strategies are part of the overall Volvo Group strategic framework. Corporate core values, Group policies, directives and guidelines lay the foundation for how the Volvo Group operates and conducts business.

All work within the Volvo Group is based on a sustainability perspective, which will contribute to long-term success. Assuming responsibility for a sustainable development is deeply rooted in our culture and has its base in our corporate core values and policies in the Group's Code of Conduct. We strive to assume economic, environmental and social responsibility for the operation, products and services in the areas where the Group has the potential to influence. This will enable us to strengthen our brands and relations with business partners and thus create new business opportunities that offer long-term growth and improved profitability.

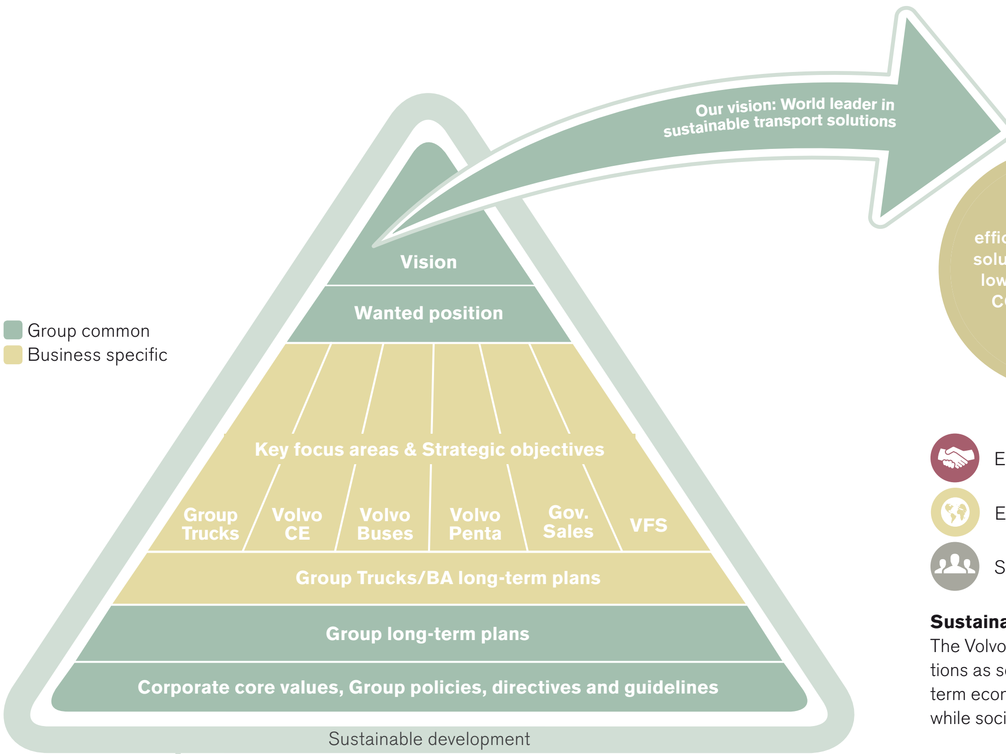
Long-term plans and strategic objectives
Long-term plans define the direction in a 5–15 year time perspective. They serve as a tool for management to drive change, protect strong positions and prioritize with regard to financial consequences. Examples include product plan, industrial plan, sales and marketing plans and service offering plan. The plans are aligned and reviewed regularly. Some long term-plans are Group common and some are specific to Group Trucks or an individual business area. The plans may impact activity plans for strategic objectives.

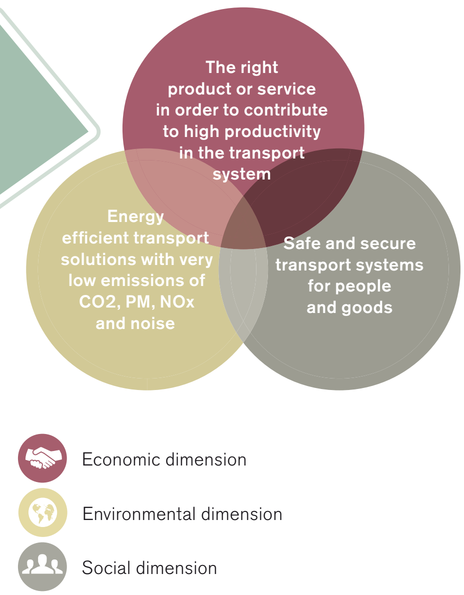
Strategic objectives are made on Group Trucks and business area-level, for one fixed three year period at a time. Each strategy consists of a number of key focus areas, which in turn contain strategic objectives. The strategic objectives are broken down into a large number of road maps and activity plans – ultimately affecting employee's Personal Business Plans.

Both the long-term plans and the strategic objectives aim to reach the Wanted Position, which consists of five statements that describe where the Group wants to be by the year 2020. They represent important milestones towards achieving the Vision.

Changed prerequisites
The Volvo Group has undergone a dramatic change in the past decade. The Group has grown considerably in emerging markets and has welcomed new employees and companies. As a consequence of this, the Group currently has operations in approximately 190 markets and employs about 110,000 individuals, who strive to create efficient and sustainable transport solutions.

Adaptation of governance
We have made extensive efforts to adapt the Volvo Group to the conditions and expectations of the business world and the future – and to achieve our wanted position by 2020. The efforts resulted in us taking a step toward governance as one Group with clarified roles and responsibilities. We have established a distinct brand portfolio and have moved from a regional focus with individual brands to a globally coordinated approach. In addition, we have created a more distinct distribution of responsibility with measurable targets. It is necessary to have all of this in place prior to the commencement of work based on the new strategies. Our structure for governance encourages close monitoring, as well as rapid and efficient decisions and early adjustments, when necessary. The system also aims to involve all employees, by clarifying how each individual is important to achieving the targets.





Sustainable Transport Solutions
The Volvo Group defines sustainable transport solutions as solutions that “improve the short and long term economic and environmental performance meanwhile social impact is considered”.

The Volvo Group’s CSR and sustainability model is represented by a pyramid that visually demonstrates the need to build upon a broad yet solid foundation of responsible and sustainable behavior in order to create and share value and reach our ultimate goal of becoming the world leader in sustainable transport solutions. Conducting our business in a responsible manner is essential for maintaining the Volvo Group’s reputation as a trustworthy company and is the foundation of our sustainability strategy. Compliance and risk management are actively integrated into our everyday business. Responsibility and sustainability are embedded in our corporate culture, values and Code of Conduct and every employee is responsible for upholding these principles.

Read more in the Volvo Group’s Sustainability Report 2013.

THE GLOBAL COMPACT

The Global Compact
In 2001, the Volvo Group signed Global Compact, UN’s initiative on socially responsible business practices. The Volvo Group’s principles for responsible business are stated in the Code of Conduct and are based on Global Compact among other.

Read more about the strategy for the period of 2013-2015 on the next page.

Strategy for the period of 2013–2015

The Volvo Group's long-term plans stake out the road to success – to our vision, our target, as well as our wanted position. Our corporate core values, focus areas, strategic objectives, road maps toward targets and activity plans will help us to achieve this as efficiently as possible. In 2012, a new strategy was launched for the period 2013–2015 aimed at achieving the Volvo Group's targets in the short term and staking out the road to the Group's wanted position and ultimately, our vision.

- Revised Group vision
- New financial targets
- New incentive program aligned with financial targets
- New strategic objectives
- New organization
- New management teams
- New process-oriented workflow
- New corporate governance
- New brand positioning

☑ 2012 REORGANIZATION & STRATEGY

☑ 2013 EXTENSIVE PRODUCT RENEWAL

2014 EXECUTE EFFICIENCY PROGRAM & DRIVE ORGANIC GROWTH

2015 DELIVER PROFITABILITY IMPROVEMENT

2013 EXTENSIVE PRODUCT RENEWAL

MASSIVE PRODUCT RENEWAL EXECUTED

- **Volvo** – New truck range to strengthen premium position
- **Renault Trucks** – New range to strengthen the brand and recapture market position
- **UD Trucks** – New Quester range changing the game across Asia-Pacific
- **Eicher** – New range to push heavy-duty trucks in India and for export
- **Volvo Construction Equipment** – new Tier 4f engines
- **Volvo Buses** – new Euro 6 engines, upgraded coach program and articulated hybrid bus
- **Volvo Penta** – new range of industrial engines

EFFICIENCY PROGRAM LAUNCHED

- Industrial footprint reorganization
- Parts logistics reorganization
- Product portfolio prioritization and alignment
- Structural reduction of 4,400 white-collar employees and consultants across the Group

These activities were launched in 2013 but will take effect in 2014 and 2015.

2014 EXECUTE EFFICIENCY PROGRAM & DRIVE ORGANIC GROWTH

ORGANIC GROWTH

- Leverage new Volvo Trucks range
- Secure price level on new Renault Trucks range and start to regain market shares
- Grow volumes in Southeast Asia for UD with the new Quester range
- Maintain positive momentum in Americas

EFFICIENCY

- Reduce structural headcount among white-collar employees and consultants
- Take down R&D costs
- Improve manufacturing productivity after product renewal
- Stop activities that do not create value for the customer
- Strengthen process efficiency

2015 DELIVER PROFITABILITY IMPROVEMENT

PROFITABILITY & ORGANIC GROWTH

- Finalize industrial parts logistics footprint optimization
- Deliver reduced product cost
  – Purchasing together with R&D
  – Manufacturing
- Continuously improved white-collar efficiency
- Push sales – leverage investment in product renewal

ENTER 2016 UTILIZING THE FULL POTENTIAL OF THE VOLVO GROUP

Truck operations' strategies

After 15 years of active acquisition strategy and streamlining to commercial vehicles, the Volvo Group has entered a new phase, with a focus on driving organic growth and improving profitability. In the strategy for 2013 – 2015, we have identified five focus areas that have particularly high impact on the truck operation, for which there are 20 strategic objectives. Each objective is clearly defined and measurable and is connected to both financial and operational key performance indicators (KPI's). In addition, there is a clearly defined responsible party for each individual strategic objective.

1

KEY FOCUS AREA 1:
Secure number 1 or 2 in profitability

We operate in a capital-intensive industry. Significant investments are necessary to simply comply with new regulations. Furthermore, a strong financial position affords us the opportunity to act, and to fund innovation and development, and our own expansion. To achieve this, we must excel in turning "volumes into profit" and capture the potential for efficiency that is associated with being a truly global player.

1.1 Increase vehicle gross profit margin per region by 3 percentage points

1.2 Reduce actual standard cost of sales on total cost for current offer by 10%

1.3 Decrease wholesale selling expenses to 5% of sales

1.4 Increase own dealer soft offer absorption rate by 10 percentage points

1.5 Reduce R&D cost (spending pace) to SEK 11.5 bilion

1.6 IT cost on 2% of Volvo Group total cost by 2015

2

KEY FOCUS AREA 2:
Strengthen customer business partnership

Success is based on being the best at solving our customers' problems and strengthening their operational performance. This is a key factor in building customer loyalty and becoming our customers' preferred business partner.

2.1 We will achieve 99% product availability contributing to "strengthen customer business partnership"

2.2 Drive retail excellence by implementation of an integrated customer interface tool

2.3 Each brand to rank number 1 on decided brand attributes in competitive set

3

KEY FOCUS AREA 3:
Capture profitable growth opportunities

We want to retain and strengthen our position as a profitable and global player in the truck industry. This is crucial given that high volumes help us achieve economies of scale and maintain our priority position among suppliers and dealers. Organic sales growth shall be equal to or exceed the weighted average for our competitors.

3.1 By optimizing the brand assets become number 1 or 2 in combined Group Trucks HD market share

3.2 Establish required commercial presence to support revenue growth by 50% in APAC (Asia Pacific) and 25% in Africa

3.3 Establish required Order to Delivery footprint and supply chain in APAC and Africa achieving lead time reduction by 15% and capital tied up reduction by 15%

3.4 Increase aftermarket sales per unit in operation by 12%, including total commercial solution offer for second and third owner

3.5 Build SEK 1 billion new businesses complementary to existing offering

4

KEY FOCUS AREA 4:
Innovate energy-efficient transport and infrastructure solutions

Environmental concerns, political demands, megacities and fuel prices are driving regulation and green technology. We must be able to anticipate and act on changing market demands and shifts in technology, and have the capacity to rapidly bring new solutions to market.

4.1 Fuel efficiency to be improved by 2% per annum through vehicle optimization, diesel efficiency and electromobility

4.2 Commercialize alternative fuel technology by launching concepts or products in all regions

5

KEY FOCUS AREA 5:
Build high performing global teams

To outperform competitors and achieve agreed objectives, we must attract and retain people with the right competencies across all of our businesses. Fully leveraging the existing in-depth business expertise and adopting best practices throughout our global organization will set us apart from the competition.

5.1 Become an attractive employer measured by reaching the employee engagement level (EEI) of high performing companies

5.2 Drive high performance measured by reaching performance excellence level (PEI) of high performing companies

5.3 Secure leadership and strategic competencies, primary focus is the implementation of Volvo Group University

5.4 Build an efficient and inclusive organization by implementing common global level 1 and 2 processes

Business Areas' strategies

Profitable growth is the main focus area for Volvo Construction Equipment, Volvo Buses, Volvo Penta and Volvo Financial Services for the strategic period 2013–2015. Here, the presidents of Volvo Buses, Volvo CE and Volvo Penta as well as Volvo Financial Services outline their respective strategies.

Volvo Buses

Continued expansion in rapidly growing markets in Asia, investment in electromobility and ongoing internal efficiency program are central elements in Volvo Buses' strategy to increase profitability through 2015.

– As we strengthen our presence in key growth markets, we are also establishing cooperation with cities around the world with respect to the development of efficient and environmentally adapted transport systems. There is an increasing interest in electric buses, which will represent an increasingly important part of our product portfolio, says Volvo Buses' President, Håkan Agnevall.

Since 2012, Volvo Buses has been working with well-defined focus areas for growth and internal efficiency enhancements. The trend is positive for the internal efficiency program, but, the total market for buses remained at low levels in 2013, which put pressure on Volvo Buses' profitability.

Volvo Buses' focus areas

- Number 1 in customer satisfaction.
- Profitable core market clusters.
- Soft product acceleration.
- Asia leverage.
- Profitable product portfolio.
- Manufacturing efficiency.
- Research and development efficiency.
- One company culture with high performing people and organization.

Volvo Construction Equipment

The first year of Volvo Construction Equipment's (Volvo CE) three-year strategy saw progress in a number of areas. Volvo CE maintained its leadership in the Chinese excavator and wheel loader market. Its SDLG brand also received a boost, with SDLG excavators now being built in Brazil and its wheel loaders introduced to the North American market. The made-for-China L105 wheel loader is the first of a series of Volvo-branded products that target the needs of customers in emerging markets.

Now under the leadership of new President Martin Weissburg, Volvo CE continues to grow its Customer Solutions business, helped by initiatives such as more affordable wear parts, broader attachment ranges and greater customer support agreement penetration.

Internally, Volvo CE continues to focus on excellence in leadership and efficiency of operations. New products are being developed faster and to a higher quality, the latter evidenced by a drop in warranty claims. This focus on quality and efficiency is not restricted to Volvo CE's own organization but extends to the entire supply chain, with suppliers and dealers.

Volvo CE's focus areas

- Profitably grow SDLG business globally.
- Develop Volvo-branded products for emerging markets.
- Significantly increase Customer Solutions revenues.
- Significantly increase dealer and supply chain capability.
- Increase share and profitability of road products.
- Increase gross margin per machine.
- Increase product portfolio development (PPD) efficiency.
- Deploy CAST globally (Common Architecture, Shared Technology).
- Develop, recognize and promote excellent leadership.

Volvo Penta

Volvo Penta's strategy is a customer and quality oriented growth strategy, focused on nurturing current customers and attracting new potentials with premium products.

– Marine Leisure will remain very important to our profitability over the next two years. During 2013 we continued to strengthen our position and increased our market share, and we are continuing to develop our Easy Boating concept – our award-winning glass cockpit is a good example of that, says President Björn Ingemanson.

However, the fastest growing business for Volvo Penta in the past decade has been sales of industrial engines, which currently represent about 50% of Volvo Penta's total sales value.

– Over the next two years, I think the area where we can make the greatest difference is in the Industrial segment. Our product lineup has never been more competitive within versatile industrial engines, i.e engines used in mining vehicles, stone crushers, cranes and forklift trucks, says Björn Ingemanson.

The other area with considerable potential for growth is the Marine Commercial segment, where there is an increased need for coastal surveillance and patrolling, passenger transports, supply vessels and offshore energy. Volvo Penta's objective is to double the business in this area by 2015. Volvo Penta is also to prepare for new markets, mainly in Asia but also in Africa and South America.

Volvo Penta's focus areas

- Grow the Industrial Versatile Engine (VE) business.
- Grow the Marine Commercial business.
- Leverage on growth in emerging markets.
- Build a world-class supply system.
- Build a customer- and quality-focused company culture.

Volvo Financial Services

Profitability, integrated offerings, increased opportunities for growth and leadership development – these are Volvo Financial Services' (VFS) cornerstones in the strategy for 2013–2015.

To ensure successful execution of its strategy, VFS has selected five key focus areas, according to Acting President, Scott Rafkin. These key focus areas will help guide VFS to higher levels of performance as a key element of the Volvo Group's success.

After one full year of execution towards the three year strategic objectives, VFS is on track and has achieved significant results. For example, further integration of Volvo Group products and services, including financial services, is critical for the efficient delivery of total customer solutions. VFS has invested in and executed world class point of sales processes and systems that have already made the total offer concept a reality. Further development is planned during the strategic period to achieve even higher levels of integration.

Many more opportunities exist for VFS to maximize its full potential in support of Volvo Group sales. Customer value and ease of doing business are at the heart of such initiatives and will continue to shape VFS activities throughout the strategic period.

Volvo Financial Services' focus areas

- Strengthen customer and dealer partnerships throughout product lifecycle.
- Capture profitable growth opportunities.
- Drive operational excellence in support of efficient customer solutions.
- Attract, develop and retain high-performing employees.
- Optimize shareholder return on equity.

Major activities that support the strategic objectives

The Volvo Group is in an intense period of activities supporting the strategic objectives. Below are the major activities initiated in 2012 and 2013.

Q4 2012

- Right-sizing of UD Trucks in Japan
  – 950 employees less as of Jan 1, 2013.
  Read more on page 63 »
- New sales and marketing organization for Trucks in Europe, Middle East and Africa (EMEA) announced. Implementation started on January 1, 2013.
  Read more on page 73 »

2012 **2013**

Q1 2013

- Agreement to acquire 45% of Dongfeng Commercial Vehicles in China.
  Read more on page 63 »
- Study initiated to optimize the European truck plant footprint.
  Read more on page 73 »
- Activities to improve profitability in Japan
  – new commercial organization
  – industrial consolidation.
  Read more on page 63 »

Q2 2013

- Complete renewal of Renault Trucks' product range started.
  Read more on page 54 »
- New Volvo FMX, Volvo FM, Volvo FE and Volvo FL launched.
  Read more on page 28 »
- Efficiency potentials identified, to be executed in coming quarters.

Q3 2013

- Group-wide efficiency program linked to the strategy
  - reduction of white-collar employees and consultants
  - efficiency enhancements in the global industrial system. Read more on page 69 »
  - directional decision to rationalize within Group staff and support functions by approximately 2,000 employees and consultants. Read more on page 70 »
  - directional decision to optimize the European truck manufacturing footprint. Read more on page 70 »
- Introduction of the new UD Quester range and the Volvo VM. Read more about the UD Quester on page 64 » and the Volvo VM in Brazil on page 59 »

Beginning of 2014

- NDRC approves strategic alliance in China with 45% ownership in Dongfeng Commercial Vehicles (DFCV). Read more on page 63 »
- The divestment of Volvo Rents finalized. Read more on page 57 »
- Reduction of white-collar employees and consultants. Read more on page 71 »

2014

Q4 2013

- Agreement regarding the divestment of Volvo Rents in North America. Read more on page 57 »
- Agreement regarding the acquisition of hauler business from Terex. Read more on page 77 »
- Launch of Eicher Pro Series in India and for export markets. Read more on page 63 »

Targets to secure improved Group profitability

The targets for the strategy period 2013–2015 was announced in autumn 2012. The overall target is that the strategy shall contribute to an improvement of the operating income of SEK 9 billion, corresponding to an operating margin improvement of 3 percentage points for the Group as a whole. The calculation below is based on Group sales of SEK 300 billion and truck sales of SEK 200 billion. The truck operation has the greatest impact on profitability.

STRATEGIC OBJECTIVES		EXPECTED IMPACT ON GROUP OPERATING MARGIN
Trucks' impact on Group	+	app. 4.0 percentage points
Business Areas: Volvo CE, Volvo Buses, Volvo Penta, Governmental Sales, Volvo Financial Services	+	app. 0.5 percentage points
IT cost at 2% of total Group costs	+	app. 0.5 percentage points
	=	app. 5.0 percentage points
	—	app. 2.0 percentage points in headwind factor
Targeted net improvement	=	app. 3 percentage points

+3 percentage points

Financial targets

Starting in 2012 new financial targets for the Volvo Group were implemented in which growth and profitability of the Group's various operations are measured and benchmarked annually against competitors. This creates a clear picture of how the operations are developing compared to the industry. Information on how the comparison with competitors is made is available under the heading Investors on www.volvogroup.com.

INDUSTRIAL OPERATIONS

TRUCKS AND BUSES

Target	Comparison group	Preliminary outcome*
The annual organic **sales growth** for the truck and bus operations shall be equal to or exceed a weighted-average for comparable competitors. Each year, **the operating margin** for the truck and bus operations shall be ranked among the top two companies when benchmarked against relevant competitors.	Daimler, Iveco, MAN, Navistar, Paccar, Scania and Sinotruk.* ** Navistar's and MAN's figures are based on rolling four quarters as of the third quarter of 2013 and Sinotruk's figures are based on rolling four quarters as of the second quarter of 2013.*	The organic **sales** decreased by 1.2% for the Volvo Group's truck and bus operations and was below the weighted average of 0.1% for the competitors. **The operating margin** of 1.6% for the Volvo Group's truck and bus operations was ranked number six in comparison with the competitors.

CONSTRUCTION EQUIPMENT AND VOLVO PENTA

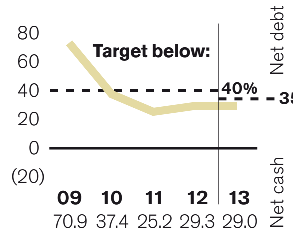
Target	Comparison group	Preliminary outcome*
The annual organic **sales growth** for the construction equipment operations and Volvo Penta, shall be equal to or exceed a weighted-average for comparable competitors. Each year, **the operating margin** for the construction equipment operations and Volvo Penta, shall be ranked among the top two companies when benchmarked against relevant competitors.	Brunswick, Caterpillar, CNH, Cummins, Deere, Hitachi, Komatsu and Terex.* ** Deere's and Terex's figures are based on rolling four quarters as of the third quarter of 2013.*	The organic **sales** decreased by 9.9% for the Volvo Group's construction equipment operations and Volvo Penta and was below the weighted average of a decline of 8.3% for the competitors. **The operating margin** of 3.8% for the Volvo Group's construction equipment operations and Volvo Penta was ranked number seven in comparison with the competitors.

INDUSTRIAL OPERATIONS

Target and outcome
The **Industrial Operations' net financial debt,** excluding pension obligations, shall be below 35% of shareholders' equity under normal conditions. At the end of 2013, the financial net debt amounted to 29.0% of shareholders' equity.

As of January 1, 2013, new accounting rules for employee benefits came into effect. As a consequence, AB Volvo's Board of Directors decided to exclude pension obligations from the target. The new target corresponds to the previous financial target of 40% in which pension obligations were included.

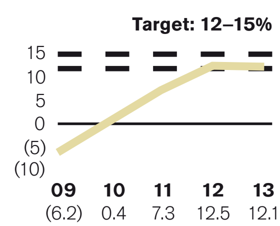
Net financial debt as a percentage of shareholders' equity, %



CUSTOMER FINANCE OPERATIONS

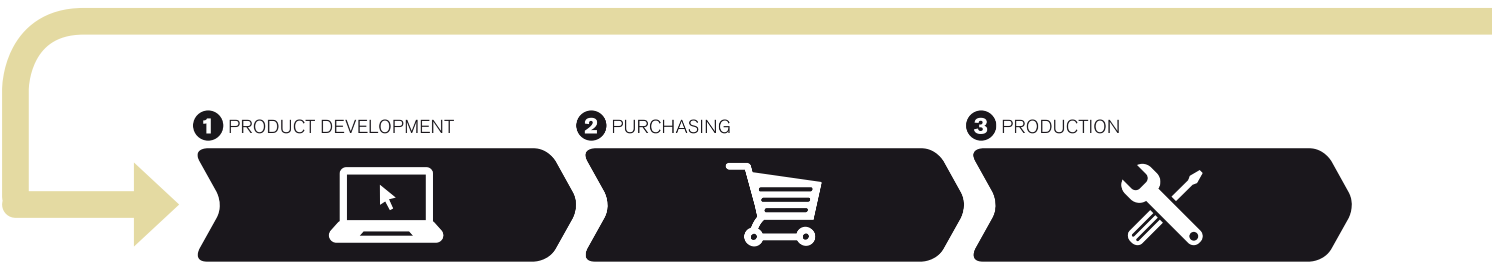
Target and outcome
The target for Customer Finance is a return on shareholders' equity of 12–15% and an equity ratio above 8%. The return on shareholders' equity for 2013 amounted to 12.1%. At year end 2013 the equity ratio was 8.1%.

Return on shareholders' equity, %



Creating value in every stage of the value chain

The Group is dependent on stakeholders to develop its competitiveness, in the same manner as its stakeholders are dependent on the Group in many respects. Accordingly, the Volvo Group strives, jointly with stakeholders, to create common values in a manner that is sustainable in the long-term.



VALUE CREATION

The Volvo Group's operation comprises several activities and products that create value for our stakeholders.

1 Product development

- Costs for research and development amounted to SEK 15.1 billion (14.6) for 2013, corresponding to 5.5% (4.9) of net sales.
- Product development is controlled by the needs of customers, legislation, changes in society and new technology.
- Safety and environmental issues are integrated in product development.
- More than 90% of the environmental impact from a truck occurs during use. Consequently, product development focuses on sustainable transport solutions.

2 Purchasing

- The Volvo Group has approximately 36,000 subcontractors in the first tier, of which about 6,000 supply components for the Group's products.
- In 2013, the Group made purchases of goods and services in an amount of SEK 192.2 billion (207.8).
- Corporate social responsibility is an integrated part of the purchasing process.
- One job within the Volvo Group generates a number of other job opportunities directly at subcontractors and indirectly in the rest of society.

3 Production

- At year-end 2013, the Volvo Group had 95,533 (96,137) employees and 14,794 (13,452) temporary employees and consultants, of whom 46,185 (47,272) employees and 6,201 (4,522) temporary employees and consultants were blue collar.
- The Volvo Group has 67 factories in 18 countries around the world.
- In 2013, the Volvo Group's wholly-owned truck operations delivered 200,300 (204,300) trucks. Furthermore, the Group delivered 8,900 (9,300) buses, 70,800 (75,500) units of construction equipment, 17,500 (17,200) marine engines and 17,700 (17,600) industrial engines.

SUSTAINABILITY PERSPECTIVE

The sustainability perspective is an integrated part of the Group's operation.

We work to reduce the environmental impact of our products and on developing energy efficient solutions for our customers. Each new product shall have less environmental impact than the product it replaces. The Group works continuously to improve the performance of products and our long-term research and development focuses on sustainable transport solutions, with a focus on transport efficiency, lower fuel consumption and thus lower emissions, as well as on alternative fuels, hybrid solutions, fully electric vehicles and Intelligent Transport Systems. This is profitable for the customer, good for the environment and a competitive advantage for the Volvo Group. Safety has been our guiding star since 1927. Our long-term vision is zero accidents with Volvo Group products. Our security program is focused on avoiding accidents and preventing injury to the driver and other parties involved but also on the development of reliable products and increased safety for people and goods.

Responsible purchasing involves encouraging correct behavior, managing risks and building long-term relations with our suppliers to improve social, environmental and business ethics in the supply chain. The Volvo Group strives to ensure that unethical values are not incorporated into our products and services, and we base our work on a minimum standard in our Code of Conduct. We believe that a high standard in our program for responsible sourcing will result in high productivity and stable long-term relations, which will benefit all parties.

Environmental work is governed by a common environmental policy. Another important tool is Volvo Production System, with methods for streamlining the operation and minimizing productivity losses and also tools for documenting work-related risks, indicators for measuring health and safety performance and methods for creating ergonomic workplaces. At the end of 2013, 94% of employees in production worked in units that are certified according to environmental and quality management systems, primarily ISO 14001 and ISO 9001.

INVESTMENTS A significant portion of the generated capital is transferred back into the operation. The capital is used for investing in activities to strengthen competitiveness and create long-term value for the Group and its stakeholders.

4 DISTRIBUTION AND SERVICE

- The Volvo Group's products are distributed through our own as well as independent dealerships.
- Since the year 2000 net sales for the Volvo Group has risen by 110% to SEK 272.6 billion in 2013.
- Selling expenses in the Industrial Operations amounted to SEK 26.9 (26.2) billion in 2013, corresponding to 10.1% (9.0) of sales. Administration expenses amounted to SEK 5.8 (5.5) billion, corresponding to 2.2% (1.9) of sales.

To meet society's need for efficient transport solutions, cooperation is necessary. It is in dialogue with our customers that we can fully understand what drives their businesses and how the Group can seize the opportunities to build our shared success. Customer satisfaction is not only about the quality and performance of our products, but also about how customers are treated and how services are delivered.

5 PRODUCTS IN USE

- Trucks manufactured by the Volvo Group transport goods and products, our buses are important parts of efficient transport systems and our industrial engines are used, for example, as reserve power in hospitals. These are only a few examples of our products' and services' contribution to society.
- More than 2 million trucks and 100,000 buses, which the Group manufactured in the past ten years, operate on roads worldwide. At construction sites, there are more than half a million units of construction equipment that we manufactured in the last ten years.

As a manufacturer of commercial transport solutions, our products play an important role in daily life and are important components in the transport system. The Group also participates in the development of efficient transport systems by such initiatives as Green corridors, Bus Rapid Transit (BRT) systems, renewable fuels and in discussions around transport-policy issues.

Most of the negative impact from our products occurs during the use phase, and therefore we strive to offer the right products and services to achieve energy-efficient and safe transport systems.

6 RE-USE

- Remanufactured components are important to the offering, which can help to reduce ownership and operating costs for customers.
- The Volvo Group takes into account resource efficiency and recycling potential already in the development of its products.
- The Volvo Group has manuals and other tools to assist disassembly workers extract the most from used vehicles.

The Volvo Group's products comprise largely of recoverable material. For example, our trucks consist of 85% recoverable material and are manufactured from as much as one third recycled material. Here, material strength is the limiting factor.

The Volvo Group also offers refurbished spare parts as an option to new, as a way to extend the useful life, household with resources and reduce costs for the customer.

The Volvo Group's income for the year amounted to SEK 3,802 M (11,378).

SHAREHOLDERS AB Volvo's shareholders normally receive a certain portion of the retained earnings in the form of a dividend, after consideration has been given to the Group's need for capital for continued development according to the strategies. The Board of Directors has proposed a dividend of SEK 3.00 (3.00) per share, corresponding to a total of SEK 6,084 M (6,083) for 2013.

VALUE BY STAKEHOLDER GROUP

SEK M	2013	2012
To suppliers – Purchases of goods and services	192,198	207,808
To employees – Salaries and remunerations[1]	36,212	39,179
To society – Social costs[1]	8,262	9,686
To society – Pension costs[1]	4,144	3,965
To society – Income taxes paid	2,823	5,366
To creditors – Interest paid	2,437	2,900
To the Volvo Group – Investments in tangible assets	8,281	9,338
To shareholders – Dividend	6,084[2]	6,083

1 For further information, please see note 27 to the consolidated financial statements.

2 According to the Board's proposal.

Taxes

The Group's Code of Conduct states that "The Volvo Group shall comply with the tax laws and regulations of each country in which it operates. Where tax laws do not give clear guidance, prudence and transparency shall be the guiding principles."

The Volvo Group does not take part in aggressive tax planning by placing subsidiaries in tax havens. In the period 2009–2012, SEK 11 billion or 79% of the Volvo Group's current taxes were paid in emerging market countries as defined by the IMF. In 2013 approximately SEK 2.2 billion or 70% of the current taxes were paid in emerging market countries.


VOLVO
VOLVO

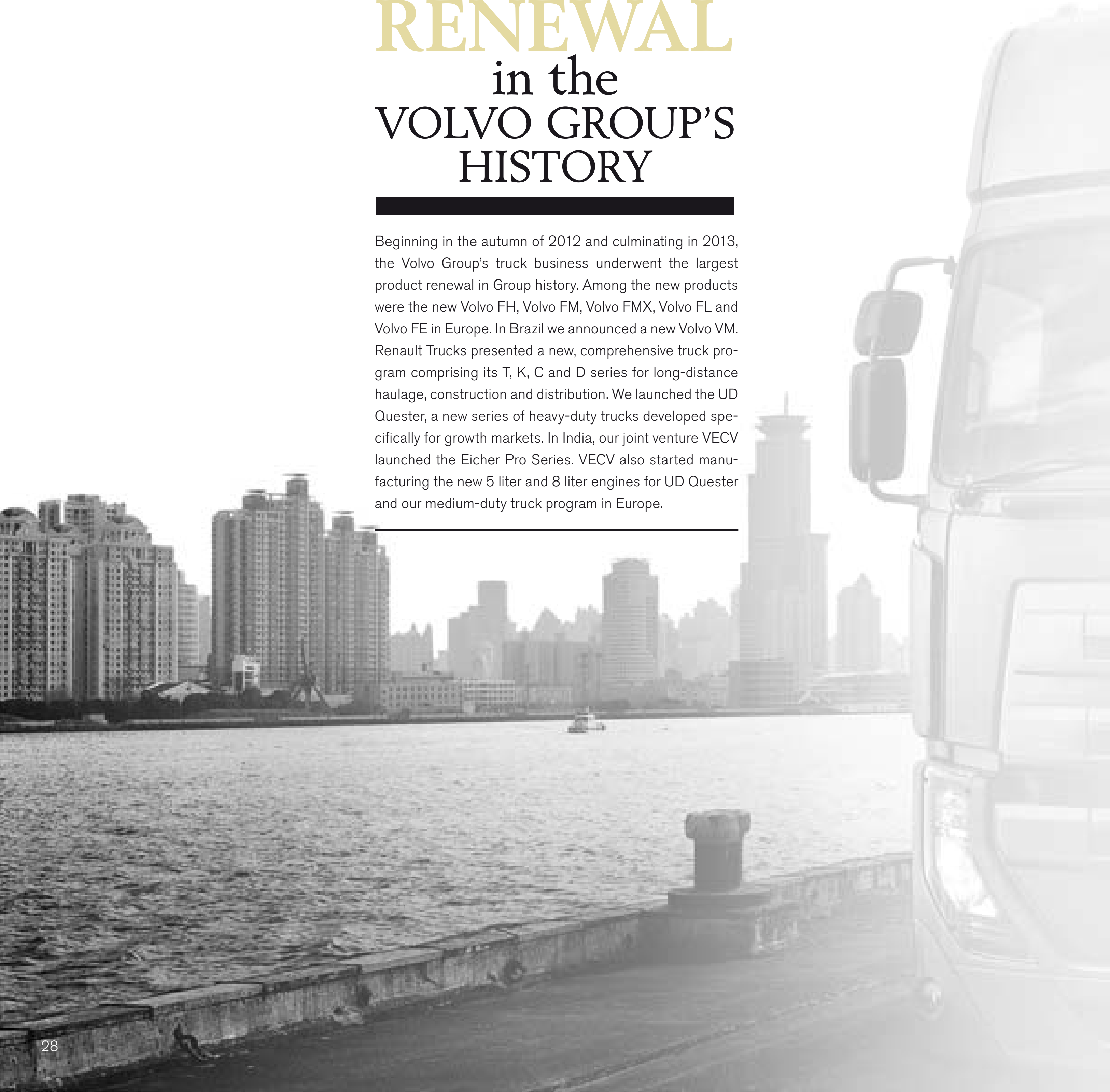
The Volvo Group introduces vocational training schools in Africa

In partnership with Sida and USAID, the Volvo Group will introduce vocational training schools for mechanics and vehicle operators in ten African countries. The aim is both to promote economic development in these countries and train a pool of mechanics that can service and support the Group's products.
Read more on page 43.

NEW PRODUCTS

THE LARGEST PRODUCT RENEWAL in the VOLVO GROUP'S HISTORY

Beginning in the autumn of 2012 and culminating in 2013, the Volvo Group's truck business underwent the largest product renewal in Group history. Among the new products were the new Volvo FH, Volvo FM, Volvo FMX, Volvo FL and Volvo FE in Europe. In Brazil we announced a new Volvo VM. Renault Trucks presented a new, comprehensive truck program comprising its T, K, C and D series for long-distance haulage, construction and distribution. We launched the UD Quester, a new series of heavy-duty trucks developed specifically for growth markets. In India, our joint venture VECV launched the Eicher Pro Series. VECV also started manufacturing the new 5 liter and 8 liter engines for UD Quester and our medium-duty truck program in Europe.



VOLVO

RENAULT TRUCKS

UD TRUCKS

EICHER

BRANDS

Strong brands are important assets

The Volvo Group does business under several leading and respected brands. These are strategic assets through which the Volvo Group delivers value propositions addressing the specific needs of customers around the world. The Volvo Group, as part of a brand portfolio strategy, is therefore working to further strengthen the image for its brands while simultaneously improving delivery on customer expectations. This will allow the Group to optimally address the total market.

Since taking the strategic decision to focus on commercial vehicles, the Volvo Group has built a strong portfolio of brands. Through direct ownership, licenses and joint ventures, the Group has access to a range of iconic and industry-leading names like Volvo, Mack, Renault Trucks, Volvo Penta, Nova and Prevost.

On the truck side, current product brands include Renault Trucks, Mack, UD Trucks, Volvo, as well as Eicher through the joint venture with Eicher Motors in India.

Volvo and SDLG branded construction equipment, Volvo, Sunwin (in a joint venture in Shanghai), Prevost and Nova branded buses and Volvo Penta marine and industrial engines make up the major product brands in the business areas.

Portfolio structure unlocks hidden potential

Leveraging our brand portfolio to increase market coverage is at the center of the new Group organization. The Volvo Group has gone from a decentralized brand-by-brand strategy, to utilizing a brand portfolio perspective.

By clarifying the purpose of each brand in the Group portfolio, we are going to increase market coverage and be able to strengthen relations with a broader customer base. This has meant taking a holistic approach to the markets, while previously each truck brand operated relatively independently and often towards the same customers.

Furthermore, we will be able to better utilize the other strategic assets we have built over time – global scale, industrial footprint, distribution networks, supply chains and customer relationships.

Specific segments and customers

During the past two years, the prerequisites to execute on a brand portfolio strategy have been worked on extensively within Group Trucks. This includes a common approach to market segmentation and linking various aspects of customer buying behavior to the individual brands. Every brand within the Volvo Group has a purpose and delivers a value proposition to a specific group of customers around the world.

At a global level, Volvo and Mack represent our premium brands, aimed at customers who choose a holistic view of the brand and associated product and service offer. Renault Trucks is positioned in the high-end space addressing customers who value total operational cost and network support. Outside of Japan, UD Trucks addresses the value segment, a new focus area for the Group, while UD Trucks in Japan is in the high-end segment. Eicher, which currently services the Indian market, will form the basis of the Group offering in the highly cost-competitive market segments.

With each truck brand being assigned a specific segment and customer base, Group Trucks can increase its market share and contribute to the overall growth of the Volvo Group. The brand-positioning project has also provided valuable input when the Group Trucks organization designed road maps to reach their strategic objectives.

New segments – new potential

Growth markets are an important part of the Volvo Group's strategy. These markets are drivers of long-term global growth and they offer a great deal of potential for quality trucks which balance operational cost with purchase price. We define this space as the value segment and are increasing our presence in this segment of the market.

UD Trucks has launched the Quester, Volvo Construction Equipment's SDLG brand is excelling, Volvo Buses is developing a bus for the value segment and Volvo Penta's sales of both industrial and marine engines are increasing in these market segments.

To succeed in the value segment various aspects of the business – from design to distribution – are being addressed. The investments in SDLG and the recent launch of the new UD Trucks branded heavy-duty truck range, the Quester, is a huge investment that establish a new platform targeted to this space and demonstrates the Group's commitment to the value segment.

TRUCK BRANDS – addressing the entire market

Eicher is one of the largest players in the Indian mainstream commercial vehicle market, with a strong image of fuel efficiency and profitability for the customers, leading the modernization of the commercial vehicle industry in India and in the emerging world.

UD Trucks markets medium-duty and heavy-duty trucks in Japan, Asia, Australia, Africa, Middle East and Latin America. UD Trucks' customer promise is "Going the Extra Mile".

Mack For more than a century Mack has been one of the largest manufacturers of heavy-duty trucks in North America, and focused on commercial vehicles from the start. Today, Mack is one of the strongest heavy-duty truck brands in the North American market.

Volvo The Volvo brand, which has been built up since 1928, enjoys a solid position worldwide. It is one of the world's best known and respected brands within trucks. It is associated with the Group's core values – quality, safety and environmental care.

Renault Trucks Since 1894, building on the legacy of French truck industry know-how, Renault Trucks supplies transport professionals with robust tools and robust relationships. The vehicles (from 2.8 tons to 120 tons) and services offering is adapted to different transport applications. Renault Trucks' main objective is to reduce operational costs for its customers.

BRANDS IN OTHER AREAS

Volvo The Volvo brand, which has been built up over decades, enjoys a solid position worldwide. It is one of the world's best known and respected brands within buses and construction equipment. It is associated with the Group's core values – quality, safety and environmental care.

Volvo Penta is one of the strongest and most global brand names in the engine industry. In addition to quality, safety and environment, Volvo Penta is associated with innovative and performance-oriented products.

SDLG is a leading brand in the Chinese construction machinery industry, especially for wheel loaders. The SDLG brand is sold primarily in China and other emerging markets and is now being introduced to selected mature markets, e.g. North America.

Nova Bus is a leading North American provider of sustainable transit solutions, including buses, high-capacity vehicles and integrated intelligent transportation systems.

Prevost is a leading North American manufacturer of premium touring coaches and bus shells for high-end motorhomes and specialty conversions.

Sunwin Bus is a leading Chinese bus producer and one of the world's largest manufacturers of fully electric buses. The Sunwin brand is sold primarily in China.

PRODUCT DEVELOPMENT

Development focusing on more efficient products

PRINCIPLES

The basic principle is that each new product shall have less impact on the environment than the product it replaces.

The Volvo Group's future success depends on its ability to continue to deliver innovative solutions and develop technologies that can be converted into financially viable products and services.

The year 2013 was intense in terms of product launches, particularly in the truck business. It involved the Group's most extensive product renewal to date, with a brand new series of Volvo trucks, a complete, new product program from Renault Trucks, a brand new range of heavy-duty trucks for emerging markets with the UD Quester and, at the end of the year, the Eicher Pro Series was launched featuring eleven new trucks and buses. All of these new products were developed with a focus on fuel efficiency and customer profitability.

Climate change is one of the greatest challenges faced by mankind. Research shows that transport is responsible for approximately 14% of the total greenhouse gas emissions caused by humans. As one of the world's largest manufacturers of commercial vehicles, the Volvo Group works to reduce CO_2 emissions from the use of its products.

Three areas of focus

The Group's product development is driven by the cost of and availability of fuel, as well as legislation in the environmental area. Therefore, the Volvo Group focuses its research and development on the development of energy-efficient drivelines, electromobility and vehicles that can be operated on renewable and alternative fuels.

THREE AREAS OF FOCUS

- Energy-efficient drivelines
- Electromobility
- Vehicles that can be operated on renewable fuels.

The Volvo Group also participates in public and private partnerships to develop sustainable and efficient transport systems, such as the Bus Rapid Transport System (BRT).

Energy-efficient drivelines

The Volvo Group has a life-cycle perspective and considers the environmental impact from its products, from them being developed all the way to them being phased out and recycled. Since more than 90% of the environmental impact results from the use of the products, the Group's main focus is on reducing fuel consumption, CO_2 emissions and other exhaust emissions. The basic principle is that each new product shall have less impact on the environment than the product it replaces.

The Volvo Group estimates the fuel-saving potential for a standard truck will be about 15% in 2025 compared with fuel consumption in 2010. New technology can lead to even more significant savings. For instance, the use of a hybrid driveline may improve fuel consumption by up to 39% in certain bus operations. If all buses were changed to plug-in hybrids, total energy consumption would be reduced by as much as 60%.

Electromobility

Hybrid technology is one of the most promising and competitive new technologies for commercial vehicles. Because of its potential for saving fuel, hybrid technology means lower operating costs for customers while at the same time significantly reducing the environmental impact. The most appropriate vehicles for hybrid drivelines are those operating in continuous stop-go conditions, such as city buses and refuse or distribution trucks.

The Volvo Group's I-SAM concept consists of an electric motor and a diesel engine working in parallel, whereby each of them can be used where they are most effective. Production of the Volvo Hybrid city bus and the Volvo Hybrid double-decker started in 2010. Significant fuel savings make these hybrid buses a commercially viable option.

During the year, Volvo Buses strengthened its model program with a new articulated bus that uses hybrid technology. The Volvo 7900 Hybrid Articulated has a capacity of up to 154 passengers, which is more than any other hybrid bus on the market, and a fuel consumption that is up to 30% lower than current diesel models. As of 2014, all single-decker, low-floor buses in Volvo Buses' model program in Europe are hybrid buses. The hybrid program includes Volvo 7900 Hybrid (4x2), Volvo 7900 Hybrid Articulated and Volvo B5LH Double Decker. Furthermore, Volvo Buses commenced field studies with plug-in hybrids that indicate that fuel consumption can be lowered by 80% and total energy consumption by slightly more than 60%. The field study in Gothenburg started in May 2013 and includes three plug-in hybrid buses, whose batteries are charged at the end stations, which means that a large part of the route can be powered by electricity.

Sunwin Bus, the Volvo Group's Chinese joint venture, together with SAIC Motor, has delivered 787 full electric buses in total. Volvo Buses and SAIC Motors also have a joint venture for developing driveline systems for electric and hybrid buses.

The Volvo Group has offered two models of hybrid trucks in selected European markets since 2011: the Volvo FE Hybrid and the Renault Premium Hybrys-Tech. Customers have given very positive feedback on these trucks. The technology has met their high expectations on both reliability and performance, reaching the expected fuel savings of up to 30%. However, total sales volumes have been low due to the relatively high additional investment for customers. While hybrid trucks deliver on the environmental dimension of sustainability, the business case is currently unsustainable. The decision not to develop new versions for Euro 6 was announced at the end of 2013. The Volvo Group believes in hybrid technology long-term and will continue to invest in research and development for more commercially viable applications. Should demand for hybrid trucks pick up substantially in the future, the Group will be in a strong position to reintroduce the technology.

A perfect solution for distribution and refuse applications is Renault Trucks' fully electric Maxity Electric, which does not emit any exhaust fumes and is very quiet. The distribution model of Maxity Electric has been on the market for just over three years. In 2013, the offering was expanded to include a smaller refuse truck adapted for collecting household garbage.

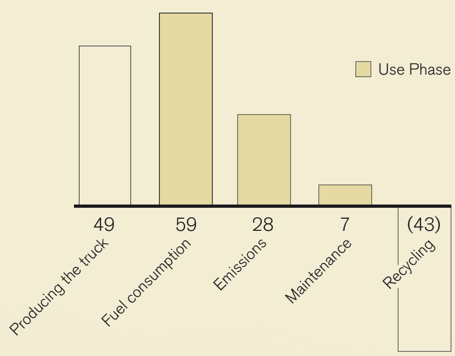
What will follow US 10 and Euro 6?

The introduction of increasingly strict emission regulations, primarily focusing on nitrogen oxides and particulates, has meant that the emissions caused by vehicles sold in the market today are at very low levels. For example, the Euro 6 legislation, that came into effect in the EU at the end of 2013 entails that emissions of nitrogen oxides and particulate matter from new trucks will be reduced by more than 95% compared to a truck from the early 1990s. During the year, Volvo Group introduced new trucks with a Euro 6 engine program ranging from the smallest medium-duty 5-liter engine to the heavy-duty 13-liter version.

But what is the next step? Rules were introduced in the U.S. that approximately corresponded to Euro 6 already in 2010. Starting with model year 2014 greenhouse gas emissions and fuel consumption are regulated, targeting considerable improvements against a 2010 baseline. All of the Volvo Group's truck models in the U.S., both Mack and Volvo branded, are certified in accordance with 2014 fuel efficiency and greenhouse gas regulations.

The EU target is that greenhouse gases are to be reduced by a total of 20% between 2008 and 2030, and by at least 60% by 2050 with 1990 as the base year. The target for city transport is largely carbon-neutral logistic solutions in major cities by 2030. The EU states that new vehicle technology includes engines, materials and design, traffic planning and use of purer forms of energy through new drivelines and alternative fuels. All of these are priority areas in the Volvo Group.

Life Cycle Assessments broaden the perspective



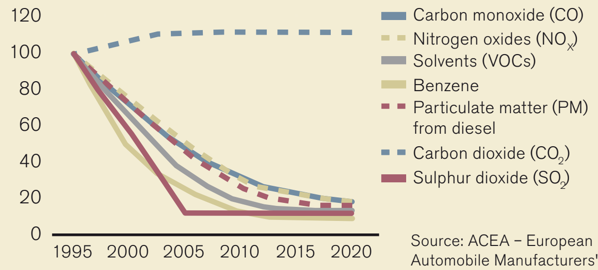
Each new product from the Volvo Group shall have less environmental impact than the product it replaces. The Group uses Life Cycle Assessments (LCA) to map a product's environmental impact in order to make well-informed decisions in the development process.

Findings from analyses indicate over 90% of the environmental impact results from the use of the products. The Group's main focus is therefore on reducing the environmental impact of products in use.

The graph above shows the environmental impact of the new Renault Trucks T 4x2 Euro 6 tractor.

Significantly reduced emissions

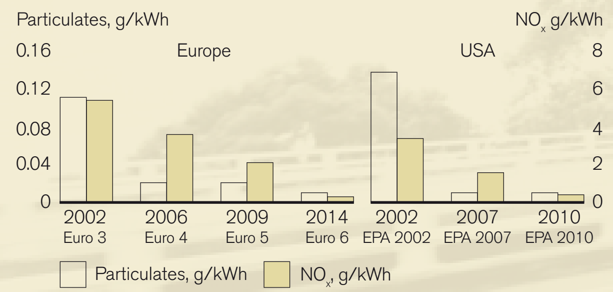
Within the EU all road transport emissions except for carbon dioxide are expected to decrease in the future. This is the result of stringent emission regulations..



Source: ACEA – European Automobile Manufacturers' Association.

Emissions regulations for trucks and buses

In January 2010, EPA 2010 was implemented in North America and at the end of 2013 Euro 6 was introduced in the EU. With the implementation of EPA 2010, emission levels for particulates and nitrogen oxides (NO_x) are close to zero. Euro 6 entails that emissions of nitrogen oxides and particulate matter are reduced by more than 95% compared to a truck from the early 1990s.



WWF Climate Savers

Defensores do Clima

WWF is one of the world's largest and most respected environmental organizations. Its Climate Savers Program involves multinational companies in the effort to reduce carbon dioxide emissions. Each company pledges to reduce its emissions following an agreement made with WWF. The results are reviewed by independent experts. The agreed target must be more ambitious than the company would have set on its own, and must also signify that the company is leading its sector in the reduction of greenhouse gas emissions.

In 2010, the Volvo Group became the world's first automotive industry manufacturer approved by WWF to participate in the program. In 2012, Volvo CE and Volvo Buses joined. Volvo Group's SDLG became the first Chinese company to be approved.

In the agreement Volvo Group is committed to reducing:

- the total amount of carbon dioxide (CO_2) emitted by the Group's trucks, construction equipment and buses by more than 30 million tons by 2014, compared with vehicles manufactured in 2008
- CO_2 emissions from our production plants by 0.2 million tons (12%) before 2014, compared with 2008.

Our agreement also states that:

- the Volvo Group will develop a new truck prototype with 20% lower fuel consumption than a corresponding truck manufactured in 2008 and offer commercial trucks that operate on renewable gas before 2014
- Volvo CE will prepare a new prototype with considerably improved fuel efficiency compared with existing models
- Volvo Buses will expand the number of field tests with plug-in hybrid buses.

Interim results

Five out of the six years of the program are completed. Results for the period 2009–2012 (figures for 2013 will be available in June 2014) indicate that the Volvo Group is already ahead of target in key areas:

- CO_2 emissions from the Group's facilities have been reduced by 0.3 million tons, making them 13% lower than in 2008
- total lifetime emissions of the Group's products have been reduced by 29 million tons.

Extended cooperation

WWF and Volvo Group frequently meet to discuss environmental issues. During 2013 WWF participated in the Logistik & Transport trade fair in Gothenburg, Sweden with the aim to give visitors WWF's view on Volvo Group products' environmental performance.

WWF also took part in a round table discussion with Volvo CE's key customers. The idea was to give the customers an objective assessment of Volvo CE's environmental improvements.

During 2013 WWF Sweden visited Volvo CE in Eskilstuna and WWF US visited Volvo CE in Shippensburg to learn more and to discuss environmental aspects of our products and our production. At the WWF Climate Savers annual meeting in Mexico City, Volvo Mexico was invited to demonstrate hybrid buses and Bus Rapid Transit solutions.

Renewable and alternative fuels

Carbon dioxide-neutral transport means that vehicles are powered by fuel produced from renewable raw materials such as biomass. Reducing dependency on fossil fuels such as oil, coal and natural gas by increasing the use of renewable fuels makes business and environmental sense. The Volvo Group's research on renewable fuels is mainly focused on Methane Diesel and DME (dimethyl ether).

DME is energy efficient and has a low environmental impact. Estimates show that by replacing conventional diesel with BioDME, carbon dioxide emissions could be cut by 95%.

In June, Volvo Trucks announced that the company will become the first manufacturer to commercialize DME in North America.

In November, Volvo Trucks announced that, in spring 2014, it would introduce two Euro 6 engines of 240 hp and 320 hp powered using pure RME (rapeseed methyl ester). The engines will be available in the new Volvo FE and Volvo FL models.

Safety

Safety has been a guiding star for the Volvo Group since 1927. The ultimate goal is zero accidents with the Group's products. To work towards this goal, systems that prevent accidents from happening in the first place and reducing the consequences if an accident does occur, are continuously developed.

The Volvo Group's future product development focuses on active safety features and passive safety features, such as vehicle stability, visibility support, lane keeping support and body protection in the cab.

Approximately 90% of all traffic accidents are caused by human factors. One of the most common causes of accidents is the lack of driver attention to the road. Finding ways of reducing the risk of accidents caused by fatigue or inattention can have a large impact. Today's driver assistance systems include, for example, warning systems and driver awareness support. In most cases the driver is simply warned when something is wrong.

City Mobility Program

The Volvo Group's City Mobility Program brings together key stakeholders in cities to implement sustainable and integrated innovative pilot projects. The program includes new technologies for improving energy efficiency and reducing emissions, developed by the Volvo Group, such as hybrid and electric vehicles. The City Mobility Program is being deployed in several cities around the world, such as Gothenburg, Stockholm, Hamburg and Luxembourg. During the year, Montréal became the first city in North America to take part in the Volvo City Mobility Program.

More efficient goods transport reduces emissions in cities

Over a period of three years, emissions from 400 distribution trucks operating in Gothenburg, Sweden, were cut by 30%. Volvo Group now wants to share its experience with other cities the world over.

– With more energy-efficient vehicles, fuels with a lower environmental impact and smarter logistics, it is possible to achieve significant improvements. This project is part of Volvo Group's drive to take the lead in sustainable transport solutions, says Olof Persson, President and CEO.

30% lower emissions

In the Climate-Smart City Distribution project, which ended in spring 2013, Volvo Group worked together with a number of partners to improve the efficiency of distribution operations in central Gothenburg. Over the project's three years, climate-impacting emissions from the almost 400 vehicles involved in the study dropped by an average of 30% and in some cases by up to 80%. By replacing conventional diesel distribution trucks with vehicles using three different technologies – renewable fuels such as biodiesel, biogas and DME, hybrid technology, and methane-diesel fuel – the result was a significant reduction in emissions.

– The most difficult challenge, however, was not to develop new fuels or new vehicle technology but to improve the efficiency of the transport operations, relates Lars Mårtensson, Environmental Director Volvo Trucks.

Success requires coordination

In downtown Gothenburg there are about 6,500 companies that need daily goods distribution services, so with better coordination and more efficient utilization of existing vehicles both congestion and emissions can be reduced even further.

– In order to fully exploit the available potential, it's not enough for haulage companies to improve their logistics systems; it's equally important that transport purchasers become better at coordinating their purchases, and here there is a whole lot of room for improvement.

Opening up bus lanes to distribution traffic and undertaking more transportation operations when there is less traffic on the roads are other examples of relatively simple measures that can deliver significant environmental benefits.

– We want to help develop tomorrow's cities and are actively looking for partnerships where we can contribute our expertise and experience. The road ahead goes via closer cooperation between different actors and here we definitely have a role to play, both locally and globally, says Lars Mårtensson.

Facts about the Climate-Smart City Distribution project

- The participants were GMV (Chalmers/University of Gothenburg), FordonsGas, Posten Logistik, Preem, Renova, DB Schenker, the Swedish Transport Administration, Volvo Trucks, Business Region Göteborg, DHL, Fraktkedjan Väst and Göteborgs Lastbilscentral
- The project was co-financed by Region Västra Götaland
- More information is available from the project website: www.climatesmartcitydistribution.com

EFFICIENT PRODUCTS

Contribute to customer profitability

All of the Volvo Group's products have been developed to contribute to efficient transport and infrastructure solutions in all parts of society.

Trucks | All brands in the Volvo Group's truck operations have a unique and distinct brand-specific character that attracts customers in their market segments.

The trucks are sold and marketed under the brands Eicher, Mack, Renault Trucks, UD Trucks and Volvo, which all offer customers a broad range of products and services for efficient and economic transports.

Special-purpose vehicles | The Volvo Group manufactures special-purpose vehicles for use by for instance government, defense, peace-keeping and relief organizations. The Volvo Group's sales of defense material, as defined in the Swedish Military Equipment Ordinance (1992:1303) section A, amounted to 0.55% (0.67) of net sales in 2013.

Buses | Volvo Buses' product range includes complete buses and bus chassis for city, intercity and coach traffic. The company has a total offering that, in addition to buses, includes a global service network, efficient spare parts handling, service and repair contracts, financial services and traffic information systems.

Construction Equipment | Volvo Construction Equipment develops, manufactures and markets equipment for construction and related industries under the brands Volvo and SDLG. Its products are leaders in many world markets, and include a comprehensive range of wheel loaders, hydraulic wheeled and crawler excavators, articulated haulers, road machinery and a wide range of compact equipment.

Engines for boats and industrial applications | Volvo Penta manufactures engines and drive systems for both leisure boats and commercial craft, with an engine range of 10 to 900 hp and has a global service network of approximately 4,000 dealers. Volvo Penta also supplies industrial engines ranging from 75 kW to 655 kW for a variety of industrial applications such as container handling, mining equipment and power generation.

Financial Services | Volvo Financial Services provides customer financing and leasing, dealer financing and fee based products such as insurance which contributes to the Volvo Group total offer and create value through convenience, speed and peace of mind. Attractive financial solutions are essential to meeting the high expectations of Volvo Group customers.

WORLD-CLASS SERVICES AND DISTRIBUTION

Strengthen customer relationships

Many customers want long-term cooperation around total solutions to execute their work as efficiently as possible with maximum profitability and reliability.

When customers choose a supplier of vehicles or machinery, the offering of supplementary services combined with excellent products is a crucial factor.

Customer surveys show that the Volvo Group's companies get high ratings in terms of service and spare parts availability in most markets. As important as getting the customers' vehicles and machines back in operation quickly, is the way customers are treated. This does not apply to just a specific workshop, instead customers must be able to count on receiving the same, first-class service wherever they are.

The Volvo Group offers such services as financing and insurance, various forms of service agreements, accessories and spare parts. The Volvo Group's increasingly broad range of these services and aftermarket products is of ever-increasing importance to the Group's competitiveness.

Strong market channels

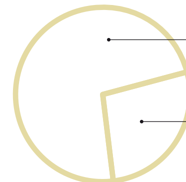
The Volvo Group's products are sold and serviced through wholly-owned as well as independent dealers and service workshops. In order to attain a market position which is strong over the long term, good products are not enough. Of at least equal importance is a finely-meshed network of dealers and service points that can support customers in demanding transport and construction businesses. A testament to the strength of the Volvo Group's distribution and service network is the market positions that have been attained.

Develop and increase interface with customers

The majority of Volvo Group's customers are companies within the transportation or construction industries. The reliability and productivity of the products are important and in many cases crucial to the customers' success and profitability. A competent and professional dealer and service network, which makes sure that customers' vehicles and machines can be used to the maximum and are free from unwanted stoppages, is of vital importance for the Volvo Group and assists in strengthening the Group's various brands.

The goal is that Volvo Group companies shall be regarded as number one in customer satisfaction, in terms of both products and services. The Volvo Group shall also be number one when the dealers' customers assess customer satisfaction.

Distribution of net sales 2013



Growing aftermarket business

In addition to vehicles and machines, the Volvo Group's offering includes various types of financing solutions, insurance, rental services, spare parts, preventive maintenance, service agreements, assistance services and IT services. The range and flexibility of the offering means that the solutions can be customized for each customer.

Since a large part of the offering within the aftermarket business is requested as long as products are being used, they contribute to balancing the fluctuations in the business cycle for the Group. By strengthening the aftermarket offering, profitability and revenue sustainability can improve for the Group throughout the business cycle.

The strategy to increase sales of services and aftermarket products is an important element in the Volvo Group's effort to achieve targets for profitability and growth, both in mature markets and in the Group's new markets. During 2013, the services and aftermarket products business (soft products) represented approximately 27% of the Volvo Group's net sales, which was unchanged compared to 2012.

Training and advice to save even more fuel

In addition to products at the forefront in terms of fuel efficiency, the Volvo Group also offers training and advice that can contribute to further fuel savings.

Fuel costs represent between 25% and 35% of total haulage firm costs. At the same time, the hauliers' profit margins are often very small, which means that all savings make an important difference. In order to succeed in cutting the haulage firm's overall fuel consumption, the part played by the drivers is vital. Driver training courses in eco-driving have proven themselves to be effective, but without professional follow-up the results are often short-term. That is why the Volvo Group's various businesses offer extensive services in this area. Some of them are described below.

Volvo Trucks Fuel Advice

Volvo Trucks' new Fuel Advice is a personal fuel advisor whose aim is to help hauliers cut their fuel costs while at the same time maintaining these improvements in the long-term perspective. The results are long-term, with savings as high as 5%. Fuel Advice consist of three modules:

1) Fuel Coaching. The fuel advisors register and analyze each driver's individual driving techniques. The advisors provide practical tips on how fuel consumption can be reduced, as well as help with planning and with structuring the necessary follow-up.
2) Fuel Management Toolbox. A web-based toolbox with tools that provide inspiration, guidance and practical information about the best and simplest ways of working with fuel savings.
3) Fuel Management Support. The customer's interface for contacts with his or her individual fuel advisor, who is there to answer questions and offer advice.

Fuel Advice is primarily targeted to small and medium sized companies and complements Volvo Trucks' existing Fuel Management Service, which is primarily designed for larger haulage firms.

Renault Trucks Optifuel

Renault Trucks offers customers the possibility for further increasing the savings through its Optifuel solutions, which is a structured offer addressing four main areas:

1) Configuration of the truck – use the right technology (i.e. Optidriver, Optiroll, Optitrack) and the right equipment (i.e. deflectors, tyres) for the transport application at hand
2) Training the people – use Renault Trucks' "in-house" training program, based on thirty years of experience that enables fuel savings up to 15% across a whole fleet
3) Monitoring the fuel consumption – use the right tool (i.e. Optifuel Infomax and Optifleet) to manage drivers and trucks
4) Maintaining long-term performance – use the Renault Trucks service network's know-how and experience, the latest technical innovations (i.e. Optifuel Retrofit) in order to maintain fuel efficiency throughout the truck's entire operational life.

Eco Operator from Volvo CE

EcoOperator is a training program from Volvo Construction Equipment that gives operators the practical and theoretical knowledge they need to become safer, more efficient and extra environmentally conscious while operating equipment. No matter how fuel efficient a piece of equipment is, the operator has a significant effect on fuel consumption and productivity.

The program teaches correct machine operation and maneuvering as well as how to plan work in the smartest, most efficient way. By following these techniques operators can help save money on fuel, increase overall productivity, reduce maintenance expenses and reduce the impact on the environment.

Efficient driving with Volvo Buses

Fuel costs represent approximately 20% of a bus operator's costs. Volvo Buses offers a range of services aimed at minimizing fuel consumption. With the Fleet Management Report, the customer can measure and follow up each vehicle's performance in terms of fuel efficiency and emissions. Volvo I-Coaching is a tool located on the dashboard in the bus which gives instant feedback on driver behavior, helping the driver to drive more economically and safely. Volvo Buses also offers courses in Efficient Driver Training. In total, these measures can deliver fuel savings of about 10%.

Volvo Fuel Advice

A HIGH-PERFORMING ORGANIZATION

Committed employees

The Volvo Group's vision is to become the world leader in sustainable transport solutions. A deciding factor in fulfilling this vision is our employees and their knowledge and skills.

Increased global presence, new products, new technologies, demographic changes and more rapid fluctuations in the global economy will lead to challenges in the supply of expertise and resources.

Attracting and retaining competence

The Volvo Group's ambition is to offer interesting opportunities and a unique company culture that help us attract and retain the best people, whoever they are and wherever we do business.

Without engaged employees, who are willing to take an active part in the Group's development and future, the Volvo Group will not succeed in pursuing its strategies. It is therefore important that we attract the right expertise to continue the development of environmentally enhanced products. The Volvo Group regularly maps the strategic competence needs, and annually aggregate findings on a Group level to identify the most important future needs.

The Volvo Group's Code of Conduct prescribes the minimum standard our employees can expect from their employer, but also their own responsibilities.

A qualified talent pool

Multiple factors influence the availability of talent for our industries. These included diminishing interest in science, technology, engineering and mathematics in some developed markets, limitations in the educational system in some emerging markets and the long-term decline in the number of people in working age in developed markets.

In order to develop and attract a qualified talent pool for our industries, the Volvo Group is engaged in several initiatives, such as the Volvo Step, a one year vocational program training program for unemployed youth in Sweden, and vocational training schools in for instance South America and Africa.

Academic Partner Program

The Volvo Group is also involved in a comprehensive series of cooperative ventures with research bodies and academic institutions to advance the technologies needed for future product development and to secure the access to competent employees.

One example is the Academic Partner Program (APP), which is a systematic approach for long-term cooperation with selected universities and research institutes in areas of special interest. The program aims to provide the Group with a picture of important collaborative partners and to increase the Group's visibility to students and researchers. The cooperation with universities is also important for building capability and creating relationships with students and potential employees to secure access to future competence.

There are two modules in place – Preferred Research Partners for collaborative research projects and Preferred Talent Partners for recruitment purposes. In total, the Volvo Group has 11 Preferred Talent Partners (T) and Preferred Research Partners (R) in APP globally: National Institute of Technology, Karnataka (T) in India, EM Lyon (T) and INSA Lyon (R, T) in France, Tsinghua University, Beijing (T) and Tongji University, Shanghai (T) in China, Chalmers University of Technology, Gothenburg (R, T), University of Skövde (R), School of Business, Economics and Law, Gothenburg (T) and Mälardalen University, Västerås/Eskilstuna (R) in Sweden and North Carolina State University (T) and Pennsylvania State University (R, T) in the U.S.

Competence development

Investing in the Group's employees is a fundamental part of staying competitive, sustainable and profitable. The Volvo Group's training programs are offered at all levels for employees, and the activities range from traditional and e-based training to individual coaching and mentoring.

Individual competence development is based on a personal business plan, which provides support for translating corporate strategic objectives into individual objectives and contribution. The purpose is to ensure that employees clearly understand their role in the team and what is expected of them.

Vista is the world's largest competition for aftermarket personnel. Every other year, thousands of Volvo Trucks' and Volvo Buses' aftermarket employees meet to settle the score through several tough rounds of theoretical and practical challenges. In 2013, 30 teams got to travel to Gothenburg, Sweden, where the VISTA world champions were crowned. VISTA is much more than a competition, it is a huge training program aimed at making us better at what we do every day.

Developing talents

Every manager is responsible for assessing and developing talent in the organization. The Leadership Pipeline provides the Group with a structured approach to developing and preparing present leaders as well as potential leaders for future roles.

The Leadership Pipeline has been set up jointly with research institutes and is based on global research. It is also designed to support the Volvo Group's culture and values as well as the strategic objectives.

Diversity enhances innovation

To create the dynamics required to succeed at a global level the Volvo Group needs to recruit and retain a broad spectrum of employees with different backgrounds, experience and perspectives. In the Volvo Group, diversity is considered to be a catalyst for innovation and a source of competitiveness and profitability. By expanding the knowledge base, skills and understanding, the Group becomes more responsive to customer needs and it strengthens the Group's market position. Diversity and inclusion have long been prioritized within Volvo.

VGAS 2013 – closing the gap to high-performers

Overall results for the Volvo Group Attitude Survey (VGAS) 2013 indicate high levels of employee engagement across the Volvo Group.

– It is very positive that employee engagement remains high during the organizational change, says Kerstin Renard, Executive Vice President, Corporate Human Resources.

The Employee Engagement Index (EEI) for Volvo Group remains stable at 76% favorable. Meanwhile the external benchmark against high-performing companies has moved up to 77%. The Performance Excellence Index (PEI), capturing if we have the right structures, processes and collaboration in place, increased to 75% favorable (from 74% in 2012).

– We are closing the gap to the high performing companies. We need to improve our ability to correct customer problems quickly, but 73% of all employees now report that their work group or team regularly reviews their performance. That is 6 percentage points above the global high-performing norm, explains Kerstin Renard.

The top priorities for employee engagement relate to Leadership & Vision, Diversity & Inclusion, and Communication.

– It is critical that senior leaders clearly explain and communicate the reasons for making a decision. Consistent communication by leaders will reinforce employee confidence and trust in our new direction, says Kerstin Renard.

The new leadership effectiveness index has improved by 2 percentage points compared to the results last year. With a 71% favorable result for leadership effectiveness, Volvo Group is trailing 3 percentage points below the external high-performing norm. The effectiveness index captures a broader range of leadership behaviors that are critical for building employee engagement and performance.

– All our leaders need to demonstrate that we value diversity, says Kerstin Renard. This is one area where we still have significant gaps to high-performing norms.

Staff and support function rationalization

In the autumn of 2013 a Group-wide efficiency program was announced. It is based on activities related to the implementation of the Group's strategies and which will be implemented in 2014 and 2015. After detailed analysis of the consequences of the program the estimate is that approximately 4,400 white-collar employees and consultants will be affected by personnel reductions, including 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, the Group will be able to utilize its resources more cost-efficiently. A majority of the personnel reductions will be implemented during 2014.

Responsibility when plants are closed

The Volvo Group strives to take responsibility also in times of restructuring. When the European production of complete buses was concentrated to the main plant in Wroclaw, Poland, in mid-2013, operations in the plant in Säffle, Sweden were discontinued.

After the decision, Volvo Buses was active in creating new jobs and providing support for the establishment of companies with high expansion potential in the former bus plant. Agreements regarding establishment of operations in the Säffle plant were signed with contract manufacturer Hanza and with Cellcomb, which develops and manufactures environmentally-friendly disposable laminate products. This process was implemented in close collaboration between Volvo Buses and Säffle municipality. Of the 328 employees affected when Volvo Buses discontinued its operations in the Säffle production plant, by the end of the year 248 had got new jobs or had been offered occupational pension.

– It is clear that our former employees are attractive in the labor market. The competency survey we conducted combined with the opportunity for competency development, also contributed to increasing the potential for employees to secure new employment, says Håkan Karlsson, Head of Business Areas at Volvo Group, which includes Volvo Buses.

Training in Code of Conduct

A Group-wide training program was launched in November 2012 to support the implementation of the updated Code of Conduct. This training helps our employees and managers to reflect on their own attitudes and behavior in different situations. Since the launch of the updated Code of Conduct 23,513 white-collar employees (out of around 50,000) have participated in the web-based training.

All employees within the Volvo Group are expected and encouraged to report suspected violations of the Code of Conduct to their direct superiors or managers of their superiors. To support this, a Whistleblower procedure is available.

Read more in the Volvo Group's Sustainability Report 2013.

Key figures	**2013**	2012
Number of permanent employees at year-end	95,533	96,137
Number of temporary employees and consultants	14,794	13,452
Share of women, %	17	17
Share of women, Board Members, %	17	14
Share of women, Presidents and other senior executives, %	19	20

THE VOLVO WAY

The Volvo Group views its corporate culture as a unique asset, since it is difficult for competitors to copy. By applying and strengthening the expertise and culture we have built up over the years, we can achieve our vision.

The Volvo Way shows what we stand for and aspire to be in the future. It lays the foundation for developing the Volvo Group into the world's leading provider of commercial transport solutions. It is a recipe for success in which we strongly believe. It expresses the culture, behaviors and values shared across the Volvo Group.

The Volvo Way is based on the conviction that every individual has the capability and the determination to improve our business operations, and the desire to develop professionally.

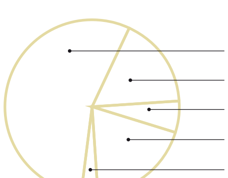
The Volvo Way is the lively dialogue between leaders, within teams, and among colleagues around the world. This is the way we conduct business and deliver results. This is how we partner with customers and suppliers, how we work and change, and how we build the future together.

HUMAN RIGHTS IN OPERATIONS

The Volvo Group's position on human rights is reflected in the Code of Conduct. It includes:

- Non-discrimination
- Non-tolerance of forced labor
- Non-tolerance of compulsory or child labor
- Freedom of association
- The right to collective bargaining
- The right of all employees to a healthy and safe work environment
- Working hours and compensation.

Geographic distribution of employees



Vocational training schools in Africa

In partnership with Sida and USAID, the Volvo Group will introduce vocational training schools for mechanics and vehicle operators in ten African countries. The aim is both to create a market for the Group's products and to promote growth in these countries.

– By the training schools we are contributing to local financial development as our business grows. This is a win-win situation, made possible by a public-private partnership, says Volvo's President and CEO Olof Persson.

Ten countries

In partnership with the Swedish International Development Cooperation Agency (Sida) and the equivalent United States Agency for International Development (USAID), the Volvo Group will introduce vocational training schools in ten African countries over a period of five years, commencing in 2014. In consultation with local authorities, the Volvo Group, Sida and USAID will design and finance vocational trainings in which students can become mechanics, and learn to operate vehicles, trucks, buses and construction equipment.

– The generation of decent jobs gives people the ability to support themselves in the long term. By working in public-private partnerships we can generate more resources for sustainable development and contribute together in actions against poverty, says Charlotte Petri Gornitzka, Sida's Director-General.

By contributing expertise, manuals, products and exchanges, the Volvo Group is helping to build up a pool of mechanics that is required for future sales of its products in these countries. The Group's contribution to the vocational trainings amounts to SEK 30 M.

Sustainable business

The schools will be the continuation of a pilot project that the Volvo Group conducted through Volvo Construction Equipment in partnership with Sida in Addis Ababa, Ethiopia, where a vocational school received extra resources to train mechanics for construction equipment. Due to Volvo CE's participation in the project, the students have gained access to modern machinery.

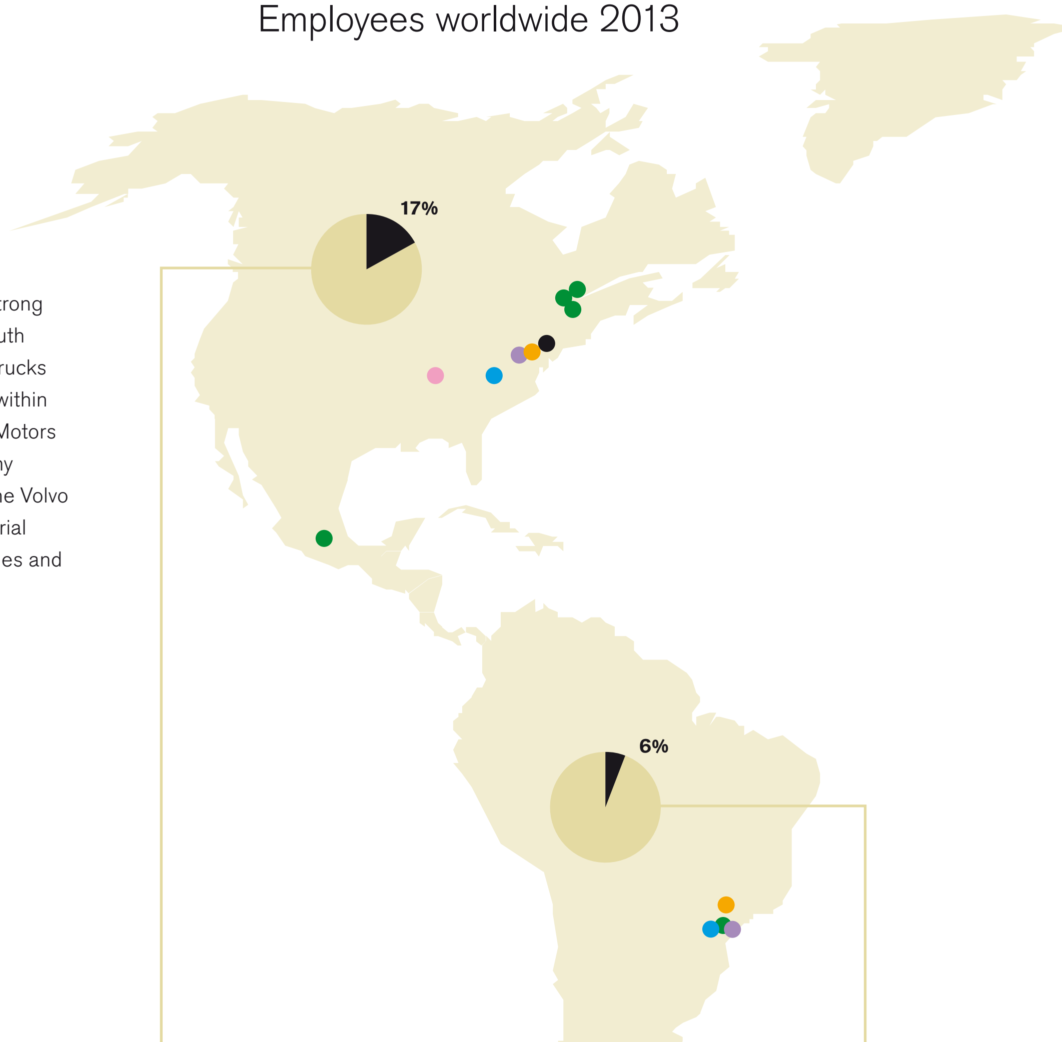
The training schools will be set up in countries that are both business-critical for the Volvo Group and eligible for development grants from both Sida and USAID.

– A sustainable development within social, financial, and environmental dimensions is something that we see as a necessary prerequisite for long-term profitability. By training local labor to sell, drive and serve our products we are broadening our own market and at the same time contributing to sustainable growth in the countries in which the Volvo Group is active, says Olof Persson.

INDUSTRIAL STRUCTURE

Global industrial structure

Employees worldwide 2013

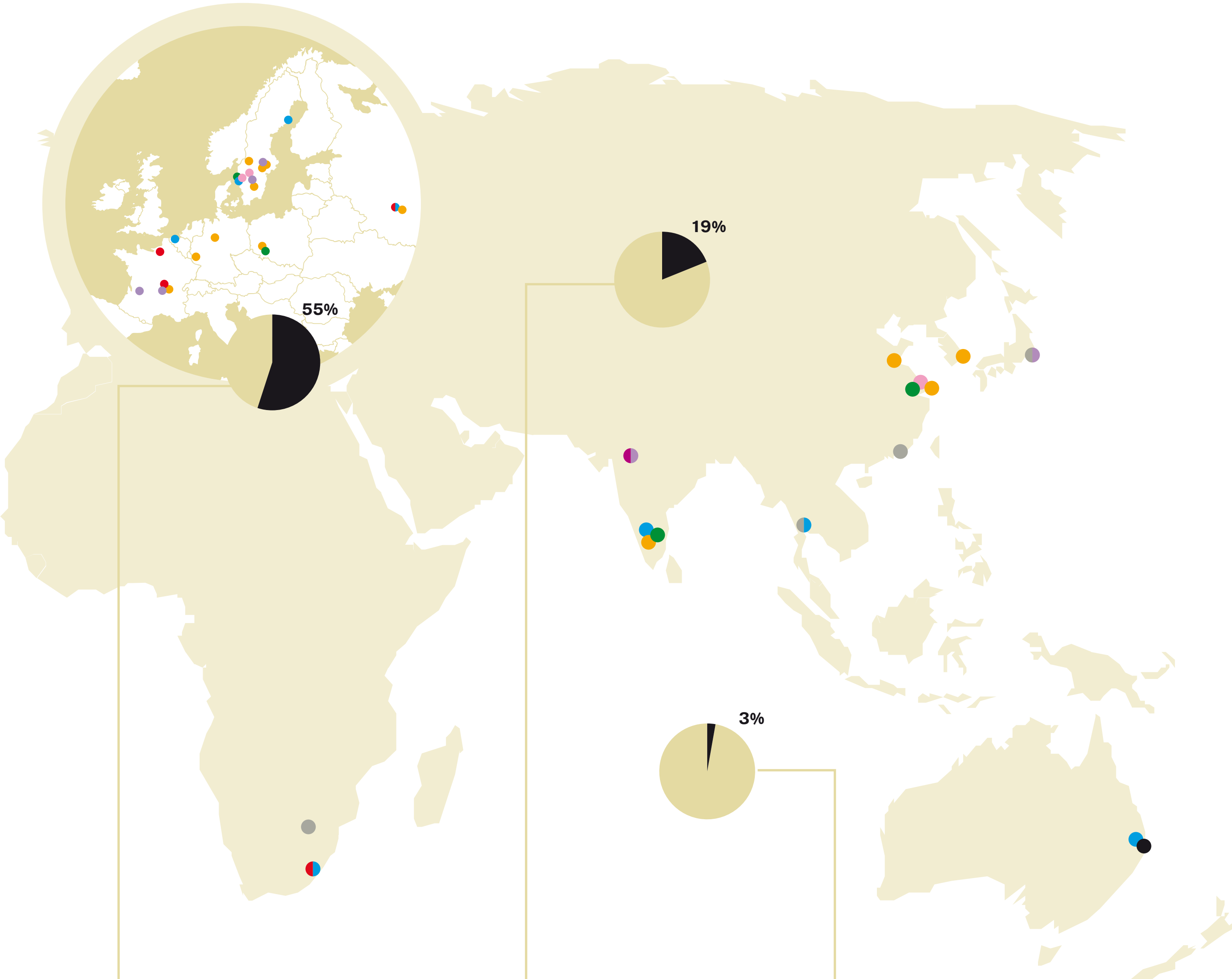


The Volvo Group has an established and strong position in Europe, North America, and South America. Through the acquisitions of UD Trucks and Lingong (SDLG) and the cooperation within trucks and buses with India-based Eicher Motors the position has been strengthened in many markets in Asia. Through its acquisitions the Volvo Group has also established a global industrial structure with manufacturing as well as sales and distribution channels on all continents.

Share of employees

	Major production facilities	North America	South America
	Employees	16,397	6,275
Group Trucks Operations	Eicher*		
	Mack	Macungie (US)	
	Renault Trucks		
	UD Trucks		
	Volvo	New River Valley (US)	Curitiba (BR)
	Engines and transmissions	Hagerstown (US)	Curitiba (BR)
	Construction Equipment	Shippensburg (US)	Pederneiras (BR)
	Buses	St Claire, St Eustache (CA), Mexico City (MX), Plattsburgh (US)	Curitiba (BR)
	Volvo Penta	Lexington (US)	

* Ownership ≥ 50%



Europe	Asia	Other markets
52,334	17,953	2,574
	Pithampur* (IN)	
		Brisbane (AU)
Blainville, Bourg-en-Bresse (FR), Kaluga (RU)		Durban (ZA)
	Ageo (JP), Hangzhou* (CN), Bangkok (TH)	Pretoria (ZA)
Göteborg, Umeå (SE), Gent (BE), Kaluga (RU)	Bangalore (IN), Bangkok (TH)	Brisbane (AU), Durban (ZA)
Köping, Skövde (SE), Vénissieux (FR)	Ageo (JP), Pithampur* (IN)	
Arvika, Braås, Eskilstuna, Hallsberg (SE), Konz-Könen, Hameln (DE), Belley (FR), Wroclaw (PL), Kaluga (RU)	Changwon (KR), Shanghai, Linyi* (CN), Bangalore (IN)	
Borås, Uddevalla (SE), Wroclaw (PL)	Bangalore (IN) Shanghai* (CN)	
Göteborg, Vara (SE)	Shanghai (CN)	

EFFICIENT PRODUCTION AND RESPONSIBLE SOURCING

Cornerstones of the Group's manufacturing operations

Environmental, economic and social sustainability is a long-standing cornerstone of the Volvo Group business. We have adopted and developed tools, processes and production systems to help us set a global standard of excellence and guide our employees on responsible behavior.

Global standards

An important tool is the Volvo Production System (VPS), which is used for many processes throughout the organization, including product development, business services and logistics. VPS is a way of working with the minimum resources necessary, and using methods that streamline operations and minimize productivity losses. It includes tools for measuring and improving workplace safety, health and well-being.

As employees influence the quality of products and services we deliver, transparency and clear communications with cross-functional teams are equally important aspects of VPS.

Quality, safety and environmental care are our corporate core values and are embedded in our sustainability approach. At each production unit, we have quality coordinators, safety delegates and environmental coordinators, and we measure, monitor and continuously improve our performance.

The Volvo Group conducts manufacturing in 18 countries worldwide. All production facilities comply with prevailing legislation and our minimum requirements for environmental management and improvement, chemicals, energy consumption, emissions to air and water, and waste management. To ensure compliance, environmental audits have been conducted group-wide since 1989.

All our wholly-owned production sites have certification for the ISO 9001 quality management system. 94% of our production is certified in accordance with the ISO 14001 environmental management standard and 37% in accordance with the OHSAS 18001 international standard for occupational health and safety.

The Group's New River Valley plant in Virginia and Macungie plant in Pennsylvania, U.S., have both gained ISO 50001 certification – the leading international certification program for driving continuous improvements in energy efficiency. Both plants are also certified to the top U.S. energy specification – the Superior Energy Performance (SEP).

In 2013, there were 15 licensable facilities in Sweden. There is a continuous review of the environmental permits, but no environmental permits need to be renewed in 2014. During the year, there were no major environmental incidents.

Energy efficiency

Our ambitions to increase energy efficiency and attain carbon neutrality are important both in terms of environmental and economic sustainability. The Volvo Group was the first automotive manufacturer to participate in the WWF Climate Savers program. Since 2009, we have reduced carbon emissions from our operations by 13%. This is already in excess of the 12% target we are committed to achieving by 2014.

Focusing on energy saving has a clear impact on the Group's financial results. For example, at our cab paintshop in Blainville, France, an energy reduction plan saved 320,000 euros between 2011 and 2013, equating to an average annual reduction of 4,513 MWh of energy and a 1,170 ton reduction in CO_2 emissions.

Carbon-neutral manufacturing

Volvo CE's factory in Braås, Sweden, was certified carbon neutral at the end of December 2013, becoming the first construction equipment production facility in the world to be powered entirely by renewable energy. This was the culmination of collaborative efforts that began back in 1999 and involved the local energy

Our Braås factory in Sweden is the world's first carbon-neutral production facility for construction equipment.

supplier, Växjö Energi, Volvo CE and the local community. In the Volvo Group's truck operations it was the plant in Ghent, Belgium, which set the standard for carbon-neutral industrial manufacturing in 2007. And just as Ghent became the first carbon-neutral facility in the automotive sector, Braås too became the first in its industry.

Responsible sourcing

The Volvo Group's responsible sourcing processes aim to reduce the risk of incidents that may interrupt our supply flow or damage the Group's reputation, build long-term relationships with suppliers and meet growing customer expectations.

Since 1996, the Volvo Group has consistently increased supplier requirements on environmental issues, business ethics and social justice. Our supplier requirements are based on the principles contained in the Group's Code of Conduct, which is reviewed and updated regularly.

In 2013, we created a new CSR Supply Chain Steering Group, which oversees the Volvo Group CSR Supply Chain Network, which has been in place since 2007. Both include representatives from all the Group's purchasing organizations. The steering group members are drawn from each purchasing organization's management team as well as the chair of the Group's CSR and Sustainability Committee.

We also launched a series of global CSR roadshows to train purchasers on business ethics, social justice and environmental issues affecting our supply chain. During the year, we conducted training in Ageo in Japan, Shanghai in China, Bangalore in India, Eskilstuna in Sweden, and Greensboro, Hagerstown and Shippensburg in the U.S. – covering 60% of the total number of purchasers.

Ethical assessment

In line with general automotive industry practice, the Volvo Group uses a self-assessment approach to evaluate supplier performance and compliance with our ethical requirements.

87% of all suppliers that completed the assessment during 2010–2013 passed it. 68% of suppliers from countries considered to be 'high risk' from a CSR perspective completed the self-assessment, of which 87% passed.

Some 72% (66) of the Volvo Group purchasing spend of direct material derives from suppliers that completed the self-assessment during 2010–2013.

The main reason for not passing was a lack of adequate systems to enforce our CSR and sustainability requirements down the chain to sub-contractors. Others failed due to a lack of compliance processes.

We publish an annual plan covering supplier processes and systems, communication, measurement and targets, evaluation process, and benchmarking.

Read more in the Volvo Group Sustainability Report 2013.

PRINCIPLES

Volvo Production System (VPS) and Operational Development (OD) are aimed at:

- Improving processes
- Delivering results
- Developing people.

Our U.S. truck assembly plants, New River Valley and Macungie, are both SEP-certified, the top U.S. energy specification, at platinum level – the highest possible.

94%

More than 94% of our automotive products spend is with ISO 14001 or equivalent-certified suppliers.


HYBRID

More than 80% lower fuel consumption with

plug-in hybrids

In May 2013, a field test commenced with Volvo's first plug-in hybrid buses in Gothenburg, Sweden. The bus' battery is charged via the electricity network at the terminals and the bus can operate quietly and free from exhaust gases for approximately seven kilometers on electricity alone. Tests show that the fuel consumption and climate impact emissions from the plug-in buses were more than 80% lower than for conventional diesel buses. The total energy consumption (diesel and electricity) is more than 60% lower.

GLOBAL STRENGTH

IN A CHANGING WORLD

Since the streamlining towards commercial vehicles was initiated more than ten years ago, the Volvo Group has grown into one of the world's largest manufacturers of heavy-duty trucks, buses and construction equipment and is today also a leading manufacturer of heavy-duty diesel engines and marine and industrial engines.

During this time, a number of acquisitions have been made, which have brought economies of scale and increased geographical reach. Volvo Group has during this time also successfully established itself outside its historical markets of Europe and North America and gained a strong foothold in the growing markets of Eastern Europe, South America and Asia. During 2013, the markets outside of Western Europe and North America accounted for 45% of the Group's total sales, compared with 16% in 2000.

The Volvo Group's larger acquisitions and divestments

1998: Acquisition of the excavator operations of Samsung Heavy Industries.
1999: Sale of Volvo Cars to Ford.
2001: Acquisition of the truck manufacturers Mack and Renault VI.
2003: Acquisition of Bilia's European truck and construction equipment dealers.
2004: Acquisition of remaining 50% of the Canadian bus manufacturer Prévost.
2006: Acquisition of Japanese Nissan Diesel (Now UD Trucks) started. Completed in 2007.
2007: Acquisition of 70% of Chinese wheel loader manufacturer Lingong (SDLG).
2007: Acquisition of Ingersoll Rand's road development division.
2008: Formation of joint venture with Eicher Motors of India within trucks and buses.
2012: Acquisition of the French vehicle manufacturer Panhard.
2012: Divestment of Volvo Aero to the British company GKN.
2012: Increase to just over 25% ownership in engine manufacturer Deutz.
2013: Agreement to acquire 45% of Chinese truck company Dongfeng Commercial Vehicles.
2013: Agreement on acquisition of hauler business from Terex.
2014: Divestment of Volvo Rents in North America.

Strong positions

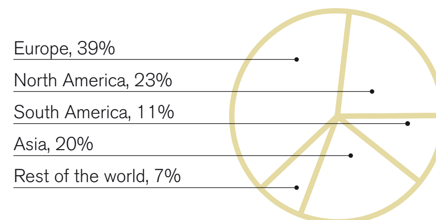
- One of the world's largest manufacturers of trucks, buses and construction equipment.
- A leading independent supplier of marine and industrial engines.
- One of the world's largest manufacturers of heavy-duty diesel engines.
- Strong brands.
- Good market presence globally.

Group market shares

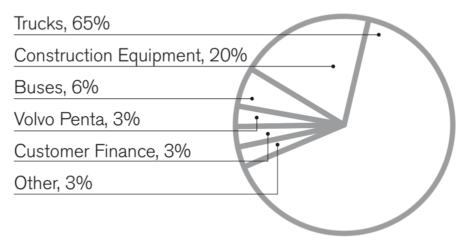
	Heavy-duty trucks 2013	Heavy-duty trucks 2012
Europe 30	24.3	25.7
North America	18.8	18.3
Brazil	20.0	18.2
Japan	18.7	17.5
India*	4.4	3.9
Australia	22.2	21.4
South Africa	23.9	23.5

* In India Eicher has a particularly strong position within medium-duty trucks with a market share of 30.4% (31.4).

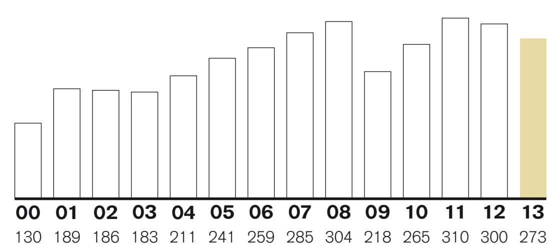
Distribution of net sales by geography 2013

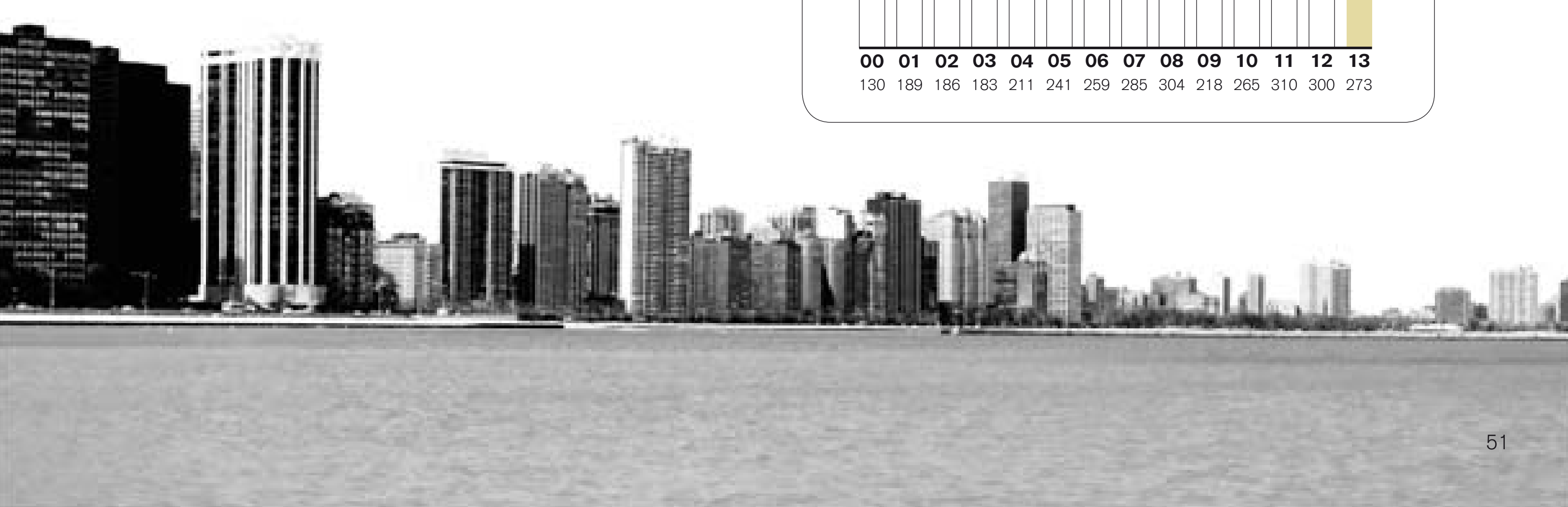


Distribution of the Group's net sales 2013



Volvo Group net sales, SEK bn



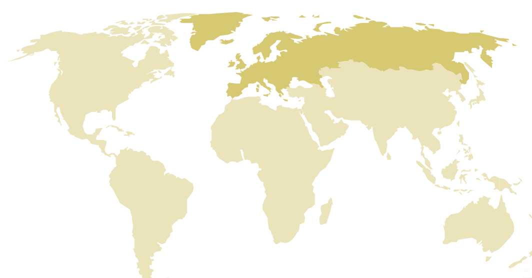


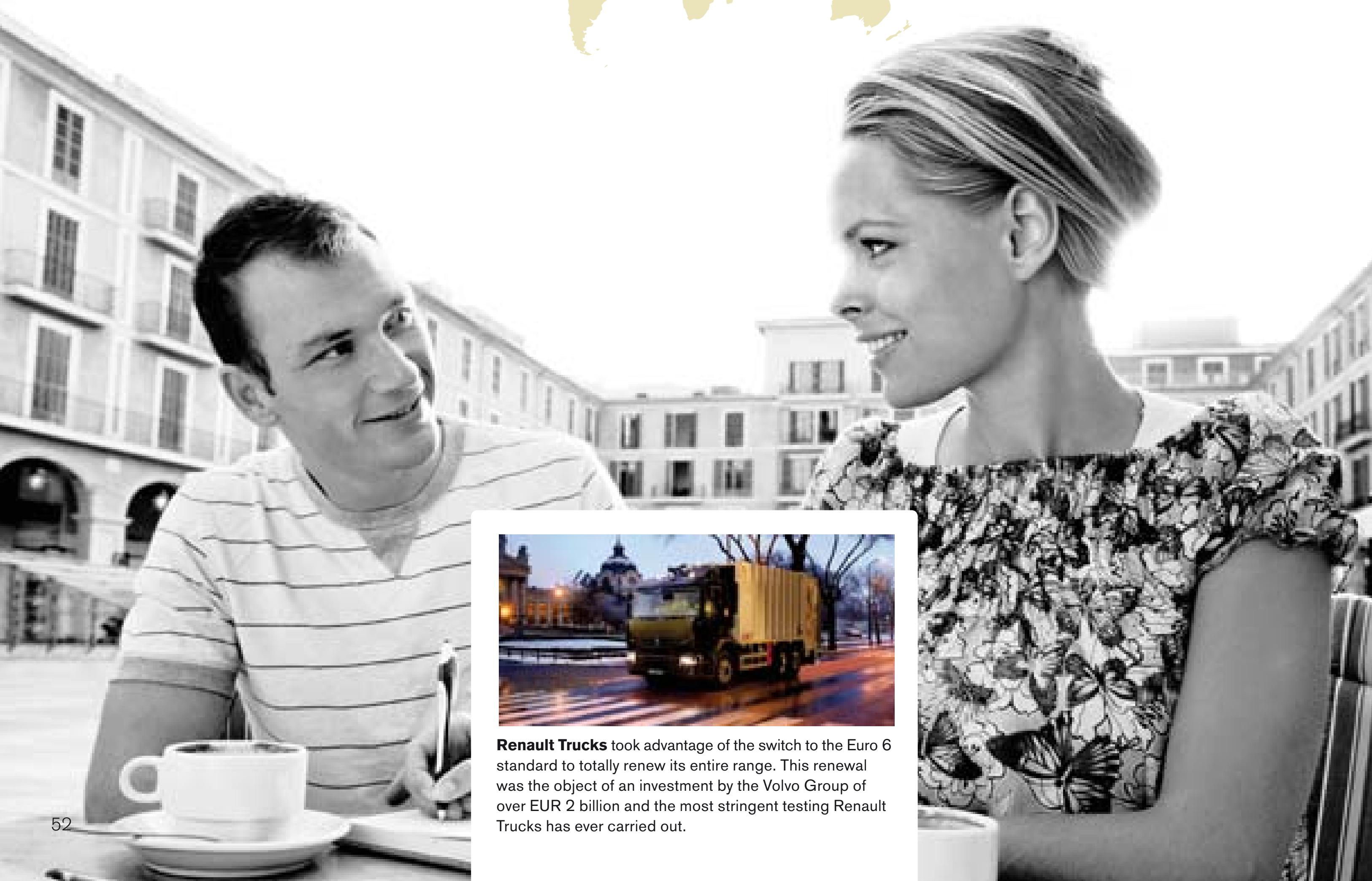
DEVELOPMENT BY CONTINENT

EUROPE

CHANGE-OVER TO NEW PRODUCTS

2013 was characterized by extensive renewal of the Volvo Group's products, with brand-new truck series from both Volvo and Renault Trucks, new bus models and the transition from the Euro 5 to Euro 6 emission regulations.





Renault Trucks took advantage of the switch to the Euro 6 standard to totally renew its entire range. This renewal was the object of an investment by the Volvo Group of over EUR 2 billion and the most stringent testing Renault Trucks has ever carried out.

Varying market conditions. In 2013, the heavy-duty truck market in Europe 30 (EU's 28 Member States plus Norway and Switzerland) increased to 240,200 heavy-duty trucks compared with 221,800 in the preceding year, with a positive impact from a number of customers, primarily in the second half of the year, choosing to prebuy new trucks before the transition to the new Euro 6 emission regulations. These new regulations entail considerable reductions in nitrogen oxide and particulate emissions, as well as a price increase by truck manufacturers to offset the more advanced technology required.

The European market for construction equipment, measured in number of machines sold, declined by 4% in 2013 compared with the preceding year. The market showed signs of stabilizing at low levels in the autumn.

The European bus market in 2013 was at the same low level as in 2012, with continuous price pressure as a result.

The market for leisure boat engines remained very weak while the performance of industrial engines was better, for example, due to higher demand for diesel-powered gensets in Western Europe.

Decreased market shares in heavy-duty trucks

The performance of the Group's truck operations was split in terms of market shares in 2013. Volvo strengthened its shares, boosted by the strength of its new products that were available with both Euro 5 and Euro 6 engines. Volvo held a market share of 16.3% (15.6) in the heavy-duty segment. Renault Trucks' market shares in heavy-duty trucks declined to 8.0% (10.1), one of the reasons for which was the transition to the new trucks, which were only available for customers to test at the end of the year. The Group's total market share in heavy-duty trucks amounted to 24.3% (25.7).

New trucks and new engines

Starting with the Volvo FH in autumn 2012, the Volvo Group's truck operations underwent an extensive process of product renewal in 2013, with the launch of brand-new Volvo FM, Volvo FMX, Volvo FL and Volvo FE. In May, Volvo introduced new trucks with a Euro 6 engine program ranging from the smallest medium-duty 5-liter engine to the heavy-duty 13-liter version. In June, Renault Trucks presented a new, comprehensive truck program comprising its T, K, C and D series for long-distance haulage, construction and distribution.

In the autumn production was more and more switched over to the new trucks at the same time as the European system gradually changed to Euro 6 engines, primarily for Volvo Trucks. This led to greater complexity and higher costs for production since both the old and new generations of trucks were manufactured in parallel. The launch of the new products also entailed higher costs.

Restructuring of the truck operations

On January 1, 2013, the Volvo Group introduced a new organization for its sales and marketing of trucks in Europe, the Middle East and Africa (EMEA). The reorganization aims to capitalize more effectively on opportunities for the Group's brands and products and to lower costs. The reorganization also entails an optimization of the dealer and service networks in Eastern and Central Europe was carried out, with the aim to considerably increase the service availability, primarily for Renault Trucks. The number of service points is expected to increase by 30–40% for Renault Trucks and by 10% for Volvo in this part of Europe.

In October, a strategic decision was made to implement changes in the European truck manufacturing operations in order to increase efficiency and strengthen competitiveness. The goals are to gradually, over the next two years, relocate the cab trim operations from Umeå to Gothenburg, Sweden, to concentrate the manufacturing of heavy-duty trucks to one assembly line in Gothenburg and to concentrate the assembly of medium-duty trucks to Blainville, France.

Upgrade of bus program

During the year, Volvo Buses' entire product program underwent a major upgrade. The most significant change was the three brand-new Euro 6 engines. The model program was also strengthened with a new hybrid articulated bus with fuel consumption that is up to 30% lower than current diesel models. Volvo Buses also started field tests with its first plug-in hybrids in Gothenburg in May. The technology means that energy consumption can be reduced by a full 60% compared with current diesel buses.

New engines from Volvo CE and Volvo Penta

During the year, Volvo CE introduced engines that meet the new emission requirements in both North America and Europe, Tier 4 Final/Stage IV. The engines improve fuel economy by up to 5% compared with earlier models and reduce total running costs.

Also Volvo Penta has upgraded its industrial engines, and a full series from 5 liter up to 16 liter with Tier 4 Final/Stage IV technology will be offered from 2014.

Volvo CE opened an excavator plant in Russia

As the second largest market in Europe, Russia is one of Volvo CE's core regions for long-term growth. In May, Volvo CE opened a 20,660 square meter excavator plant in Kaluga in Russia. The plant represents a SEK 350 M investment and has been developed using technology to reduce carbon emissions. It is the Volvo CE's first plant in Russia.

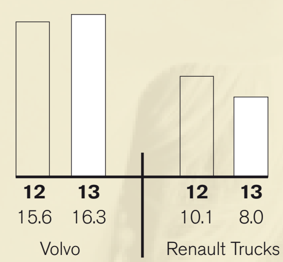
Volvo Group in Europe

- Net sales: SEK 105,320 M (111,606)
- Share of net sales: 39% (37)
- Number of employees: 52,334 (53,434)
- Share of Group employees: 55% (56)
- Largest markets: France, the UK, Sweden and Germany.

Market development, heavy-duty trucks, Europe, Thousands

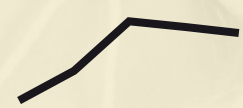
09	10	11	12	13
165	179	242	222	240

Market shares in Europe, heavy-duty trucks, %



	12	13	12	13
	15.6	16.3	10.1	8.0
	Volvo		Renault Trucks	

Market development, construction equipment, Europe, Thousands



09	10	11	12	13
76	94	125	122	118

Volvo Penta is a world-leading supplier of engines and complete power systems for marine and industrial applications.

FOCUS RENAULT TRUCKS

A french r/evolution

Renault Trucks has launched a brand new truck series. These new trucks, with their efficient design and Euro 6 engines, have been undergoing development for the past seven years – including radical and exhaustive quality testing.

Something entirely new

According to Hervé Bertrand, Renault Trucks' design director, the new range is a real break with the past.

– At the same time, we drew inspiration from the best of Renault Trucks to create it. There is still the powerful visual impact of the Renault Magnum and its double architecture, distinguishing the technical part of the vehicle from the cab, combined with all the commercial efficiency delivered by the Renault Premium Long Distance. In addition, we have also had many conversations with drivers, customers and dealers, giving us the insight to meet their needs in every respect, he says.

The front of the trucks is the most characteristic angle with its shape inspired by the Greek letter pi (∏).

– Most of our competitors have chosen to feature radiator grilles in the form of a vase on their new ranges. We have chosen to do the opposite – giving Renault Trucks' vehicles a broader, more reassuring base on the road, Hervé Bertrand says.

New trucks create great opportunities

The new trucks replace Renault Trucks' entire product range. Bruno Blin, head of Renault Trucks Commercial, sees great opportunities to capture market shares by offering the perfect tools for its customers to operate their businesses.

– A revolutionary range that sets new standards in terms of robustness, reliability and fuel savings: in fact, everything to make a truck a cost-efficient tool in an increasingly competitive economic climate.

Focus on profitability

Bernard Modat, Renault Trucks' Global Brand senior vice-president, concludes:

– Even though we are aiming to create pride among drivers with our new range, we haven't only set out to design 'beautiful trucks'. In addition, we have focused on developing reliable, profitable 'working tools' that are a perfect match for the challenges of cost efficiency in our customers' activities. These new tools have been created to be centers of profit.

FACTS

- 2 billion euros invested
- 7 years of development
- 5,000 people involved
- 50 international customers involved in drawing up the target specifications
- 5 million hours of test bench trials
- 10 million kilometers covered

Renault Trucks' new truck ranges

T range

The T range, dedicated to long haul, is the one that has gone through the most radical change. One modular cab not only replaces the Magnum and Premium Route, whose design dated back to the 1990s. The T range also offers a wide range of configurations that allow for both regional and international transport. The new T range offers maximum comfort, with its 2.50 m wide cab, and is decidedly aerodynamic.

K range

C range

The Renault Trucks C is a robust vehicle, adapted to the mobility needs in construction, while preserving payload. The low weight allows customers to increase profitability per rotation. Mainly dedicated to very demanding applications, the Renault Trucks K contributes to customer profits thanks to its impressive robustness and off-road capacity.

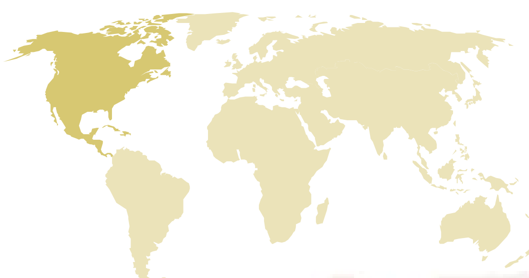
D range

This unique range, which includes 10- to 26-ton trucks and accounts for 25% of Renault Trucks' sales, replaces the current Midlum and Premium distribution trucks. Halfway between distribution and delivery, a new segment from 3.5- to 7.5-tons has also been launched. This new segment was born from a collaboration between Nissan and Renault Trucks and fills the void left by the Mascott range.

DEVELOPMENT BY CONTINENT

POSITIONS ADVANCED in NORTH AMERICA

North America is the Volvo Group's second largest market. Demand in 2013 was relatively stable, in line with the slight recovery in the U.S. economy. »



Volvo VN, the family of premium long-haul sleepers and daycabs offering maximum driver comfort, performance, and unsurpassed safety, will also become available with an engine that runs on DME.

Decline in truck market. In 2013, the total market for heavy-duty trucks in North America declined to 236,300 trucks compared with 249,600 in the preceding year. Demand was relatively weak during the first six months of the year, but improved slightly over the course of the year supported by a slight recovery in the U.S. economy, an improvement in the construction cycle and a continued widespread replacement need in the highway truck segment.

Successes due to attractive products

In 2013, the Volvo Group increased its market share in North America. The combined market share in the heavy-duty segment was 18.8% (18.3), on the back of a competitive customer offering of trucks equipped with engines and transmissions that provide considerable fuel savings, improved drivability, less wear and improved safety. The new drivelines have meant that an increasing number of customers opt for Volvo Group engines. In 2013, 87% (79) of Volvo trucks sold in the U.S. and Canada were equipped with Volvo engines. The vast majority of Mack trucks are equipped with the Group's Mack engines.

The high demand for the Group's automated mechanical transmissions, Volvo I-Shift and Mack mDRIVE, continued in North America. Volvo Trucks introduced its I-Shift transmission on the North American market in 2007 and at the start of 2013 it was announced that the transmission would be standard on all trucks with Volvo engines built for the North American market. During 2013, 69% (59) of trucks with Volvo engines in North America were equipped with I-Shift. Since I-Shift is only available together with Volvo engines, this also helps promote sales of the company's own engines. mDRIVE was introduced in Mack products in 2010 and in 2013 it was installed in 40% (27) of all Mack highway trucks.

Improved drivelines

During the year, Volvo expanded the XE – Exceptional Efficiency – driveline concept with the launch of XE11 for its 11-liter engine. XE11 is available for the Volvo VNM and Volvo VNL models and improves fuel efficiency by up to 3%. XE drivelines form an integrated component comprising a Volvo engine, the I-Shift transmission, optimized axle ratio and proprietary software that makes it possible to reduce engine rpm when driving at high speeds, a concept Volvo calls "downspeeding." Volvo introduced XE drivelines for its 13 and 16 liter engines in North America in 2012.

During the year, the company announced that all model year 2014 Volvo engines would also be more fuel efficient as a result of improved engine components. Customers purchasing trucks with 11, 13 or 16-liter engines will notice a fuel saving of 0.5–2%, which entails considerable savings for both large and small trucking companies.

During the year Volvo Trucks became the first manufacturer to announce plans to commercialize dimethyl ether (DME)-powered heavy-duty commercial vehicles in North America.

Volvo CE opened in Shippensburg

The North American market for construction equipment displayed a stable performance during the year. In total, the market, measured in number of machines sold, increased by 2% compared with 2012. However, Volvo CE's deliveries in North America fell by 23% to a total of 5,240 machines in 2013 (6,782). Demand for Volvo machines strengthened in 2012 as a result of rental firms renewing their machine fleets. The scope of these measures declined in 2013, which led to lower deliveries for Volvo CE.

In March, production of the first U.S.-manufactured L60–L90 wheel loaders began at the plant in Shippensburg, Pennsylvania. Volvo CE has invested a total of USD 100 M in the facility, which also produces road machinery.

Volvo CE's SDLG brand was introduced among selected dealers in the North American market during the year. Two wheel loader models were initially launched, the 11-ton LG958 and 17-ton LG959.

Hybrid bus success

The North American market for both city buses and coaches remained weak as a result of the budget restrictions in many cities, but there were indications of recovery in the market in the second half of the year. The Volvo Group delivered a total of 1,752 buses in North America, down 4% compared with 1,826 buses in 2012.

Volvo Buses' North American subsidiary Nova Bus secured an order for 475 hybrid buses to Quebec, Canada. This is the single largest order for hybrid vehicles for the Volvo Group to date. The order also includes an option for a further 1,200 vehicles. Nova Bus also received an order for 414 low floor city buses from MTA New York City Transit, with an option for an additional 700 buses.

In November, Nova Bus and the Montréal public transport authority, Société de transport de Montréal (STM), signed an agreement on an electrification project for the public transit system of the city, formalizing the intention of testing three Nova LFSe electric buses and two charging stations. The goal is to have the noiseless and emission-free buses operational for demonstration in the third quarter of 2015 and in regular traffic for three years, beginning in 2016. Montréal will be the first city in North America to take part in the Volvo City Mobility Program.

During the year Volvo Buses other North American subsidiary, Prevost, secured an order for 300 commuter buses to New York City.

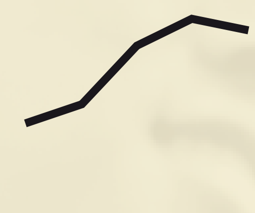
AB Volvo to sell Volvo Rents in North America

In December 2013, the Volvo Group signed an agreement to sell its North American construction equipment lease operation, Volvo Rents, for approximately SEK 7.0 billion. The transaction was completed on January 31, 2014. The divestment is in line with the strategic effort to focus on the core business. Volvo CE will continue to sell products to Volvo Rents under the new ownership.

Volvo Group in North America

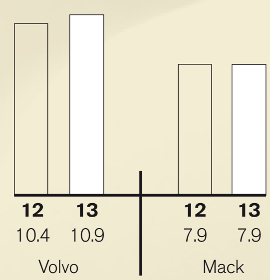
- Net sales: SEK 63,088 M (71,101)
- Share of net sales: 23% (24)
- Number of employees: 16,397 (16,569)
- Share of Group employees: 17% (17)
- Largest markets: The U.S., Canada and Mexico.

Market development, heavy-duty trucks, North America, Thousands



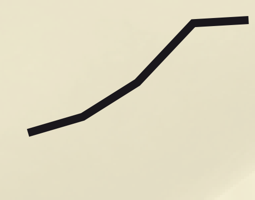
09	10	11	12	13
118	142	216	250	236

Market shares in North America, heavy-duty trucks, %



	Volvo		Mack	
	12	13	12	13
	10.4	10.9	7.9	7.9

Market development, construction equipment, North America, Thousands



09	10	11	12	13
68	82	112	164	166

Mack TerraPro Low Entry is the most versatile Mack truck the refuse industry has ever seen.

DEVELOPMENT BY CONTINENT

SOUTH AMERICA

STRONG PERFORMANCE IN BRAZIL

After weakening in 2012, the South American truck market strengthened in 2013, primarily as a result of the favorable trend in Brazil. The Volvo Group reported its best year to date in South America in terms of truck deliveries. »

Volvo's hybrid buses are increasing their presence all over the South American continent.

Volvo strong in improved truck market
The South American market for heavy-duty trucks increased to 151,500 trucks in 2013 compared with 145,500 the year before. Brazil is the largest market by far in South America and accounted for 69% of the total market in the region. In 2013, the total Brazilian market for heavy-duty trucks rose by 19% to 103,800 trucks compared with 87,400 trucks in 2012, positively impacted by the slightly improved trend in the Brazilian economy, a good crop season and support from a favorable government financing for purchases of trucks, known as the Finame program.

Increased market shares in Brazil

Volvo's success in the Brazilian market continued in 2013. In the segment for trucks above 16 tons, the market share in Brazil rose to 20.0% compared with 18.2% in 2012 and 17.1% in 2011. Volvo has gained market share continuously in recent years. In 2010 the market share was 15.0% and in 2009 it was 13.3%.

Volvo has also strengthened its position in the medium heavy-duty segment in recent years, due to the success of the Volvo VM, and had a market share of 12.0% in 2013. The new Volvo VM line for Latin American was introduced in August 2013 at an event in Trancoso in the Northeast of Brazil. The offering was further enhanced with a new cab exterior, several new models and the I-Shift automated gearbox.

Greater interest in electromobility

The South American bus market improved during the year. In Brazil, the market was positively affected by Finame and procurement for the World Cup. Interest in Bus Rapid Transit solutions remains high in the region. Volvo Buses sold 190 buses to San Salvador. The buses will operate in the city's BRT system.

The total heavy bus market in Brazil amounted to 4,200 buses (4,400). With a market share of 19% (25), Volvo Buses is the third largest bus brand in heavy buses in Brazil. In all of South America, Volvo Buses deliveries decreased by 5% to 2,434 vehicles (2,560).

There is a clear trend towards electromobility in South America, with interest in hybrid and electric vehicles. Volvo Buses secured a breakthrough order in the region for 200 hybrid buses for Bogotá in Colombia. The buses will form part of the city's Bus Rapid Transit system, TransMilênio. It was also significant that the order comprised a total solution that includes complete vehicle maintenance and the access to hybrid battery capacity at a fixed monthly cost.

Volvo CE expands production in Brazil

Following the two good years in 2011 and 2012, the trend in the construction equipment market continued to be good in 2013. In total, the market increased by 4% in 2013 compared with 2012.

However, Volvo CE's deliveries in South America declined by 9% to 3,568 machines in 2013, one of the reasons for which was the weaker demand from the mining industry.

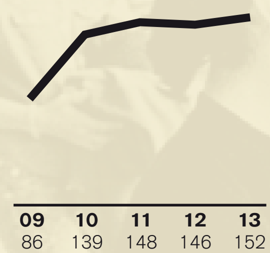
Manufacturing of SDLG excavators began in August in a new plant at Volvo CE's facility in Pederneiras, Brazil. Four crawler excavators between13.8 and 24.3 tons will initially be manufactured. SDLG excavators have been sold in Brazil for more than four years and during this period the company has established itself as one of the leading suppliers in the value segment.

During the year Volvo CE also decided to consolidate its production capacity in the Americas by relocating the manufacturing of Volvo-branded backhoe loaders from Tultitlan, Mexico to Pederneiras, Brazil. The first backhoe loader manufactured at the facility in Pederneiras left the plant at the end of October.

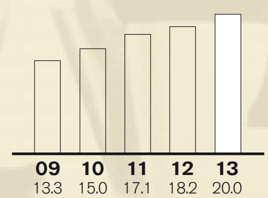
Volvo Group in South America

- Net sales: SEK 29,758 M (29,164)
- Share of net sales: 11% (10)
- Number of employees: 6,275 (5,977)
- Share of Group employees: 6% (6)
- Largest markets: Brazil, Peru, Chile and Argentina.

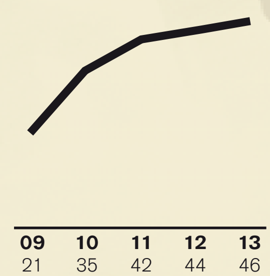
Market development, heavy-duty trucks, South America, Thousands



Market shares, heavy-duty trucks, Brazil, %



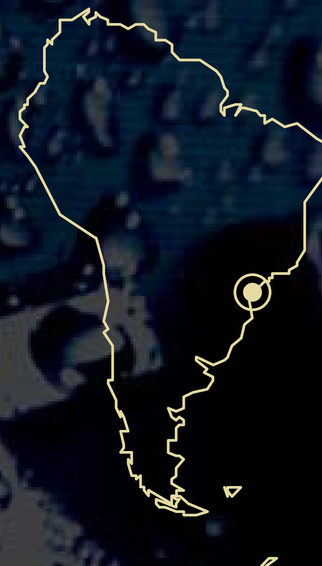
Market development, construction equipment, South America, Thousands



Volvo Construction Equipment has its South American production located in Pederneiras in the state of São Paulo, Brazil.

FOCUS BRAZIL

Successes in Brazil manifested at Fenatran



The exhibitors were out in numbers at the major Fenatran Trade Show in São Paulo, Brazil in October 2013, but the question is whether or not Volvo Trucks stole the show. With a total of 70,000 visitors to the show, 17,000 to the Volvo exhibition, thousands and thousands of new orders and a great deal of attention directed at Volvo's 2,500 square-meter stand, the biennial Fenatran confirmed the successes of the Volvo Group in the Brazilian truck market.

The Volvo Group displayed a number of exciting products and services, including the world's most powerful truck, the Volvo FH 16, with a 750-horsepower engine, the updated Volvo VM series, now also in 8x2 and 8x4 configurations and with I-shift transmission, and a Volvo FM that operates on LNG – the first natural-gas truck to perform field tests in Brazil.

– To be able to fully display the engine in the Volvo FH 16 750, there was a shared booth with a glass floor to clearly show the engine installation. Interest in viewing the booth was so great at times that the queue stretched to the companies with displays closest to us, says Roger Alm, Head of Group Trucks Sales and Marketing in Latin America.

Key market

Demonstrating new products to customers and other stakeholders is an important part of Fenatran, but the Trade Show is more than that. The Volvo Group and dealers worked together to sell trucks, financing, insurance and Gold service contracts at the point-of-sale in the Volvo display, strongly reflecting the Volvo Group strategy to deliver an integrated total offer to customers. Business activities were high and during the five-day show the number of truck orders signed was similar to the amount usually signed during a full quarter.

Interest in Volvo Trucks is huge in Brazil, which is by far the largest truck market in South America, with 103.800 heavy-duty trucks registered in 2013, and very important for the Volvo Group. In recent years, the market shares have gradually increased in the largest country in South America, from 12.8% in heavy-duty trucks in 2008 to 20.0% in 2013. And, this occurred in 2013 with positive price realization. It is also very positive that the new Volvo VM series repeated successes in the medium-heavy segment. Market share in the segment increased from zero ten years ago to 12.0% in 2013. During the year Volvo was named "Most desired brand" in Brazil coming out on top in customer satisfaction and image.

Positive outcome

The Brazilian government has a program, Finame, with advantageous government financing for investments in trucks and construction equipment. Towards the end of the year, there were some uncertainty concerning future lending-rate levels in Finame and worry about rising inflation pressure. Since then the Finame rate has been set and many signs indicate that the Brazilian market will remain at a level of approximately 105,000 heavy-duty trucks in 2014. The positive factors include somewhat improved economic growth, an excellent harvest, general investments in infrastructure, the Soccer World Cup, which is driving both investments and consumption, as well as the scrapping program in some states.

Position of strength to improve further

The favorable trend in the Brazilian market has resulted in an increasing number of the global truck manufacturers focusing their attention on the country and deciding to invest in manufacturing there. To benefit from Finame requires that a large proportion of trucks, measured in value, are manufactured in Brazil. However, the successes of the Volvo Group in Brazil are the result of many years' hard work by the Group's employees and the employees of the independent dealerships. The increasing competition is handled from a position of strength in terms of both image and customer satisfaction. But, it will require continued investments in the 12 sales districts, of which two are driven by the Volvo Group and ten by independent companies.

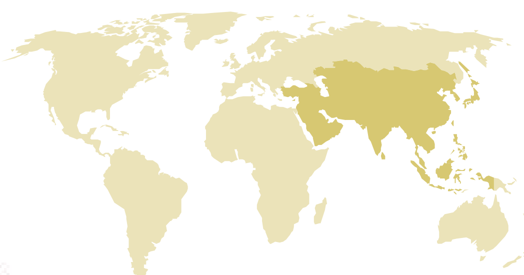
– To support our customers, we will continue to strengthen our service network. In 2010, we and our dealerships had 75 facilities with approximately 1,000 service stations. At the end of 2014, we anticipate we will have a combined amount of 100 facilities and more than 2,000 service stations. We are expanding with our customers, says Roger Alm.

Volvo VM, designed specifically for the South American market, was updated in 2013. The Volvo VM is a medium-heavy truck suited for various regional and distribution operations.

DEVELOPMENT BY CONTINENT

EXPANSION IN ASIA

Asia continues to grow in importance for the Volvo Group. In 2013, an agreement was signed to acquire 45% of Chinese truck manufacturer Dongfeng Commercial Vehicles, the UD Quester truck series was launched for emerging markets and Eicher's new and complete vehicle program in the Eicher Pro Series was introduced.



Dongfeng has a strong position in heavy-duty and medium-duty trucks in China, the world's largest truck market.

Restructuring in Japan. In Japan, the total market for heavy-duty trucks in 2013 rose by 6% to 33,800 vehicles (32,000) as an effect of government incentives to stimulate the economy, significant investments in public construction projects and a weaker currency that increased the competitiveness of the export industry. UD Trucks' market share in the heavy-duty segment incresed to 18.7% (17.5).

The Japanese market is one of the Group's largest, due, amongst others, to high sales of service and spare parts. At the same time, the Japanese market has declined sharply since the peak years of the early 1990s and the Group is carrying out a number of activities to strengthen the performance in the country. Measures are being taken to lower costs and enhance efficiency in the sales channels within the framework of the REX, Retail Excellence, program which includes reducing the number of employees in support functions while increasing the number of employees who generate income.

A program was announced at the start of 2013 aimed at improving the overall efficiency of the Japanese production system. The program involves consolidating manufacturing to the main plant in Ageo and reducing production capacity in both engines and truck assembly.

Deal with DFCV in China approved

In January 2013, AB Volvo signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (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. The transaction was approved by the Chinese National Development and Reform Commission (NDRC) in January 2014 but completion is subject to certain conditions, including the approvals from other Chinese authorities. The deal is expected to be finalized in mid 2014.

During 2013, the Chinese market for heavy-duty trucks totaled approximately 774,100 vehicles, while the corresponding figure for the medium-duty market was 286,800 vehicles. DFCV occupies a strong position in both the heavy-duty and medium-duty segments, with deliveries of 120,631 heavy-duty trucks and 50,995 medium-duty trucks, corresponding to market shares of 15.6% and 17.8%, respectively.

Eicher Pro Series – a strategic milestone for VECV

In 2013, the total market for commercial vehicles over 5 tons in India declined by 25% to 297,100 trucks (394,700). The Volvo Group's joint venture with Eicher Motors, VE Commercial Vehicles (VECV), significantly outperformed the market. VECV's deliveries of Eicher vehicles decreased by 16% to 40,550 units (48,262) and the domestic market share subsequently increased to 13.8% (12.7), the highest to date. In buses, Eicher's share rose to 13.5% (12.0), while it remained overall stable in the medium-duty and heavy-duty segments at 30.4% (31.4) and 4.4% (3.9) respectively.

VECV has made extensive investments in recent years, which have been financed by the company's own cash flow. They include a new factory for medium-duty engines that delivers to the entire Volvo Group, a new paint shop, new cab line, tooling for new products, new gear plant and a new facility for bus body building. Investments were also made in research and development related to new products. The results of these investments were seen in December with VECV's launch of the Eicher Pro Series, developed specifically for India and other selected emerging markets. The Eicher Pro Series covers the entire 5 to 49 ton gross vehicle weight (GVW) range. A stepwise rollout of the Eicher Pro Series began in February 2014.

Volvo CE advances positions in China

The vast majority of net sales in China stem from the sale of construction equipment. The Chinese construction equipment market recovered in the autumn of 2013 after a period of weak development. The market increased by 3% (decline: 37). For Asia excluding China, the market increased by 2% (11).

With a volume totaling 256,200 wheel loaders and excavators in 2013, the Chinese market is by far the world's largest market, and the Volvo Group remains number one in these segments. During 2013, Volvo CE with the brands Volvo and SDLG had a combined market share of 14.6% (15.0) in wheel loaders and excavators.

In December, Volvo CE signed an agreement to acquire the hauler business from Terex, a transaction that is expected to be completed in the second quarter of 2014. In addition to strengthening Volvo CE's penetration in the core earthmoving segment, the acquired business will extend the company's presence in light mining. The deal also includes 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 with a leading position in the market.

Strong positions for Volvo Buses

Volvo Buses has a strong position in India and is one of the most well-known brands in the market. 5,000 buses from Volvo are in operation in India. In 2013, preparation for the introduction of a value brand on the Indian market was initiated.

During the year, Volvo Buses delivered its first low-floor city buses to Shanghai. China is a large market for electric buses. Sunwin Bus, a Volvo Buses and SAIC Motor joint-venture, delivered 311 fully electric buses on the Chinese market in 2013.

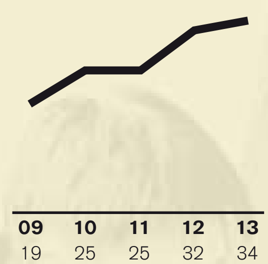
UD Quester for emerging markets

On August 26, UD Trucks launched Quester, a new heavy-duty truck range developed specifically for emerging markets. With Quester, the Volvo Group will address a completely new customer segment and the trucks are an integrated part of the Volvo Group's strategy to increase sales in emerging markets across Asia Pacific and other regions. Read more about UD Quester on the next page.

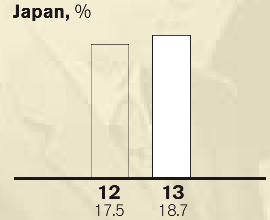
Volvo Group in Asia

- Net sales: SEK 53,512 M (65,458)
- Share of net sales: 20% (22)
- Number of employees: 17,953 (17,642)
- Share of Group employees: 19% (18)
- Largest markets: China, Japan, South Korea and Turkey.

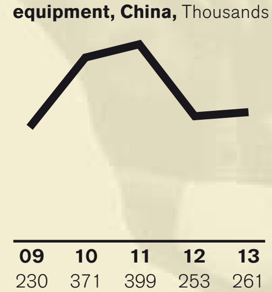
Market development, heavy-duty trucks, Japan, Thousands



Market shares, heavy-duty trucks, Japan, %



Market development, construction equipment, China, Thousands



The Eicher brand has continuously strengthened its position as an innovative force on the Indian truck market. The launch of the Pro Series adds to the reputation.

FOCUS QUESTER

Volvo Group breaks new ground with the launch of Quester

On August 26 2013 UD Trucks launched Quester, a new heavy-duty truck range developed specifically for growth markets. Quester will address new market segments and marks a milestone for the Volvo Group in line with the Group's truck strategy to increase sales by capturing profitable growth opportunities in fast growing markets across Asia Pacific and other parts of the world. Quester offers customers solutions tailored to their specific business needs and supports them in running profitable, growing businesses.

– UD Trucks, with a proud and long-standing tradition of developing high quality trucks for the Japanese market, has exported trucks to markets across Asia, Africa, South America and the Middle-East for many decades. However, we have never developed products for customers outside Japan. With Quester, we are entering a new era by introducing an all-new truck range, specifically designed for growth markets, says Joachim Rosenberg, Executive Vice President, Group Trucks Sales & Marketing and JVs, APAC.

Tailored for growth markets

Quester will expand UD Trucks' customer base and contribute to the Group Trucks' strategy by improving competitiveness and capturing growth opportunities in new markets. As a heavy-duty truck range, Quester provides a platform for a wide range of applications including mining, construction, distribution and long-haul transportation.

Being an integral part of the Volvo Group, UD Trucks has developed Quester by leveraging the Volvo Group's global engineering network in combination with its tradition of Japanese craftsmanship. Combined with sourcing and manufacturing on the Asian mainland, UD Trucks will now be able to deliver a modern, affordable vehicle range with superior performance tailored to the cost-conscious growth markets of the world. To ensure best possible uptime, Quester is supported by an expanded and upgraded distribution network providing UD Genuine Service and UD Genuine Parts amongst others.

Robust and strong

Quester's most obvious competitive advantages are the robustness and strength of the truck, its fuel efficiency and the breadth of the range. The variety of different configurations with easy body mounting will provide customers with tailored, purpose-built solutions for all types of applications. In addition, there are new and patented features that will contribute to the customer's uptime and safety.

The production of Quester started at low volumes during the third quarter of 2013 in Bangkok, Thailand with volumes increasing gradually in 2014. Besides serving the domestic Thai market, the plant in Thailand will also serve as an export hub for South East Asia and beyond.

On December 10, the new Quester range was launched in China under the name UD KuTeng. The UD KuTeng series is intended to be manufactured and commercialized by DONGVO TRUCK, which is the new name for Dongfeng Nissan Diesel Motor Co Ltd (DND) in Hangzhou in Southern China. Later on the Quester is also intended to be manufactured in India.

Quester represents the best of three worlds

Quester has been developed with a Japanese hands-on, field-oriented approach that starts from a customer and factory floor perspective. UD Trucks' more than 70 years of Japanese craftsmanship has gone into creating this new masterpiece.

As part of the Volvo Group, Quester has been developed by the Group Trucks Technology and Group Trucks Operations functions. The project has engaged colleagues from twelve different nationalities, who have contributed to design, develop, validate and industrialize Quester and its associated services.

As a third element, local sourcing and manufacturing allows Quester to be an affordable truck with superior performance in the cost-conscious growth markets of the world. Quester is also supported by a large and expanding service network providing UD Genuine Service and UD Genuine Parts to ensure best possible uptime.

Volvo Penta **keeps it simple** for customers!

Starting in 2014, the Tier 4 Final/Stage IV emission regulations took effect in North America and the EU for diesel engines in off-road applications. Volvo Penta's strategy to meet these new emission demands was to keep it simple – for its customers. By using the proven SCR technology, installation challenges for the manufacturers are very limited, no regeneration is needed and operating costs are low. The environmental benefits with using Volvo Penta engines are of course also there.

SIGNIFICANT EVENTS

During 2013

Year 2013 was characterized by the most extensive product renewal in the history of the Volvo Group.

New Volvo FM

The Volvo FM was launched in Europe on March 19, 2013 – with the ground-breaking innovation Volvo Dynamic Steering as one of its prominent features. Volvo Dynamic Steering combines a conventional hydraulic power steering system with an electronically regulated electric motor fitted to the steering gear. The system gives the driver effortless steering at low speeds as well as excellent directional stability on the open road.

New Volvo FMX

The new Volvo FMX truck was launched at the Bauma trade fair in Munich on April 15, 2013, setting a new standard when it comes to robustness, handling and driver comfort. The truck, which is specially designed for heavy construction duties, boasts an array of updates including a totally redesigned cab interior, new air suspension system and raised ground-clearance.

The new Volvo FMX is also equipped with Volvo Dynamic Steering – an innovation designed to improve maneuverability.

Powerful news from Volvo Trucks in North America

The new heavy-haul tractor Volvo VNX, a 13-litre engine running on liquefied natural gas, the introduction of Volvo I-Shift as standard throughout the product range, and services that boost uptime were some of the new features that Volvo Trucks in North America presented at the Mid-America Trucking Show in Louisville, Kentucky, USA on March 21, 2013. Volvo VNX is a new heavy-haul tractor for the North American market. It is intended for demanding assignments such as hauling timber and heavy machinery.

Annual General Meeting of AB Volvo

The Annual General Meeting of AB Volvo held on April 4, 2013 approved the Board of Directors' motion that a dividend of SEK 3.00 per share be paid to the company's shareholders.

Peter Bijur, Jean-Baptiste Duzan, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg, Ravi Venkatesan, Lars Westerberg and Ying Yeh were reelected as members of the AB Volvo Board of Directors. Carl-Henric Svanberg was reelected as Board Chairman.

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

A Remuneration Policy for senior executives was adopted in accordance with the Board of Directors' motion.

The Annual General Meeting adopted an amendment to the Articles of Association concerning the appointment of auditor in accordance with the Board's proposal. The amendment entails that the appointment of auditor shall apply until the close of the annual general meeting held during the fourth financial year after the appointment of the auditor.

New Renault Trucks Range

Renault Trucks took advantage of the switch to the Euro 6 standard to totally renew its entire range including light, medium and heavy-duty trucks for distribution, construction and long-haulage. The presentation of the new Renault

Volvo Group Press releases 2013

THE FIRST QUARTER

09/01/2013 Volvo scholarship for the development of eco-friendly transportation **11/01/2013** Volvo Group industrial operation in Japan **15/01/2013** Information on restructuring charges in the fourth quarter of 2012 **23/01/2013** Invitation to press and tele conference in Stockholm **26/01/2013** Volvo to become world's largest heavy-duty truck manufacturer following strategic alliance with Chinese company Dongfeng Motor Group **31/01/2013** New number of votes in AB Volvo **06/02/2013** Volvo Group – the fourth quarter and full year 2012 **07/02/2013** Volvo dismisses media speculation concerning acquisition of Nexter of France **12/02/2013** Volvo Buses receives order for 475 hybrid buses from Quebec **13/02/2013** Volvo Group invests in DriveCam **19/02/2013** Record year for Volvo Museum **20/02/2013** Truck deliveries in January 2013 **26/02/2013** Annual General Meeting of AB Volvo **28/02/2013** New number of votes in AB Volvo **01/03/2013** Changes in Volvo's Group Management **13/03/2013** AB Volvo publishes 2012 Annual Report **19/03/2013** The new Volvo FM – the ideal all-round player in Volvo Trucks' model range **20/03/2013** Truck deliveries in February 2013 **21/03/2013** Powerful news from Volvo Trucks in North America **26/03/2013** Assar Gabrielsson Award for increased knowledge of correlation between immune system and cancer **27/03/2013** AB Volvo publishes Sustainability Report 2012 **28/03/2013** New number of votes in AB Volvo

Trucks Euro 6 range on June 11 was the first time that any manufacturer had ever renewed its entire range at a single stroke. The Volvo Group made an investment of approximately EUR 2 billion over five years in the project and Renault Trucks carried out the most stringent testing program of its entire history.

Volvo Trucks renewed its entire European truck range and launched Euro 6

Since September 2012, Volvo Trucks has launched five new truck models. It all began in 2012 with the launch of the new Volvo FH, followed in 2013 by the introduction of the new Volvo FM, Volvo FMX, Volvo FE and Volvo FL. All the new models include innovations and features that make the driver's job easier and more efficient. Volvo Trucks has also introduced new trucks with Euro 6 engines ranging from the smallest medium-duty 5-liter engine to the heavy-duty 13-liter variant.

Volvo Group increased warranty reserves

On July 1, it was announced that the Volvo Group would book an additional SEK 900 M in warranty reserves, which impacted the operating income negatively in the second quarter 2013. The cost relates to legacy product quality issues which are resolved in current truck production. The cost was booked in the truck segment.

Termination of local assembly of Renault Trucks in Turkey

On August 20, the Volvo Group and the Turkish manufacturer Karsan agreed to end the contract for local assembly of Renault Trucks for the Turkish market before the end of 2013. The termination had a negative impact on the Volvo Group's operating income of approximately SEK 95 M in the third quarter of 2013. The termination was made in connection with the change to the newly launched Renault Trucks range, which instead is manufactured in France also for the Turkish market.

Volvo Group took an important strategic step with the launch of Quester

On August 26, UD Trucks launched Quester, an all-new heavy-duty truck range developed specifically for growth markets. Quester addresses new market segments in line with the Volvo Group's truck strategy to increase sales by capturing profitable growth opportunities in fast growing markets across Asia Pacific and other regions. Production of Quester started in the third quarter of 2013 in Bangkok, Thailand. Besides serving the domestic market, the plant in Thailand will also serve as an export hub for South East Asia and beyond. In the near future, the range is also intended to be manufactured in China for the Chinese market and later on also in India.

The Volvo Group ranked as one of the world's most sustainable companies

On September 16 it was announced that the Volvo Group once again qualifies for the Dow Jones Sustainability World Index (DJSI). The Volvo Group received a particularly good rating for its implementation of the environmental policy and management systems.

The Volvo Group announced comprehensive efficiency program linked to the strategy

On September 24 it was announced that the Volvo Group had 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. It is estimated that the program will entail restructuring costs totaling approximately

THE SECOND QUARTER

04/04/2013 Annual General Meeting of AB Volvo **04/04/2013** Volvo Technology Award for fuel-saving "autopilot" for trucks **15/04/2013** Invitation to press and tele conference in Stockholm **16/04/2013** New Volvo FMX centre of attention at Bauma Fair **18/04/2013** New President at Volvo Buses **25/04/2013** Volvo Group – the first quarter 2013 **30/04/2013** New number of votes in AB Volvo **30/04/2013** Annual Report of Volvo Treasury AB (publ) **14/05/2013** The new Volvo FE and Volvo FL – optimised for city and suburban deliveries **16/05/2013** Volvo Trucks has renewed its entire European truck range in eight months **17/05/2013** Truck deliveries in April 2013 **28/05/2013** Volvo Trucks presents its Euro 6 offer **07/06/2013** Volvo Trucks to Commercialize DME-Powered Vehicles for North America **11/06/2013** WirelessCar has been honoured with 2 awards at Telematics Update Detroit **12/06/2013** New Renault Trucks Range: Centres of profit serving customers' businesses **17/06/2013** Truck deliveries in May 2013 **17/06/2013** Volvo launches noiseless electric buses in Gothenburg **28/06/2013** New number of votes in AB Volvo

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.

Volvo Group to optimize truck manufacturing in Europe

On October 16 the Volvo Group announced a directional decision to implement changes in the European industrial structure for truck manufacturing. The aim is to enhance the efficiency and thus strengthen competitiveness. The intention is to, step-wise over the next two years, relocate cab trim operations from Umeå to Gothenburg, to concentrate the assembly of heavy duty trucks in Gothenburg to one line, and to concentrate the assembly of medium duty trucks to Blainville. The directional decision is expected to result in staff cutbacks and operational changes.

Staff and support function rationalization

As part of the Group-wide efficiency program the Volvo Group has made a directional decision to rationalize its staff and support functions worldwide to enhance efficiency and reduce costs. Approximately 2,000 white-collar employees and consultants are expected to be affected by the rationalization, which is intended to be implemented starting in the beginning of 2014. The action is subject to union negotiation.

Volvo Construction Equipment 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.

THE THIRD QUARTER

01/07/2013 Volvo Group to increase warranty reserves **10/07/2013** Invitation to press and analyst conference in Stockholm **24/07/2013** Volvo Group – the second quarter 2013 **31/07/2013** New number of votes in AB Volvo **20/08/2013** Termination of local assembly contract in Turkey – new range of Renault Trucks to be manufactured in France **26/08/2013** Volvo Group takes an important strategic step with the launch of Quester **26/08/2013** Semi-Annual Report of Volvo Treasury AB (publ) **27/08/2013** More efficient goods transport reduces emissions in cities **30/08/2013** New number of votes in AB Volvo **04/09/2013** Volvo Trucks Reveals Next Generation **16/09/2013** The Volvo Group ranked as one of the world's most sustainable companies **18/09/2013** Truck deliveries in August 2013 **24/09/2013** The Volvo Group announces comprehensive efficiency program linked to the strategy **30/09/2013** New number of votes in AB Volvo

EVENTS AFTER BALANCE SHEET DATE

Chinese authority approved 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 divested 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.

Reduction of white-collar personnel

In the autumn of 2013 a Group-wide efficiency program based on activities related to the implementation of the Group's strategies was announced. The program will be implemented in 2014 and 2015. In the report for the fourth quarter 2013, which was published on February 6, 2014, it was announced that the detailed analysis of the consequences of the program was finished and 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. The majority of the personnel reductions will be implemented during 2014.

Detailed information about the events is available at www.volvogroup.com

THE FOURTH QUARTER

11/10/2013 Invitation to press and analyst conference in Stockholm **16/10/2013** Volvo Group to optimize truck manufacturing in Europe **21/10/2013** Chinese glaciologist and climate scientist awarded the Volvo Environment Prize **21/10/2013** Pat Olney leaves Volvo Construction Equipment **25/10/2013** Volvo Group – the third quarter 2013 **31/10/2013** New number of votes in AB Volvo **11/11/2013** Girls make up more than half of the Volvo Step's student group this year **18/11/2013** Martin Weissburg new President of Volvo CE **19/11/2013** The Volvo Group introduces vocational training schools in Africa **20/11/2013** Truck deliveries in October 2013 **22/11/2013** Montréal to Become City of Electro Mobility **29/11/2013** New number of votes in AB Volvo **29/11/2013** Change in Volvo's Group Executive Team **02/12/2013** Successful joint venture behind strategic launch of Eicher Pro Series **04/12/2013** Volvo Group presents details on the financial effects of the strategy program **09/12/2013** Volvo Construction Equipment set to acquire hauler business from Terex **10/12/2013** AB Volvo to sell Volvo Rents in North America **16/12/2013** Reporting dates for AB Volvo 2014 **18/12/2013** Truck deliveries in November 2013 **30/12/2013** New number of votes in AB Volvo

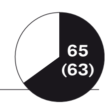
TRUCKS

PRODUCT renewal and RESTRUCTURING

During 2013 market conditions varied between different parts of the world. Towards the end of the year the European market was strengthened by many customers choosing to pre-buy new trucks ahead of the transition to the new Euro 6 emission standard, which came into effect at the turn of the year. Trucks equipped with Euro 6 engines have lower emission levels but are also more expensive than their predecessors.

Facts The truck operation's product offer stretches from heavy-duty trucks for long-haulage and construction work to light-duty trucks for distribution. The offering also includes maintenance and repair services, financing and leasing.

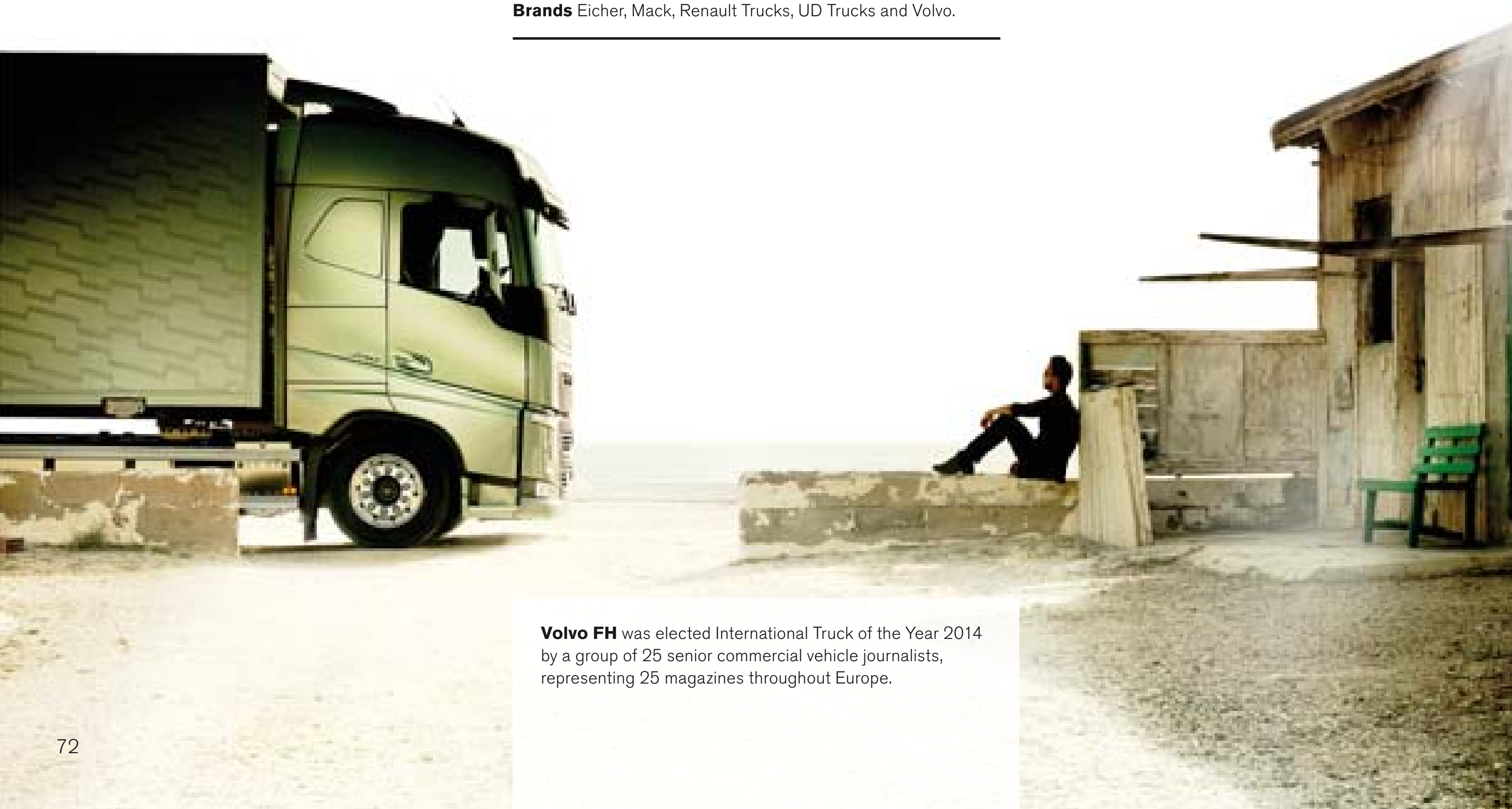
Share of Group net sales, %



Number of regular employees 58,542

Position on world market Volvo Group is one of the world's largest manufacturers of heavy-duty trucks.

Brands Eicher, Mack, Renault Trucks, UD Trucks and Volvo.



Volvo FH was elected International Truck of the Year 2014 by a group of 25 senior commercial vehicle journalists, representing 25 magazines throughout Europe.

The North American market declined somewhat in the wake of slow economic growth. Demand in Brazil was strong throughout the year while the Japanese market was supported by economic measures by the government. The truck market in India was low, reflecting the slowdown in the economy while the Chinese market picked up somewhat compared to 2012.

Varying market conditions

In 2013, the heavy-duty truck market in Europe 30 (EU plus Norway and Switzerland) increased 8% to 240,200 trucks compared with 221,800 in 2012. For 2014 the total market is expected to be at a level of about 230,000 heavy-duty trucks.

In 2013, the total North American retail market for heavy-duty trucks decreased by 5% to 236,300 vehicles (249,600). For 2014, the total market is expected to reach a level of about 250,000 heavy-duty trucks.

In 2013, the Brazilian market increased by 19% to 103,800 heavy-duty trucks (87,400). For 2014 the total market in Brazil is expected to remain at the level of about 105,000 heavy-duty trucks.

In Japan the total market for heavy-duty trucks rose by 6% to 33,800 vehicles (32,000). For 2014 the total market in Japan is expected to remain at the level of about 35,000 heavy-duty trucks.

In India, the total market for heavy-duty trucks declined by 33% to 131,700 trucks (195,100). The total Indian market for medium-duty trucks declined by 19% to 76,300 trucks (94,200). For 2014 the total market in India is expected to reach a level of about 145,000 heavy-duty trucks and about 88,000 medium-duty trucks.

In China, the total market for heavy-duty trucks reached 774,100 vehicles (636,000). The total market for medium-duty trucks was 286,800 vehicles (290,300). For 2014 the total market in China is expected to reach a level of about 700,000 heavy-duty trucks and about 280,000 medium-duty trucks.

In general the Volvo Group maintained or increased its market positions in the main markets. In Europe the combined market share for heavy-duty trucks amounted to 24.3% (25.7) and in North America it was 18.8% (18.3). In Brazil the market share in heavy-duty trucks increased to 20.0% (18.2) while it increased to 18.7% (17.5) in Japan. In India the market share for Eicher amounted to 30.4% (31.4) in the medium-duty segment and to 4.4% (3.9) in the heavy-duty segment.

Orders and deliveries

In 2013, a total of 200,274 trucks where delivered from the Group's wholly-owned operations, a decrease of 2% compared to 2012. Deliveries decreased in all markets except South America.

Order intake to the Group's wholly-owned operations increased by 12% to 214,301 trucks with increases noted in all markets.

Lower earnings

In 2013, net sales in the truck operations decreased by 6% to SEK 178,474 M (189,156). Adjusted for changes in exchange rates, net sales increased by 1%.

Operating income excluding restructuring charges amounted to SEK 6,824 M (12,219), while the operating margin excluding restructuring charges was 3.8% (6.5). Restructuring charges amounted to SEK 679 M (1,440). The lower profitability compared to 2012 is mainly an effect of a negative currency impact of SEK 2,698 M, higher costs for R&D due to reduced capitalization of R&D investments, higher costs in the manufacturing system and selling expenses associated with the changeover to new generations of trucks.

Extensive product renewal

The activity level in the Group's truck operations was very high during the year. In Europe, Volvo Trucks launched the new Volvo FM, Volvo FMX, Volvo FL and Volvo FE. In June, Renault Trucks presented a new, comprehensive truck program comprising its T, K, C and D series for long-distance haulage, construction and distribution. In addition, the new Euro 6 engines were launched.

The renewal of the Group's truck program continued with the launch of UD Quester, an all-new series of heavy-duty trucks developed specifically for growth markets in Asia and other areas. In India, VECV, the Group's joint venture together with Eicher Motors, started manufacturing the new 5 liter and 8 liter engines for UD Quester and the medium-duty truck program in Europe. Towards the end of the year the Eicher Pro Series, a complete new range of 11 trucks and buses, was revealed. In Brazil the new Volvo VM was launched and In North America, new powertrain packages were among the product news.

The new trucks, which shall contribute to the Group's long-term growth and profitability, were very well received by both dealers and customers. The Group's new and stronger product programs have also provided dealers with stronger faith in the future and motivation for them to continue to invest and contribute to the development of the Group's brands.

Restructuring to strengthen competitiveness

On January 1, 2013, the Volvo Group introduced a new organization for its truck dealer networks in Europe, the Middle East and Africa (EMEA). The reorganization aims to capitalize more effectively on opportunities for the Group's brands and products in line with the new strategy for the truck operation.

In October, there was a directional decision to implement changes in the European truck manufacturing operations in order to increase efficiency and strengthen competitiveness. By optimizing the industrial structure in Europe, the Group will be able to build trucks in a much more efficient way with lower cost per truck.

At the start of 2013 a program aimed at improving the overall efficiency of the Japanese production system was announced. The program involves consolidating manufacturing to the main plant in Ageo and reducing production capacity in both engines and truck assembly. Measures are also ongoing in Japan to lower costs and enhance efficiency in the sales channels within the framework of the REX program (Retail Excellence).

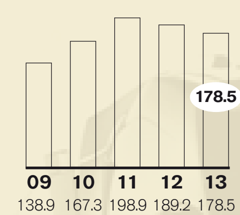
Net sales by market

Mkr	2013	2012
Europe	73,640	76,365
North America	40,314	42,650
South America	23,318	21,172
Asia	26,740	33,404
Other markets	14,462	15,566
Total	**178,474**	**189,156**

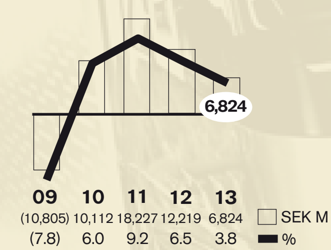
Deliveries by market

Number of trucks	2013	2012
Europe	82,088	84,355
North America	44,755	47,806
South America	29,137	23,443
Asia	28,692	31,757
Other markets	15,602	16,899
Total	**200,274**	**204,260**
Non-consolidated operations		
Eicher (100%)	31,422	39,063
DND (100%)	213	450
Total volumes	**231,909**	**243,773**

Net sales, SEK bn

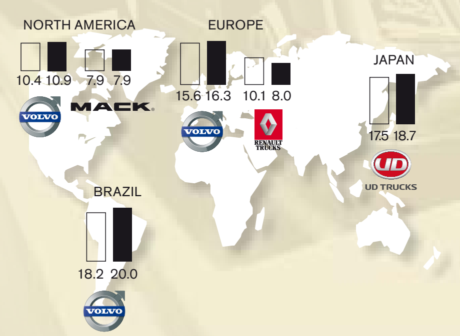


Operating income (loss)* and operating margin*



*Excl. restructuring changes

Market shares, heavy-duty trucks, %



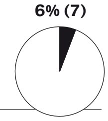
BUSES

POSITIVE trend in ELECTRO-MOBILITY

Volvo Buses is one of the world's leading bus manufacturers, with a strong focus on vehicles and systems for long-term sustainable public transport. The product program includes complete transport solutions, city buses, intercity buses and coaches, as well as services in financing, vehicle service, vehicle diagnostics and traffic information.

Facts Volvo Buses offers complete buses and chassis within city buses, intercity buses and coaches as well as services within vehicle service, vehicle diagnostics and traffic information.

Share of Group net sales, %



Number of regular employees 6,648

Position on world market Volvo Buses is one of the world's largest producers of buses.

Brands Volvo, Prevost, Nova and Sunwin Bus.

The Volvo 7900 Hybrid bus is our second series-produced hybrid bus model. Its predecessor was launched already in 2009. Both fuel savings and reliability have been proven in commercial operation.

Volvo Buses has sales in 85 countries and one of the industry's most comprehensive service networks, with more than 1,500 dealerships and workshops worldwide. Production facilities are located in Europe, North America, South America and Asia.

New product program for Euro 6

During 2013, Volvo Buses launched a completely new product program for Europe, with engines that comply with the new Euro 6 emission requirements. The step from Euro 5 to Euro 6 entails that emissions of nitrogen oxide will be reduced by 77%, while the amount of particulates in exhaust fumes will be halved. At the same time, the buses' fuel consumption and climate impact have been reduced. For some models, fuel saving is a full 10%. Sales commenced during the second half of the year and the new products were well received in the market. In addition Volvo Buses introduced the Volvo 7900 Articulated Hybrid bus during 2013 along with an upgraded coach program.

Beyond Euro 6 – electromobility

Volvo Buses continues to develop its market-leading position in electromobility worldwide. Transport systems with electric hybrids and/or completely electric vehicles make it possible to reduce energy consumption, climate impact, noise and emissions and are therefore viewed by many cities around the world as the key to sustainable public transport. Under a joint City Mobility format, Volvo commenced cooperation on electromobility with Gothenburg, Hamburg, Luxembourg, Montréal and Stockholm.

The first Volvo brand electric hybrid bus was introduced in 2009. Since then, approximately 1,300 hybrid buses have been delivered to customers in 21 countries. Most of the sales occur in Europe. At the same time, important breakthroughs were made in several markets. Volvo Buses in South America received an order for 200 hybrid buses for Bogotá, Colombia. Volvo Buses' North American subsidiary Nova Bus sold 475 hybrid buses to Quebec in Canada. Sunwin Bus in China, of which Volvo owns 50%, is among the world's largest manufacturers of large electric buses. During 2013, Sunwin Bus delivered more than 300 electric buses.

Volvo Buses' hybrid program expanded in 2013, with an articulated bus model and a new more fuel-efficient diesel engine. From 2014, all complete low-floor buses sold by Volvo in Europe are hybrid buses.

In spring 2013, a field test commenced with Volvo's first plug-in hybrid buses in Gothenburg. The technology entails that the bus' battery may be charged via an electricity network at the terminals and that the bus will be able to operate quietly and free from exhaust gases for approximately seven kilometers on electricity alone. The tests, which were conducted in autumn 2013, showed that the fuel consumption and climate impact emissions for the plug-in buses were more than 80% lower than for conventional diesel buses. The total energy consumption (diesel and electricity) is more than 60% lower. Commercial manufacturing of Volvo's plug-in hybrids is scheduled for 2015.

In Gothenburg, Sweden Volvo has taken the initiative for ElectriCity – an innovative collaboration project with the City of Gothenburg as a demonstration and test arena for the electric public transport of the future. The project includes a bus service that will operate commercially on fully electric vehicles and plug-in hybrids starting in 2015.

Deliveries decreased but order intake increased

The global bus market remained weak during 2013. Volvo Buses' deliveries declined to 8,910 buses and bus chassis compared with 9,297 during 2012. However, the total order intake increased to 9,621 units in 2013 compared with 8,905 in the preceding year.

Several important orders were signed, in addition to those mentioned above. For example, Volvo Buses' North American subsidiary Prevost received an order for 300 commuter buses to New York City. In February, Volvo Buses' other North American subsidiary Nova Bus secured an order for 475 hybrid buses to Quebec, Canada. Nova Bus also received an order for 414 low floor city buses from MTA New York City Transit.

Due to lower volumes and increased price pressure in Europe, Volvo Buses has concentrated the manufacture of complete buses in Europe to the company's production facility in Wroclaw, Poland. The manufacture of Volvo Buses in Säffle, Sweden, was discontinued during the second quarter of 2013.

Loss for the full year

During 2013, net sales declined by 15% to SEK 16,707 M (19,587). Net sales declined in all markets. Adjusted for changes in exchange rates, net sales declined by 10%.

Operating income excluding restructuring charges amounted to a negative SEK 190 M (148) and the operating margin excluding restructuring charges was a negative 1.1% (0.8). No restructuring charges were recorded during the year compared with SEK 110 M in the preceding year. Profitability was negatively impacted by low volumes, a negative currency impact of SEK 199 M, a negative market and product mix as well as the price pressure in Europe.

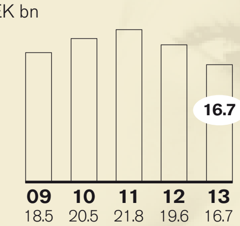
Net sales by market

SEK M	**2013**	2012
Europe	5,429	6,200
North America	5,929	6,675
South America	1,836	2,794
Asia	2,055	2,149
Other markets	1,457	1,768
Total	**16,707**	**19,587**

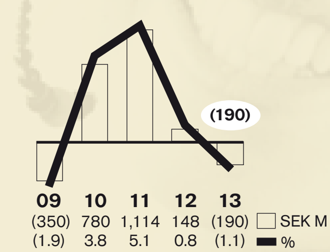
Deliveries by market

Number of buses	**2013**	2012
Europe	2,146	2,491
North America	1,752	1,826
South America	2,434	2,560
Asia	1,822	1,564
Other markets	756	856
Total	**8,910**	**9,297**

Net sales
SEK bn



Operating income (loss)* and operating margin*



*Excl. restructuring charges

The Volvo 9700 is spacious, reliable safe and productive. It is an excellent tourist coach since it not only makes sure that the passengers have every comfort in a quiet and calm environment, but it also offers the driver great handling characteristics.

CONSTRUCTION EQUIPMENT

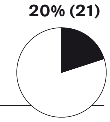
LOWER VOLUMES affected PROFITABILITY

During 2013 Volvo Construction Equipment's profitability was affected by lower deliveries in many markets.

Facts Volvo CE manufactures a range of equipment for construction applications and related industries.

Share of Group net sales, %

20% (21)



Number of employees 14,663

Position on world market Volvo CE is the world's leading manufacturer of articulated haulers and one of the world's leading manufacturers of wheel loaders, excavators, road development machines and compact construction equipment.

Brands Volvo and SDLG (Lingong).

Volvo Construction Equipment continues to evolve as a total solution provider and to develop its segmentation approach to customer needs.

Volvo Construction Equipment (Volvo CE) is the third largest and, at over 180 years old, the longest established global producer of products and services for the construction, extraction, waste processing and materials handling industries. The company boasts a portfolio that exceeds 200 machines and a comprehensive range of supporting products and services. Main equipment includes excavators, articulated haulers, wheel loaders and a range of smaller equipment such as backhoe and skid steer loaders. The road machinery range includes motor graders, compactors, pavers and milling machines. The Chinese-built range of SDLG branded products includes excavators, loaders and compactors. The company's offering also includes services such as customer support agreements, attachments, financing, leasing and used equipment sales.

Volvo CE equipment is distributed through a global network of independent and Volvo-owned dealerships. SDLG branded products are distributed through separate sales channels.

Lower volumes

Measured in units sold, the total world market for heavy, compact and road machinery equipment increased by 2% in 2013, compared to 2012. The European market was down by 4%, while Asia (excluding China) was up 2% and demand in China itself increased by 3%. North and South America proved more resilient, recording market growth during 2013, of 2% and 4% respectively. Volvo CE sold 70,800 machines compared with 75,500 in 2012.

The important Chinese market, where Volvo CE remains the market leader in wheel loader and excavator sales, showed signs of increased stability, if not quite a market recovery. Elsewhere, there were improving trends in the Middle East and some European countries too. Demand in the important mining segment was weak during the year.

During 2013 net sales declined by 16% to SEK 53,437 M (63,558). Net sales declined in all markets. Adjusted for changes in exchange rates, net sales declined by 12%.

Operating income declined to SEK 2,952 M (5,667) and the operating margin amounted to 4.9% (8.9). Profitability was negatively impacted by lower sales, a negative product mix, price pressure and an unfavorable exchange rate development amounting to SEK 623 M.

New product development

In April Volvo CE attended the construction equipment industry's largest exhibition – Bauma – announcing its technical solution to the Tier 4 Final/Stage IV emissions regulations as well as displaying new products such as the ECR25D, ECR58D and ECR88D short radius compact excavators and the P6870C asphalt paver. Product introductions were supported by new Volvo branded attachments, financing solutions, approved used equipment, genuine Volvo parts, customer support agreements and fleet management solutions.

Production and distribution

In 2013 Volvo CE further expanded the production footprint. In May the company opened a new excavator plant in Europe's second-largest market: Russia. The 20,660 square meter factory in Kaluga represents a SEK 350 M investment and is initially producing four models of Volvo excavators, spanning 20 to 50 tons.

Volvo CE also inaugurated wheel loader production in its Shippensburg facility in the U.S., along with a new headquarters for its Americas sales operation. Volvo CE also announced that it was moving production of backhoe loaders from Mexico to its main Latin American production facility in Pederneiras, Brazil.

SDLG started production of its excavators in Brazil. It was also announced that SDLG would enter the North American market, initially offering two wheel loaders through a selected group of dealers. SDLG also entered into a number of distribution agreements to sell machines throughout EMEA, Asia Pacific and North America, while in its Chinese home market the creation of SDLG Financial Services offers customers improved financial services.

2013 also saw the remote telematics system Caretrack reach a significant milestone: there are now 50,000 machines worldwide with the monitoring system.

Acquisition of hauler business from Terex

In December Volvo CE agreed to acquire the off-highway hauler business of the Terex Corporation for a purchase consideration of approx. SEK 1 billion on a cash and debt free basis. The acquisition improves Volvo CE's penetration in the core earthmoving segment and extends its presence in light mining. 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 with a market-leading position. In the first nine months of 2013 the businesses in the acquisition (excluding NHL) had net sales amounting to approx. SEK 1.1 billion and the operating income was approx. SEK 35 M.

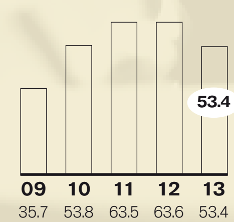
Net sales by market

SEK M	**2013**	2012
Europe	16,356	16,518
North America	8,319	12,027
South America	3,314	3,788
Asia	21,911	27,033
Other markets	3,539	4,193
Total	**53,437**	**63,558**

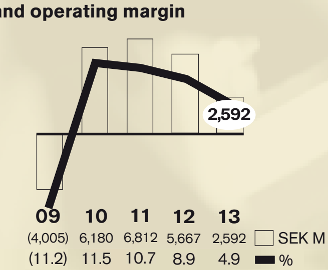
Deliveries by market

Number of machines	**2013**	2012
Europe	13,522	12,545
North America	5,240	6,782
South America	3,568	3,908
Asia	44,892	49,263
Other markets	3,564	2,982
Total deliveries	**70,786**	**75,480**
Of which		
Volvo	38,155	40,331
SDLG	32,631	35,149
Of which in China	27,559	30,780

Net sales
SEK bn



Operating income (loss) and operating margin



The L105 is the a mid-sized wheel loader from Volvo Construction Equipment, designed specifically to meet the needs of customers in China and other emerging markets.

VOLVO PENTA

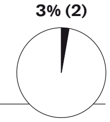
GOOD PROFITABILITY despite weak DEMAND

The Volvo Group's high-technology diesel engines create a unique competitive edge for its trucks, construction equipment and buses. Volvo Penta is in charge of sales of the Group's diesel engines to external customers, including boat builders and manufacturers of industrial products, such as cranes and mining vehicles.

Facts Volvo Penta provides engines and power systems for leisure and commercial boats, as well as for industrial applications such as power generation and container trucks.

Share of Group net sales, %

3% (2)



Number of employees 1,412

Position on world market Volvo Penta is the world's largest producer of diesel engines for leisure boats and a leading, independent producer of industrial engines.

Volvo Penta was honored with a DAME Design Award for its Glass Cockpit concept at the Marine Equipment Trade Show in Amsterdam, the Netherlands. The DAME Design Awards go to the best and most trendsetting new marine equipment and accessories in the industry.

Volvo Penta generates significant synergies for the Volvo Group's total volumes of diesel engines. Approximately 10% of total production in the Group's European diesel-engine plants and more than half of the Group's global volumes of 16-liter engines are delivered to Volvo Penta's customers.

The Industrial business segment, accounting for about half of sales, is the part of Volvo Penta's operation that generates the largest strategic engine volumes for the Volvo Group. Featuring unique performance, installation benefits and minimized environmental footprint, Volvo Penta's engines strengthen the competitiveness of world-leading industrial customers, such as Sandvik, Cargotec and Konecranes. By leveraging the strength of the Volvo Group's combined service offering, Volvo Penta is able to offer efficient support in the form of global service and aftermarket services.

To the greater public, Volvo Penta is best known for its globally leading marine drive systems – for both leisure and commercial boats. Over the decades, products such as the Aquamatic sterndrive and Duoprop have given Volvo Penta a global reputation as an innovative engine supplier to most of the strongest brands in the leisure boat industry. This year, the D4/D6 engine range is celebrating its ten-year anniversary in the market and has helped to progressively strengthen Volvo Penta's market-leading positions in Marine Leisure. As electronics make inroads into the marine industry, recent years have seen Volvo Penta increasingly move toward deliveries of complete boat-driver environments with a strong focus on comfort and user-friendliness.

In the Marine Commercial business segment, Volvo Penta delivers diesel engines for use under the toughest possible offshore conditions. Coast guards and sea-rescue organizations, ferry companies, port authorities and shipyards worldwide install Volvo Penta's reliable engines in boats for sea rescue, patrol, passenger transport, security and maintenance of offshore wind turbines, among other purposes.

Volvo Penta's marine customers have access to one of the world's strongest service support organizations comprising approximately 4,000 dealerships worldwide.

Continued weak leisure boat market

2013 marked the sixth consecutive year without growth in the European leisure boat market and, in the wake of the unchanged weak global demand for leisure boats, the consolidation trend in the boat industry continued. During the year, several leading boat brands underwent ownership changes, at the same time as large parts of the boat industry were forced to continue cutbacks and rationalization measures.

Reduced demand in the Chinese construction sector was one of the underlying factors putting pressure on the global market for off-road industrial engines. In Europe, demand was upheld to a certain extent by pre-buy effects ahead of new emissions legislation that came into effect at year-end 2013.

The total market for diesel engine gensets, Volvo Penta's largest industrial engines segment, remained stable.

Positive earnings trend

Volvo Penta's net sales declined by 1% to SEK 7,550 M compared with SEK 7,631 M in 2012. Adjusted for changes in exchange rates, net sales increased by 2%.

Operating income totaled SEK 626 M, compared with SEK 549 M in the preceding year. The operating margin was 8.3% (7.2). Earnings were positively impacted primarily by good cost control and negatviely impacted by currency in an amount of SEK 101 M.

Extensive range of new products

Volvo Penta's new Glass Cockpit System is an integrated control and monitoring system that fundamentally changes the design of the boat driver's environment. The new system gathers all relevant information for the boat driver and presents it on one or more displays, enabling a common, ergonomic design – and interface – for the entire dashboard of the boat.

In the industrial engine segment, Volvo Penta launched a complete and entirely new range of five to 16-liter engines during the year that will meet the new and more stringent legal requirements on emissions. The new engines, which significantly strengthen Volvo Penta's product offering in the off-road segment, are fuel efficient, easy to install and offer highly competitive properties in terms of total running costs.

In the Marine Commercial segment, Volvo Penta launched new versions of its Inboard Performance System (IPS). As a result of the unparalleled efficiency of its forward-facing propellers, IPS has had a strong impact on the leisure boat market. The continued expansion of the range allows the system's unique environmental properties to feature on a growing number of boat models, also within commercial shipping.

Net sales by market

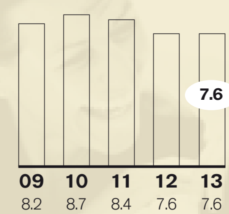
Mkr	**2013**	2012
Europe	3,714	3,620
North America	1,491	1,486
South America	297	306
Asia	1,692	1,867
Other markets	356	352
Total	**7,550**	**7,631**

Engine volumes

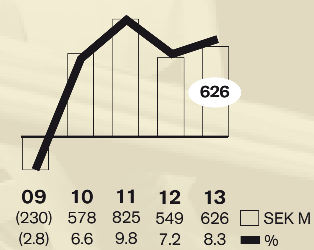
Number of units	**2013**	2012
Marine engines[1]	17,427	17,240
Industrial engines	17,651	17,584
Total	**35,078**	**34,824**

1 Excluding outboard engines.

Net sales
SEK bn



Operating income (loss) and operating margin



Volvo Penta is the Volvo Group's marine specialist and acts as an independent supplier, supporting customers from the design stage to installation and aftermarket service.

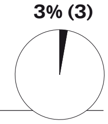
VOLVO FINANCIAL SERVICES

STRONG GROWTH AND SOLID PROFITABILITY

Volvo Financial Services (VFS) designs and delivers competitive financial solutions which strengthen long-term relationships with Volvo Group customers and dealers. As the number one provider of financial solutions for Volvo Group product sales, VFS consistently adds value for its customers and builds loyalty to the Volvo Group brands.

Facts Volvo Financial Services conducts operations in customer and dealer financing.

Share of Group net sales, %



Number of employees 1,355

Position on world market Volvo Financial Services operates exclusively to support the sales of vehicles and equipment which are produced by the Volvo Group. In doing so, VFS enhances the competitiveness of the Volvo Group products and helps secure loyalty to the Volvo Group brands.

Brands VFS provides financial services for each of the Volvo Group brands.

VFS closed the year 2013 with the highest level of assets under management in its history.

The financial services of VFS are offered with the sales of Volvo Group vehicles and equipment and are available with service agreements and aftermarket services through seamless integration at the point-of-sale with Volvo Group dealers. This approach delivers a convenient one stop-shopping experience for the customer.

Solid profitability

In 2013, VFS provided financial services in 40 markets around the globe. The global diversification of the VFS portfolio proved to be a significant strength as assets under management reached all-time highs. This profitable growth along with stable portfolio performance, increased operational efficiency and good funding levels yielded solid profitability for VFS in 2013.

Operational consolidation, process standardization and systems harmonization were key activities during 2013. These activities allowed VFS to capitalize on profitable growth opportunities with scalable business platforms and high service levels.

Portfolio development

Overall economic conditions continued to improve during 2013 and demand for VFS products remained strong even though some markets struggled for growth.

In the Americas, record managed assets and retail volumes were achieved and the portfolio performed extremely well in terms of delinquencies and write-offs.

EMEA (Europe, Middle East and Africa) achieved a stable portfolio performance but new volumes were impacted by the relatively slow demand in truck and construction equipment markets.

In APAC (Asia Pacific), profitability remained good despite delinquencies in China remaining on elevated levels.

In all VFS markets, and particularly in developing markets, downturn preparedness is a key objective regardless of the current business cycle.

Customer finance operations

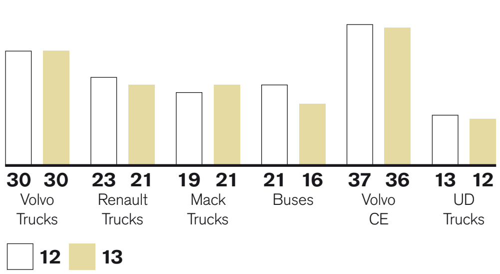
Total new financing volume in 2013 amounted to SEK 47.0 billion (46.6). Adjusted for changes in exchange rates, new business volume increased by 5.9% compared to 2012. In total, 51,466 new Volvo Group vehicles and machines (50,994) were financed during the year. In the markets where financing is offered, the average penetration rate was 27% (27).

As of December 31, 2013, the net credit portfolio amounted to SEK 103,873 M (99,690). The funding of the credit portfolio is matched in terms of maturity, interest rates and currencies in accordance with Volvo Group policy. For further information see note 4 to the Consolidated financial statements.

The operating income for the year amounted to SEK 1,522 M compared to SEK 1,496 M in the previous year. Return on shareholders' equity was 12.1% (12.5). The equity ratio at the end of the year was 8.1% (8.1). Improvements in gross income and operating expenses were partially offset by higher credit provisions.

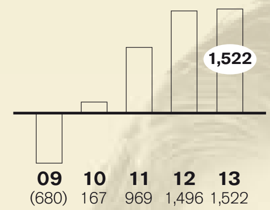
During the year, credit provision expenses amounted to SEK 923 M (639) while write-offs of SEK 719 M (577) were recorded. Third quarter provisions and write-offs were higher than normal due to deterioration of collateral positions and values related to non-performing loans and leases in Spain stemming from the global financial crisis in 2009 and 2010 caused by the continuing recession and protracted legal processes in that country. The write-off ratio for 2013 was 0.71% (0.58). At the end of December 31, 2013, credit reserves were 1.31% (1.23) of the credit portfolio.

Penetration rate[1], %

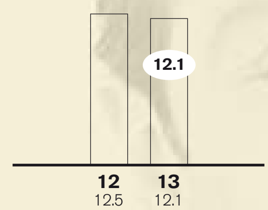


1 Share of unit sales financed by Volvo Financial Services in relation to total number units sold by the Volvo Group in markets where financial services are offered.

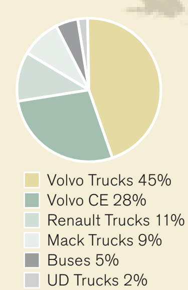
Operating income (loss)
SEK M



Return on shareholders' equity
%



Distribution of credit portfolio



FINANCIAL MANAGEMENT

Balancing the requirements of different stakeholders

The objectives of the financial management in the Volvo Group is to assure shareholders long-term attractive and stable total return, and debt providers the financial strength and flexibility to secure proceeds and repayment.

A long-term competitive market position requires access to capital to be able to invest and grow the business. The financial management secures that the capital is used in the best possible way through well-defined ratios and objectives for the Industrial Operations as well as for the Customer Finance Operations. The objectives on net sales growth and operating margins for the Industrial Operations and return on equity for the Customer Finance Operations are intended to secure the return requirements from shareholders. The restrictions on net debt to equity for the Industrial Operations and equity ratio for the Customer Finance Operations are to secure financial stability and flexibility for debt providers.

Steering principles to ensure financial flexibility over the business cycle

To ensure financial stability and flexibility throughout the business cycle the Volvo Group holds a strong liquidity position. Besides cash and marketable securities the liquidity position is built up of committed credit facilities. The funding and lending is in local currency and the customer finance portfolio is matched both from an interest and a liquidity risk perspective.

Diversified funding sources give flexibility and support the global presence

The Volvo Group has centralized the portfolio management of all financial assets and liabilities, funding operations and cash management through the internal bank, Volvo Treasury. The liability portfolio is separated into two portfolios, one for Industrial Operations and one for Customer Finance, to correspond to the needs in the different operations.

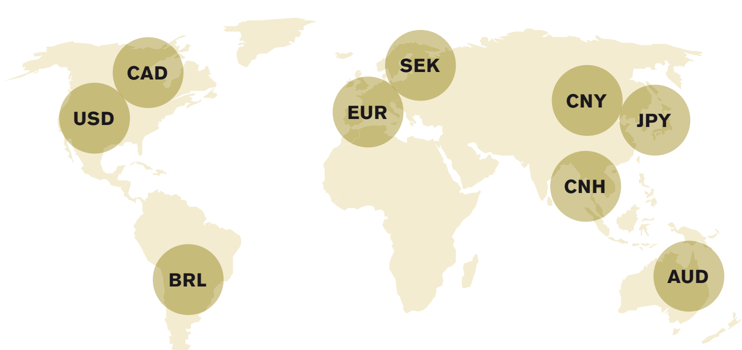
Volvo Treasury is increasing the possibility to access capital markets at all times through diversified funding sources. Furthermore, the Volvo Group's global presence is supported by market programs on all major debt capital markets in the world. Besides the access to capital markets around the world, the Volvo Group uses different instruments, such as bilateral bank funding, corporate bonds and certificates, agency funding as well as securitization of assets in the Customer Finance portfolio. An increasingly important part of the treasury work is also to manage increased funding needs in new growth markets for the Group.

A strong and stable credit rating is important

Being a large issuer with a growing customer financing business, it is critical to have a strong and stable credit rating. The level of the credit rating is not only important for debt investors but also for a number of other stakeholders when it comes to creating long-term relationships. A strong credit rating has a positive effect on the ability to attract and finance customers' purchases of the Group's products and on the trust from suppliers.

The Volvo Group has contractual relations with two global Credit Rating Agencies (CRA's) for solicited credit ratings; Standard & Poors' Rating Services (S&P) and Moody's Investors Service (Moody's). In late September and early October the outlook on the AB Volvo credit rating was changed from stable to negative, both on the S&P BBB rating and on Moody's Baa2 rating. There are also agreements with CRAs in Canada and Japan for local credit ratings. The CRA's evaluate the Volvo Group's future ability to repay debt. A strong credit rating gives access to more funding sources and lower cost of funds.

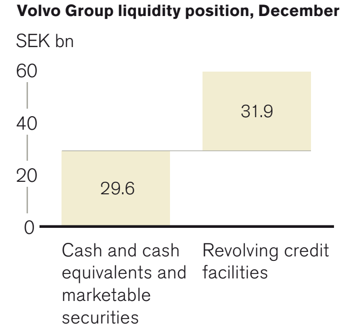
Geographically diversified market programs



Credit rating at February 21, 2014

	Short-term	Long-term
Moody's (Global)	P-2	Baa2, negative
S&P Corporate Credit Rating	A2	BBB, negative
S&P Nordic National Scale	K-2	–
DBRS (Kanada)	R-2 (high)	–
R&I (Japan)	a-1	A, stable

Volvo Group liquidity position, December 31, 2013

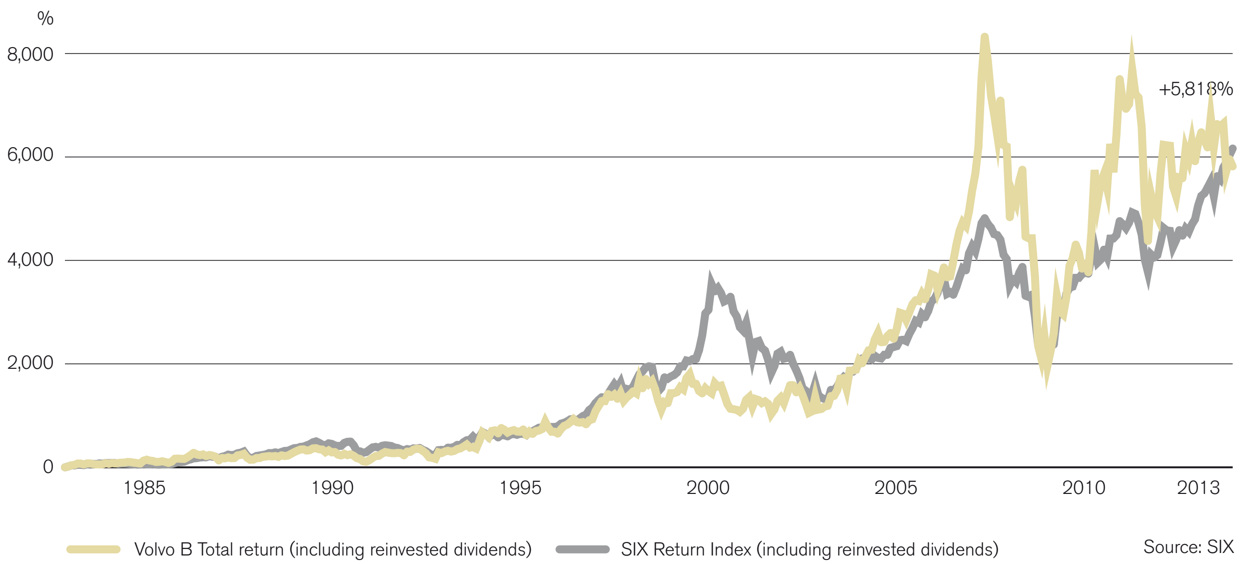


SHAREHOLDER VALUE

Long-term value creation

The Volvo Group strives to create long-term value for its shareholders.

Accumulated total return of the Volvo B share

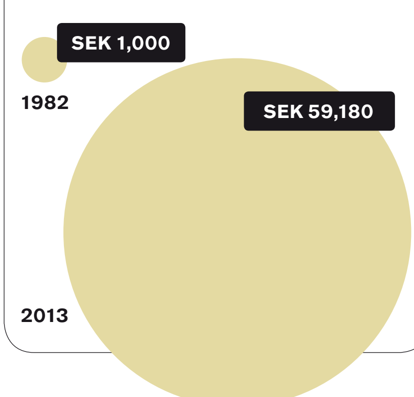


The Volvo Group's origins can be traced to 1927, when the first serial produced Volvo car rolled out of the factory in Gothenburg, Sweden. The first serial produced truck saw the light of day in 1928 and was an immediate success. In 1935, AB Volvo was listed on the Stockholm Stock Exchange. All through its history, the Volvo Group has strived to create long-term value for its shareholders.

The graph shows the total return for the Volvo B share, measured as the share price development with all dividends re-invested, since December 30, 1982, which is as far back as the comparison index, SIX Return Index, stretches. SIX Return Index measures the total return for the Stockholm Stock Exchange as whole.

The graph shows that SEK 1,000 invested in the Volvo B-share in 1982 had grown to SEK 59,180 at the end of 2013, under the condition that all dividends have been reinvested in Volvo B shares.

SEK 1,000 invested in Volvo B shares on December 30, 1982, was worth SEK 59,180 at the end of 2013.



THE SHARE

The most traded share in Stockholm

Many of the world's leading stock markets had a positive development in 2013. The Volvo share, however, had a negative development.

The Volvo share is listed on NASDAQ OMX in Stockholm, Sweden. One A share carries one vote at Annual General Meetings and one B share carries one tenth of a vote. Dividends are the same for both classes of shares. The A share is traded under the ticker code Volvo A and the B share under Volvo B.

The Volvo share is included in a large number of indexes that are compiled by Dow Jones, FTSE, S&P and NASDAQ OMX Nordic.

The Volvo share decreased in value

In general, developments on the leading stock exchanges were positive during 2013. On NASDAQ OMX Stockholm, the broad OMXSPI index rose by 23% (12) during the year.

On NASDAQ OMX Stockholm the share price for the Volvo A share decreased by 5%, and at year-end the price for the Volvo A share was SEK 84.50 (89.40). The lowest price paid was SEK 80.50 on December 16, and the highest price paid was SEK 103.80 on September 23.

The share price for the Volvo B share decreased by 5% and was SEK 84.45 (88.80) at year-end. The lowest price paid was SEK 80.40 on December 16, and the highest price paid was SEK 104.00 on September 23.

In 2013, a total of 1.9 billion (2.1) Volvo shares at a value of SEK 179 billion (188) were traded on NASDAQ OMX Stockholm, corresponding to a daily average of 7.7 million shares (8.5). The Volvo share was the most traded share on NASDAQ OMX Stockholm in 2013. At year-end, Volvo's market capitalization totalled SEK180 billion (189).

According to Fidessa, the trading on NASDAQ OMX Stockholm accounted for 48% (46) of the turnover in the Volvo B share while the remainder took place at exchanges such as BATS, Chi-X, Burgundy and Turquoise.

Share conversion option

In accordance with a resolution on the AGM on April 6, 2011, the Articles of Association have been amended to include a conversion clause, stipulating that series A shares may be converted into series B shares, after a request sent to the Board.

During the year a total of 27,245,422 A shares were converted to B shares, representing 5.0% of the outstanding A shares at the end of 2012.

Further information on the procedure is available on the Volvo Group's web site: www.volvogroup.com

Ownership changes

During the year both Industrivärden and Cevian Capital as well as Norges Bank increased their holdings in AB Volvo. At year end, Industrivärden was the largest owner followed by Cevian Capital, Norges Bank Investment Management, SHB and Alecta, when measured as share of voting rights.

Dividend

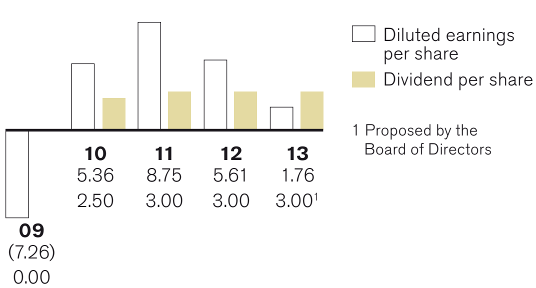
The Board proposes a dividend of SEK 3.00 per share for the financial year of 2013, which would mean that a total of SEK 6,084 M would be transferred to AB Volvo's shareholders. For the preceding year a dividend of SEK 3.00 per share was paid out.

Communication with shareholders

Dialogue with the shareholders is important for Volvo. In addition to the Annual General Meeting and a number of larger activities aimed at professional investors, private shareholders and stock market analysts, the relationship between Volvo and the stock market is maintained through such events as press and telephone conferences in conjunction with the publication of interim reports, meetings with retail shareholders' associations, investor meetings and visits, as well as road shows in Europe, North America and Asia.

On the website www.volvogroup.com it is possible to access financial reports, search for information concerning the share, insider trading in Volvo shares and statistics for truck deliveries. It is also possible to access information concerning the Group's governance, including information about the Annual General Meeting, the Board of Directors, Group Management and other areas that are regulated in the "Swedish Code of Corporate Governance." The website also offers the possibility to subscribe to information from Volvo.

Earnings and dividend per share, SEK



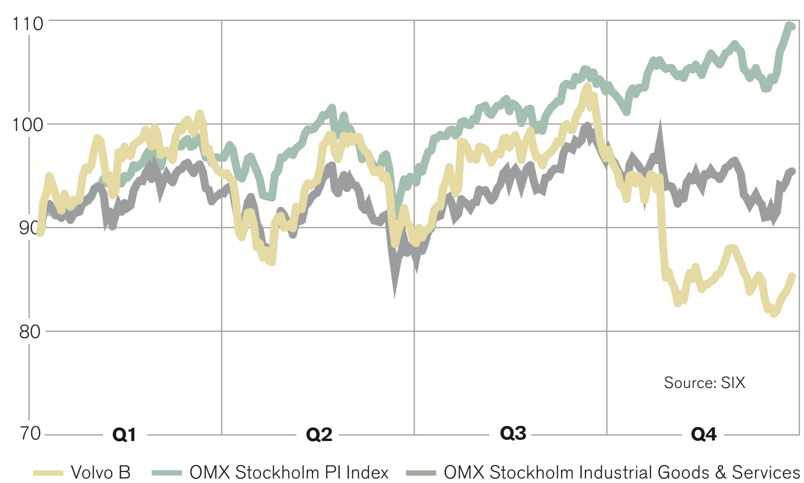
MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

The Volvo Group once again qualifies for the Dow Jones Sustainability World Index (DJSI). The Volvo Group receives a particularly good rating for its implementation of the environmental policy and management systems. The Volvo Group was also acknowledged for its great improvement in how the organization works with anti-competitive business practices as well as its clear direction and focus for guiding its corporate citizenship and philanthropy programs. Other highlighted areas were the Volvo Group's dedication to innovation in both products and processes.

In this ranking, the world's 3,000 largest companies are assessed on the basis of their strategies and results in spheres such as business ethics, environmental consideration and social criteria, with the focus on their ability to generate long-term value. The top 300 companies, a category that encompasses the Volvo Group, are included in the DJSI World.

Price trend, Volvo Series B shares, 2009–2013, SEK

Price trend, Volvo Series B shares, 2013, SEK



The largest shareholders in AB Volvo, December 31[1]	Voting rights, %	
	2013	2012
Industrivärden	20.2	19.5
Cevian Capital	11.0	6.5
Norges Bank Investment Management	6.3	5.1
SHB[2]	5.8	5.5
Alecta	4.4	4.4

1 Adjusted for shares owned by AB Volvo, which carry no voting rights at the AGM. AB Volvo held 20,728,135 class A shares and 79,592,353 class B shares comprising in total 4.7% of the number of registered shares on December 31, 2013.

2 Comprises shares held by SHB, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

Share capital, December 31, 2013	
Registered number of shares[1]	2,128,420,220
of which, Series A shares[2]	519,298,953
of which, Series B shares[3]	1,609,121,267
Quota value, SEK	1.20
Share capital, SEK M	2,554
Number of shareholders	246,265
Private persons	229,126
Legal entities	17,139

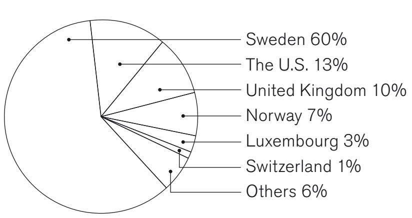
For further details on the Volvo share, see note 19.

1 The number of outstanding shares was 2,028,099,732 at December 31, 2013.

2 Series A shares carry one vote each.

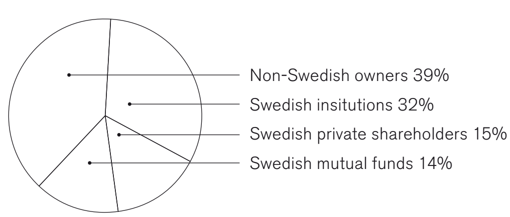
3 Series B shares carry one tenth of a vote each.

Ownership by country[1]



1 Share of capital, registered shares.

Ownership categories[1]



1 Share of capital, registered shares.

The employees' ownership of shares in Volvo through pension foundations is insignificant.

More details on the Volvo share and Volvo's holding of treasury shares are provided in note 19 to the financial statements and in the Eleven-year summary.

RISKS AND UNCERTAINTIES

Managed risk-taking

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

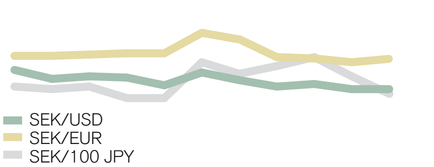
Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. At the Volvo Group work is carried out daily to identify, measure and manage risk – in some cases the Group can influence the likelihood that a risk-related event will occur. In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

AB Volvo has, for more than five years, worked with enterprise risk management (ERM), which is a systematic and structured process to identify, understand, aggregate, report and mitigate the risks that might threaten Group strategic objectives. The aim of ERM is to improve business performance and optimize the costs of managing risk; i.e. protecting and enhancing the Volvo Group's enterprise value. ERM contributes to meeting the high standards of corporate governance expected from the Group's stakeholders and is looked upon as an integral part of good corporate governance as reflected in the Swedish Corporate Governance Code.

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 level fluctuations, market value of shares or similar instruments, credit risk and liquidity risk.
- **Operational risks** – such as market reception of new products, reliance on suppliers, protection of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital.

Currencies



03	04	05	06	07	08	09	10	11	12	13
8.0	7.3	7.5	7.4	6.8	7.8	7.2	6.7	6.9	6.5	6.4
9.1	9.1	9.2	9.3	9.3	10.9	10.4	9.0	8.9	8.6	8.9
6.7	6.5	6.7	5.8	5.8	8.6	7.7	8.3	9.0	7.5	6.1

Source: Reuters

EXTERNAL-RELATED RISK

The commercial vehicles industry is cyclical

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

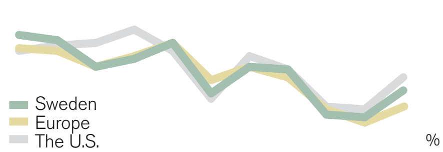
Intense competition

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

Prices may change

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

Interest rates in Sweden, Europe and the U.S.



03	04	05	06	07	08	09	10	11	12	13
4.6	4.4	3.4	3.7	4.3	2.4	3.4	3.3	1.6	1.5	2.5
4.1	4.0	3.4	3.8	4.3	2.9	3.4	3.0	1.8	1.3	1.9
4.0	4.2	4.3	4.8	4.0	2.2	3.8	3.3	1.9	1.8	3.0

Source: Reuters
Government bonds, 10 year benchmarks

Extensive government regulation

Regulations regarding exhaust emission levels, noise, safety and levels of pollutants from production plants are extensive within the industry.

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

FINANCIAL RISK

In its operations, the Volvo Group is exposed to various types of financial risks. Group-wide policies, which are updated and decided upon annually, form the basis of each Group company's management of these risks. The objectives of the Group's policies for management of financial risks are to optimize the Group's capital costs by utilizing economies of scale, to minimize negative effects on income as a result of changes in currency or interest rates, to optimize risk exposure and to clarify areas of responsibility. Monitoring and control that established policies are adhered to is continuously conducted. Information about key aspects of the Group's system for internal controls and risk management in conjunction with the financial reporting is provided in the Corporate Governance Report on page 104–106 in the printed version. Most of the Volvo Group's financial transactions are carried out through the in-house bank, Volvo Treasury, that conducts its operations within established risk mandates and limits. Customer credit risks are mainly managed by the different business areas.

The nature of the various financial risks and objectives and the policies for the management of these risks are described in detail in notes 4 and 30. Various aspects of financial risk are described briefly in the following paragraphs. Volvo Group's accounting policies for financial instruments are described in note 30. The overall impact on a company's competitiveness is also affected however by how various macroeconomic factors interact.

Interest-related risk

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

Currency-related risk

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

Credit-related risk

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

Liquidity risk

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

Market risk from investments in shares or similar instruments

The Volvo Group is indirectly exposed to market risks from shares and other similar instruments, as a result of managed capital transferred to independent pension plans being partly invested in instruments of these types. Please see note 20 for further information.

OPERATIONAL RISK

The profitability depends on successful new products

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

Reliance on suppliers

The Volvo Group purchases raw materials, parts and components from numerous external suppliers. A significant part of the Group's requirements for raw materials and supplies is filled by single-source suppliers. The effects of delivery interruptions vary depending on the item or component. Certain items and components are standard throughout the industry, whereas others are internally developed and require unique tools that are time-consuming to replace.

The Volvo Group's costs for raw materials and components can vary significantly over a business cycle. Cost variations may be caused by changes in world market prices for raw materials or by an inability of our suppliers to deliver.

Intangible assets

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

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

The Volvo Group's rights to use the Renault brand are restricted to the truck operations only and are regulated by a license from Renault s.a.s., which owns the Renault brand. The amount paid during 2013 to Renault s.a.s. for license fees amounted to SEK 5.2 M (6.4).

The Volvo Group's rights to use the Panhard brand are regulated by a license from Peugeot SA. The amount paid during 2013 to Peugeot SA for license fees amounted to SEK 87,000 (90,000).

Complaints and legal actions

The Volvo Group could be the target of complaints and legal actions initiated by customers, employees and other third parties alleging health, environmental, safety or business related issues, or failure to comply with applicable legislation and regulations. Information about legal proceedings involving entities within the Volvo Group are found in note 24 Contingent Liabilities.

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

Risk related to human capital

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

SHORT-TERM RISK FACTORS

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

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

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

For further information on intangible assets, see note 12.

The reported amounts for contingent liabilities reflect a part of the Volvo Group's risk exposure, see note 24 for contingent liabilities.

Contractual conditions related to take over bids

Some of AB Volvo's long term loan agreements contain conditions stipulating the right for a bondholder to request repayment in advance under certain conditions following a change of the control of the company. In AB Volvo's opinion it has been necessary to accept those conditions in order to receive financing on otherwise acceptable terms. Provisions stipulating that an agreement can be changed or terminated if the control of the company is changed are also included in some of the agreements whereby Renault Trucks' has been given the right to sell Renault s.a.s.' and Nissan Motor Co. Ltd's light-duty trucks as well as in some of the Group's purchasing agreements.

Further information

Note 27 Personnel contains information concerning rules on severance payments applicable for the Group Executive Team and certain other senior executives.

Note 4 and 30 contain information regarding financial risks as well as goals and policies in financial risk management.

Further risk information is provided in note 24.

Information about licensable facilities in Sweden is provided on page 46.

Mack Trucks leading the way with natural gas

Mack Trucks unveiled its 12-liter natural gas-powered Mack Pinnacle Axle Back model during the 2013 Mid-America Trucking Show. Following successful field tests, global logistics leader UPS ordered 122 of the natural gas-powered Pinnacle tractors, which were delivered throughout the fourth quarter of 2013. Mack, a leader in trucks for the refuse industry, also offers a natural gas-powered version of its TerraPro Low Entry model.

Corporate Governance Report

Significant events during 2013

- In January, AB Volvo signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45 percent 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.

- During 2013, the Volvo Group continued the renewal of its truck products ranges within Volvo Trucks, Renault Trucks, UD Trucks and VE Commercial Vehicles Ltd.

- In October, the Board of Directors visited the Group's businesses in China and also plants within DFCV's businesses in China.

- In September, a comprehensive Group-wide efficiency program linked to the strategies was announced. The program encompasses both reduction of white collar employees and consultants and efficiency enhancements in the global industrial system.

- In December, the Volvo Group decided to sell Volvo Rents to the US private equity firm Platinum Equity.

The Swedish Corporate Governance Code

AB Volvo's shares are admitted to trading on the NASDAQ OMX Stockholm and accordingly, Volvo complies with NASDAQ OMX Stockholm's Rule Book for Issuers. As a listed company, Volvo also applies the Swedish Corporate Governance Code (the Code), which is available at www.bolagsstyrning.se.

Between January 1, 2013 and December 31, 2013, Volvo did not deviate from any of the regulations set forth in the Code.

This Corporate Governance Report was prepared in accordance with the Swedish Annual Accounts Act and the Code, and is separate from the Annual Report. The report has been examined by Volvo's auditors and includes a report from the auditors.

Corporate Governance Model

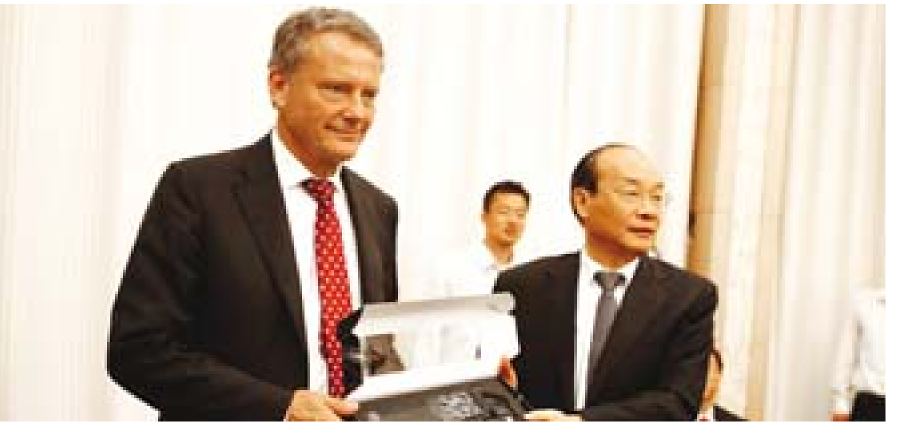
The governance and control of the Volvo Group is carried out through a number of corporate bodies. At the General Meetings of AB Volvo, which is the Parent Company in the Volvo Group, the shareholders exercise their voting rights with regard to for example the composition of the Board of Directors of AB Volvo and election of auditors.

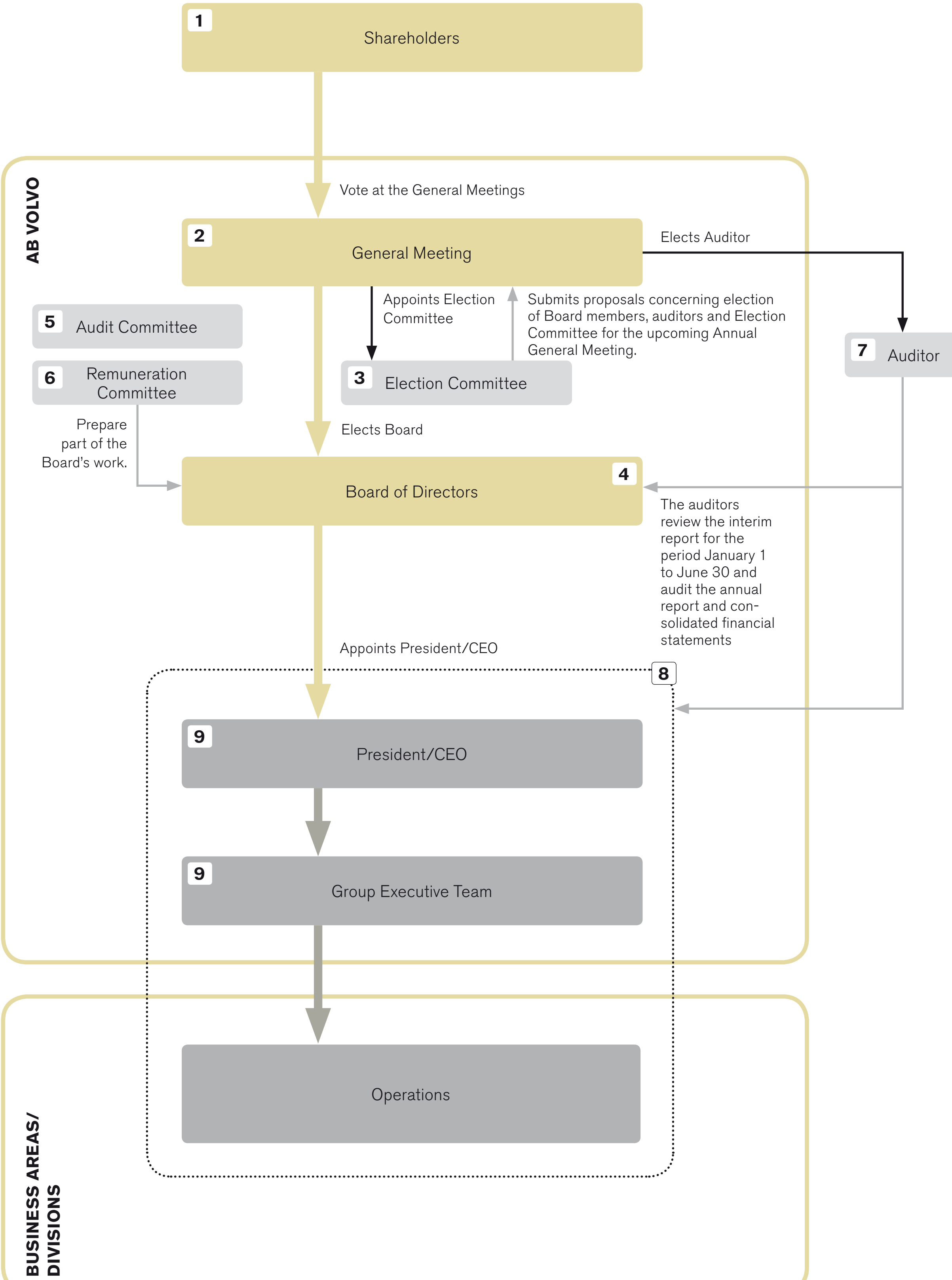
An Election Committee, appointed by the Annual General Meeting of AB Volvo, submits proposals to the next Annual General Meeting concerning the election of Board members, Board Chairman and, when necessary, external auditors, and proposals for resolutions concerning fees to the Board and the auditors.

The Board is ultimately responsible for Volvo's organization and management of the operations. The duties of the Board are partly exercised through its Audit Committee and its Remuneration Committee.

In addition, the Board appoints the President of AB Volvo, who is also the Chief Executive Officer (CEO) of the Volvo Group. The CEO is in charge of the daily management of the Group in accordance with guidelines and instructions provided by the Board.

Division of responsibilities and duties between General Meetings, the Board of Directors and the President are regulated inter alia by the Swedish Companies Act, Volvo's articles of association, the Code and the Board's work procedures.




1
Shareholders
AB VOLVO
Vote at the General Meetings
2
General Meeting
Elects Auditor
5
Audit Committee
6
Remuneration Committee
Appoints Election Committee
Submits proposals concerning election of Board members, auditors and Election Committee for the upcoming Annual General Meeting.
3
Election Committee
7
Auditor
Elects Board
Prepare part of the Board's work.
4
Board of Directors
The auditors review the interim report for the period January 1 to June 30 and audit the annual report and consolidated financial statements
Appoints President/CEO
8
9
President/CEO
9
Group Executive Team
Operations
BUSINESS AREAS/ DIVISIONS

1 Shares and shareholders

AB Volvo's share register is kept by Euroclear Sweden AB. On December 31, 2013, Volvo had 246,264 shareholders according to the share register. The largest shareholder on that date was AB Industrivärden, with 19.4 percent of the votes based on the number of registered shares. Cevian Capital held 10.5 percent of the votes, Norges Bank Investment Management held 6.1 percent of the votes and Svenska Handelsbanken together with SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen held 5.6 percent of the votes, based on the number of registered shares.

Volvo has issued two classes of shares: series A and series B. In a vote at a General Meeting, series A shares carry one vote and series B shares one-tenth of a vote. The two share classes carry equal rights to a share in the assets and earnings of the company. According to a special share conversion clause in the Articles of Association, holders of series A shares are entitled to request that their series A shares are converted to series B shares. Implementation of such conversions entails that the total number of votes in the company decreases.

At the end of 2013, the total number of shares in AB Volvo amounted to 2,128,420,220, of which series A shares accounted for 519,298,953 and series B shares accounted for 1,609,121,267. The total number of votes amounted to 680,211,089.70.

For more information about the Volvo share and its shareholders, refer to the Board of Director's report on pages 84-85 of the Annual Report.

2 General Meeting

General

The General Meeting is Volvo's highest decision-making body. The General Meeting held within six months after the end of the fiscal year adopting the income statement and the balance sheet is called the Annual General Meeting. The Annual General Meeting of Volvo is normally held in Gothenburg. In addition to resolutions concerning adoption of the income statement and balance sheet for AB Volvo and the Volvo Group, the Annual General Meeting also adopts resolutions concerning allocations of profit, the composition of Volvo's Board, directors' fees and elects, when applicable, external auditors. Notice to attend a General Meeting is issued in the form of an announcement in Post- och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. The fact that notice has been issued is announced in Dagens Nyheter and Göteborgs-Posten.

Shareholders who are recorded in the share register five working days prior to a General Meeting and who have notified Volvo of their participation in a certain order, are entitled to participate in the Meeting, in person or by proxy, and to vote for or against the proposals put forward at the Meeting, and to present questions to the Board and the President.

A shareholder who wants the Meeting to consider a special matter must submit a request to the Board in sufficient time prior to the Meeting to the address provided on Volvo's website, www.volvogroup.com.

Resolutions at a General Meeting are normally passed by simple majority and for elections, the person who receives the most votes is considered elected. However, certain resolutions, such as amendment of the Articles of Association, require a decision by a qualified majority.

Annual General Meeting 2013

Volvo's Annual General Meeting 2013 was held on Thursday, April 4, 2013 in Gothenburg. The Meeting was attended by 1,494 shareholders, either in person or by proxy, representing 69.48 percent of the votes in the company. Attorney Sven Unger was elected Chairman of the Meeting. Members of the Board and the Group Executive Team were present at the Meeting. Authorized Public Accountants Peter Clemedtson, Volvo's Lead Partner, and Johan Rippe were also present, representing the company's auditor PricewaterhouseCoopers AB.

The Annual General Meeting 2013 adopted inter alia the following resolutions:

- to pay a dividend of SEK 3.00 per share,
- to reelect Board Members Peter Bijur, Jean-Baptiste Duzan, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg, Ravi Venkatesan, Lars Westerberg and Ying Yeh,
- to reelect Carl-Henric Svanberg as Chairman of the Board,
- the Board's fees for the period up until the next Annual General Meeting,
- to adopt the proposed guidelines for remuneration of senior executives,
- to adopt the proposed amendment to the company's Articles of Association regarding a four year term of appointment of the auditor.

Complete minutes and information about the Annual General Meeting 2013 are available at www.volvogroup.com.

Annual General Meeting 2014

Volvo's Annual General Meeting 2014 will be held on Wednesday, April 2, 2014 in Lisebergshallen, Gothenburg. For further information about the Annual General Meeting 2014, please refer to the fold-out in the end of the Annual Report and Volvo's website www.volvogroup.com.

3 Election Committee

Duties
The Election Committee is the shareholders' body responsible for submitting to the Annual General Meeting the names of candidates to serve as Chairman at the Meeting and Chairman and other members of the Board, as well as proposing fees and other compensations to be paid to the Board members.

In the years in which Volvo elects auditors, the Election Committee presents proposals to the Meeting for the election of auditors and for fees to be paid to the auditors. In addition, the Election Committee, in accordance with prevailing instructions for Volvo's Election Committee, presents proposals for members of the Election Committee for the following year.

The Election Committee's proposal shall be presented to Volvo in sufficient time to be included in the notice to attend the Annual General Meeting and to be published on Volvo's website at the same time. In conjunction with the notice to attend the Annual General Meeting being published, the Election Committee shall comment on whether those persons who are proposed to be elected as Board members are to be considered as independent in relation to the company and company management as well as to major shareholders in the company and further to comment on their material duties and holding of shares in Volvo.

Composition
In accordance with instructions for the Election Committee adopted by the Annual General Meeting 2007, the Annual General Meeting shall elect five members to serve on the Election Committee, of whom four shall represent the largest shareholders in the company, in terms of the number of votes, who have expressed their willingness to participate on the Election Committee. In addition, one of the members shall be the Chairman of the AB Volvo Board. Additionally, the Election Committee can offer other major shareholders to appoint one representative as a member of the Election Committee. If such an offer is made, it should be directed in turn to the largest shareholder in terms of voting rights not already represented on the Election Committee. The number of members on the Election Committee, however, may not exceed seven.

In accordance with its instructions, Volvo's Annual General Meeting 2013 resolved to appoint the following individuals as members of the Election Committee:

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

The Election Committee appointed Carl-Olof By as Chairman.

4 Board of Directors

Duties
The Board of Directors is ultimately responsible for Volvo's organization and management of the company's operations. The Board is responsible for the Group's long-term development and strategy, for regularly controlling and evaluating the Group's operations and for the other duties set forth in the Swedish Companies Act.

Composition
During the period January 1, 2013 to December 31, 2013, AB Volvo's Board consisted of nine members elected by the Annual General Meeting. In addition, the Board had three members and two deputy members appointed by employee organizations.

The Annual General Meeting 2013 reelected the previous year's Board Members and the Chairman of the Board. An account of each Board member's age, principal education, professional experience, assignments in the company, other important board memberships, their own and related parties' ownership of shares in Volvo as of February 21, 2014, and the year they were elected on the Volvo Board, is presented in the "Board of Directors" section on pages 98-99.

Independence requirements
The Board of Directors of AB Volvo must meet independence requirements pursuant to the Code entailing that only one person from the company's management may be a member of the Board, that a majority of the Board members elected by the General Meeting shall be independent of the company and the company management and that at least two of the Board members elected by the General Meeting who are independent of the company and the company's management shall also be independent of the company's major shareholders. Prior to the Annual General Meeting 2013, the Election Committee presented the following assessment concerning independence of the Board members elected by the Annual General Meeting 2013.

Peter Bijur, Jean-Baptiste Duzan, Hanne de Mora, Carl-Henric Svanberg, Ravi Venkatesan, Lars Westerberg and Ying Yeh were all considered independent of the company and the company management as well as of the company's major shareholders.

Olof Persson, as AB Volvo's President and CEO of the Volvo Group, was considered independent of the company's major shareholders but not of the company and the company management.

Since AB Industrivärden, prior to the Annual General Meeting 2013, controlled more than 10 percent of the votes in the company, Anders Nyrén, due to his capacity as President and CEO of AB Industrivärden, was not considered independent in relation to one of the company's major shareholders.

Work procedures

Every year, the Board adopts work procedures for the Board's work. The work procedures contain rules pertaining to the distribution of work between the Board members, the number of Board meetings, matters to be addressed at regular meetings of the Board and duties incumbent on the Chairman.

In accordance with the work procedures, Volvo's Chairman shall organize and guide the Board's work, be responsible for contacts with the owners regarding ownership matters and provide the owners' viewpoints to the Board, ensure that the Board receives adequate information and decision documents for its work and verify that the Board's resolutions are implemented. In addition, the work procedures contain directives concerning the tasks of the Audit Committee and the Remuneration Committee respectively.

The Board has also issued written instructions specifying how financial information should be reported to the Board, as well as defining the distribution of duties between the Board and the President.

The Board's work in 2013

The Board's work is mainly performed within the framework of formal Board meetings and through meetings in the respective committees of the Board. In addition, regular contact is maintained between the Chairman of the Board and the CEO in order to discuss on-going business and to ensure that the resolutions taken by the Board are executed.

In 2013, there were nine regular meetings and one statutory meeting. The attendance of Board members at these meetings is presented in the table on page 97.

In the beginning of 2013, AB Volvo signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45 percent of a new subsidiary of DFG, Dongfeng Commercial Vehicles (DFCV). The acquisition will include the major part of DFG's medium- and heavy-duty commercial vehicles business. The completion of the transaction is subject to certain conditions including the approvals of concerned authorities. In January 2014, the National Development and Reform Commission in China gave its approval of the establishment. Yet, additional authority approvals are to be obtained, and completion of the transaction is expected to take place mid 2014. The agreement with DFG has been preeceded by discussions and decisions by the AB Volvo Board, and the Board sees the cooperation with DFG as a possibility to strengthen the Volvo Group's position, both in and outside China. The cooperation within DFCV is therefore an important step towards the Group's vision to become the world leader in sustainable transport solutions.

The Volvo Group continued the renewal of its truck products ranges during 2013. Volvo Trucks launched several new products in addition to the new Volvo FH which was launched in 2012. Renault Trucks renewed its total product range, and is now offering a completely new range of vehicles for Long Distance, Construction and Distribution applications. In August, UD Trucks launched Quester, a new heavy-duty truck range developed specifically for growth markets. The launch of Quester is an important step in the Volvo Group's strategy to increase sales in fast growing markets across for example Asia Pacific. VE Commercial Vehicles Ltd., a joint-venture between the Volvo Group and Eicher Motors Ltd, launched the Pro Series, a new range of trucks and buses developed specifically for India and other selected growth markets. The renewal of the different truck products ranges was the result of long-term development projects that have been discussed and decided upon by the AB Volvo Board.

During 2013 the Board further devoted time to matters related to the strategies applicable to the 2013–2015 period established for the Volvo Group's trucks business and other Business Areas. The Group-wide efficiency program announced in September 2013 which encompasses both reduction of white collar employees and consultants and efficiency enhancements in the global industrial system is part of the implementation of the strategies.

During the fall of 2013, the Board of Directors visited the Group's businesses in China and also plants within DFCV's businesses in China.

In the end of 2013, the Volvo Group decided to sell Volvo Rents, the Group's North American rental business for construction equipment, to the US private equity firm Platinum Equity. The transaction was completed on January 31, 2014 and has been preceeded by discussions within the Board of Directors. The divesture is part of the Group's strategic effort to focus on the core business. In the end of 2013, the Volvo Group also agreed to acquire the off-highway hauler business of the Terex Corporation with the purpose of improving Volvo Construction Equipment's penetration in the core earthmoving segment and extend its presence in light mining. This was also a strategic transaction that offers Volvo Construction Equipment considerable scope for growth, and it has been preceeded by discussions within the Board of Directors.

As a result of the uncertainty about the macroeconomic trend, the Board focused on monitoring the business environment in order to be prepared to adapt the operation to prevailing demand. The Board also continuously worked with leadership succession and leadership development issues.

The Board also reviewed the financial positions of AB Volvo and the Volvo Group on a regular basis and acted in order to ensure that there are efficient systems for follow-up and control of the business and the financial position of the Volvo Group. In connection therewith, the Audit Committee was responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the Annual Report and consolidated accounting. The Board also met with the company's auditors at several occasions during 2013 and without the presence of management at one occasion. The Board continuously evaluates the performance of the CEO.

During 2013 the Board performed its yearly evaluation of the Board's work.

The Board's committees

5 Audit Committee

Duties

In December 2002, the Board established an Audit Committee primarily for the purpose of overseeing the accounting and financial reporting processes and the audit of the financial statements.

The Audit Committee is responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the Annual Report and the consolidated accounting. The Audit Committee also has the task of reviewing and overseeing the Group's legal and taxation matters as well as compliance with laws and regulations that may have a material impact on the financial reporting. The Audit Committee also has the task of reviewing and overseeing the impartiality and independence of the company's auditors. The Audit Committee is further responsible for evaluating the internal and external auditors' work, providing the Election Committee with the results of the evaluation of the external auditors and to assist in preparing proposals for the election of auditors. In addition, the Audit Committee's task is to establish guidelines specifying what other services, beyond auditing, the company may procure from the auditors. The Audit Committee shall also evaluate the quality, relevance and efficiency of the Group's system for internal control over financial reporting, and with respect to the internal audit and risk management. Finally, the Audit Committee adopts guidelines for transactions with companies and persons closely associated with Volvo.

Composition and work in 2013

At the statutory Board meeting following the Annual General Meeting 2013, the following Board members were appointed members of the Audit Committee:

- Lars Westerberg,
- Peter Bijur,
- Jean-Baptiste Duzan

Lars Westerberg was appointed Chairman of the Audit Committee.

According to the Swedish Companies Act, the members of the Audit Committee may not be employees of the company and at least one member of the Audit Committee shall be independent and have accounting or auditing expertise. In addition, the Code stipulates that a majority of the members of the Audit Committee shall be independent of the company and the company management, and that at least one of the members who is independent of the company and the company management shall also be independent of the company's major shareholders. The Election Committee's assessment of independence prior to the Annual General Meeting 2013 is presented above under the "Independence requirements" section on pages 94–95. All members of the Audit Committee are highly familiar with accounting matters and the accounting standards that apply for an international Group such as the Volvo Group.

The Audit Committee met with the external auditors without the presence of management at four occasions during 2013 in connection with the Audit Committee meetings. The Audit Committee has also met with the Head of Corporate Audit at the meetings of the Audit Committee.

The Audit Committee and the external auditors have, among other tasks, discussed the external audit plan and risk management. The Audit Committee held eight regular meetings and two extraordinary meetings during 2013. The attendance of Board members at Committee meetings is presented in the table on page 97.

6 Remuneration Committee

Duties

In April 2003, the Board established a Remuneration Committee for the purpose of preparing and deciding on issues relating to remuneration to senior executives in the Group. The duties of the Committee include presenting recommendations for resolution by the Board regarding the terms and conditions of employment and remuneration for the President of AB Volvo, principles for remuneration, including pensions and severance payments, for other members of the Group Executive Team, and principles for variable salary systems, share-based incentive programs, pensions and severance payment for other senior executives in the Group.

The Remuneration Committee shall monitor and evaluate ongoing programs and programs concluded during the year covering variable remuneration for the executives, application of the policy for remuneration to senior executives on which the Annual General Meeting shall decide and the current remuneration structures and levels in the Group. The Board shall, not later than two weeks prior to the Annual General Meeting, submit a report on the results of the Remuneration Committee's evaluation on the company's website.

Composition and work in 2013

At the statutory Board meeting following the Annual General Meeting 2013, the following Board members were appointed members of the Remuneration Committee:

- Carl-Henric Svanberg,
- Anders Nyrén,
- Ying Yeh

Carl-Henric Svanberg was appointed Chairman of the Remuneration Committee.

The Code sets the requirement that members of the Remuneration Committee, with the exception of the Board Chairman if being a member of the Remuneration Committee, shall be independent of the company and the company management. The Election committee's assessment of independence prior to the Annual General Meeting 2013 is presented above under the "Independence requirements" section on pages 94–95.

The Remuneration Committee held four meetings during 2013. The attendance of Board members at Committee meetings is presented in the table to the right on this page.

Remuneration to Board members

The Annual General Meeting resolves on the fees to be paid to the Board members elected by the shareholders. The Annual General Meeting held on April 4, 2013, approved fee payments to the Board, for the time until the end of the next Annual General Meeting, as follows.

Volvo's Chairman should receive a fee of SEK 2,250,000 and each of the remaining members elected by the shareholders should receive a fee of SEK 750,000 with the exception of the President. The Chairman of the Audit Committee should receive a fee of SEK 300,000 and other members of the Audit Committee SEK 150,000 each. In addition, the Chairman of the Remuneration Committee should receive SEK 125,000 and other members of the Remuneration Committee SEK 100,000 each.

The Board's composition and attendance at meetings January 1, 2013 – December 31, 2013

Member	Board (10 incl. statutory)	Audit Committee (10)	Remuneration Committee (4)
Carl-Henric Svanberg	10		4
Peter Bijur	9	9	
Jean-Baptiste Duzan	10	10	
Hanne de Mora	10		
Anders Nyrén	10		4
Olof Persson	10		
Ravi Venkatesan	8		
Lars Westerberg	9	10	
Ying Yeh	8		4
Peteris Lauberts, employee representative	10		
Mikael Sällström, employee representative	10		
Berth Thulin, employee representative	10		
Total number of meetings	**10**	**10**	**4**

Board of Directors

Board of Directors >>

Board members elected by the Annual General meeting

1. Carl-Henric Svanberg
Chairman of the Board
Chairman of the Remuneration Committee

Born 1952. Master of Science, B. Sc. Business Administration. **Board Chairman:** BP p.l.c. Chairman of the Volvo Board since 2012. **Holdings in Volvo, own and related parties:** 700,000 Series B shares.

Principal work experience: Has held various positions at Asea Brown Boveri (ABB) and Securitas AB; President and Chief Executive Officer of Assa Abloy AB; President and Chief Executive Officer of Telefonaktiebolaget LM Ericsson; member of the External Advisory Board of the Earth Institute at Columbia University and the Advisory Board of Harvard Kennedy School.

2. Peter Bijur
Member of the Audit Committee

Born 1942. MBA Marketing, BA Political Science. **Board member:** Gulfmark Offshore Inc. Member of the Volvo Board since 2006. **Holdings in Volvo, own and related parties:** 3,000 Series B shares.

Principal work experience: Numerous positions with Texaco Inc, retired as Chairman and Chief Executive Officer in 2001.

3. Jean-Baptiste Duzan
Member of the Audit Committee

Born 1946. Graduate of the Ecole Polytechnique. Independent consultant. **Board member:** Nissan Motor Co. Ltd. Member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** 1,000 Series B shares.

Principal work experience: Began his career at Citibank. Has held various positions within Renault since 1982 – director of financial services at Renault V.I.; finance director of Renault credit, director of financial operations; project director for the car model Safrane; Senior Vice President, Purchasing, and joined the Renault Management Committee. He was also named Chairman and Managing Director, Renault Nissan Purchasing Organization. He was then named Group Controller. Today, he works as an independent consultant.

4. Hanne de Mora

Born 1960. BA in Economics from HEC in Lausanne, MBA from IESE in Barcelona. **Board Chairman:** a-connect (group) ag. **Board member:** Sandvik AB, IMD Foundation Board. Member of the Volvo Board since 2010. **Holdings in Volvo, own and related parties:** 3,000 Series B shares.

Principal work experience: Credit Analyst Den Norske Creditbank in Luxemburg 1984, various positions within brand management and controlling within Procter & Gamble 1986–1989, Partner McKinsey & Company, Inc. 1989–2002, one of the founders and owners, also Chairman of the Board, of the global consulting firm and talent pool a-connect (group) ag since 2002.

5. Anders Nyrén
Member of the Remuneration Committee

Born 1954. Graduate of the Stockholm School of Economics, MBA at UCLA. President and Chief Executive Officer of AB Industrivärden. **Board Chairman:** Sandvik AB, Svenska Handelsbanken. **Board member:** AB Industrivärden, Ernström & Co AB, Svenska Cellulosa Aktiebolaget SCA, Stockholm School of Economics and SSE Association. Member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** 5,200 Series B shares.

Principal work experience: Has worked for AB Wilhelm Becker. He has held various positions within STC – Controller, Executive Vice President and CFO, and President of STC Venture AB; President of OM International AB; Executive Vice President and CFO at Securum; Director with executive responsibility for Markets and Corporate Finance at Nordbanken; Executive Vice President and CFO at Skanska.

6. Olof Persson

Born 1964. B. Sc. in Business Administration and Economics. President of AB Volvo and Chief Executive Officer of the Volvo Group since 2011. **Board Chairman:** The German-Swedish Chamber of Commerce. Member of the ERT (European Round Table of Industrialists) and the Royal Swedish Academy of Engineering Sciences. Member of the Volvo Board since 2011. **Holdings in Volvo, own and related parties:** 95,691 shares, including 95,640 Series B shares.

Principal work experience: Began his career at ABB; has held a number of executive positions at AdTranz and Bombardier; President of Volvo Aero; President of Volvo Construction Equipment.

7. Ravi Venkatesan

Born 1963. MBA, Harvard Business School, M.Sc. Industrial Engineering, Purdue University. Managing Partner, Unitus Seed Fund and Chairman of Social Venture Partners, India. **Board member:** Infosys Ltd., Babajobs Pvt. Ltd. Member of the Volvo Board since 2008. **Holdings in Volvo, own and related parties:** 700 Series B shares.

Principal work experience: Several leading positions within the American engine manufacturer Cummins. Chairman of Microsoft India and responsible for Microsoft's marketing, operational and business development efforts in India.

8. Lars Westerberg
Chairman of the Audit Committee

Born 1948. M.Sc. Engineering, Bachelor Business Administration. **Board Chairman:** Husqvarna AB. **Board member:** SSAB Svenskt Stål AB, Sandvik AB, Meda AB and Stena AB. Member of the Volvo Board since 2007. **Holdings in Volvo, own and related parties:** 60,000 Series A shares.

Principal work experience: President and CEO of Gränges AB, ESAB AB and Autoliv Inc.

9. Ying Yeh
Member of the Remuneration Committee

Born 1948. BA, Literature & International Relations. **Board member:** ABB Ltd, Samsonite International S.A., InterContinental Hotels Group PLC. Member of the Volvo Board since 2006. **Holdings in Volvo, own and related parties:** None.

Principal work experience: Journalist NBC, New York. Numerous positions with the U.S. Government Foreign Service in Burma, Hong Kong, Taiwan and Beijing. Various positions with Eastman Kodak in China, latest as President and Chairman, North Asia Region. Chairman of Nalco Greater China.

Board members and deputies appointed by employee organisations

10. Mikael Sällström

Employee representative, ordinary member. Born 1959. With Volvo 1980–1999 and since 2009. Member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** None.

11. Berth Thulin

Employee representative, ordinary member. Born 1951. With Volvo since 1975. Deputy member of the Volvo Board 1999–2009, member since 2009. **Holdings in Volvo, own and related parties:** 1,425 Series B shares.

12. Peteris Lauberts

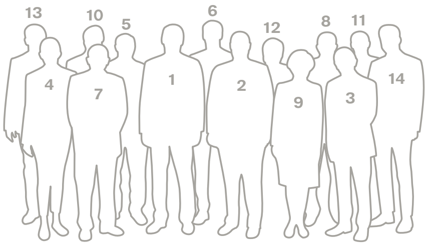
Employee representative, ordinary member. Born 1948. With Volvo since 1999. Deputy member of the Volvo Board 2010–2011, member since 2011. **Holdings in Volvo, own and related parties:** 350 Series A shares.

13. Lars Ask

Employee representative, deputy member. Born 1959. With Volvo since 1982. Deputy member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** 600 shares, including 250 Series B shares.

14. Hans Hansson

Employee representative, deputy member. Born 1964. With Volvo since 1985. Deputy member of the Volvo Board since 2012. **Holdings in Volvo, own and related parties:** 5,250 shares, including 250 Series B shares.



Secretary to the Board

Sofia Frändberg

Born 1964. Master of Laws. Executive Vice President Corporate Legal & Compliance and General Counsel. Secretary to the Board of Volvo since April 1, 2013. **Holdings in Volvo, own and related parties:** 30,587 shares, including 29,142 Series B shares.

7 External auditing

Volvo's auditors are elected by the Annual General Meeting. The current auditor is PricewaterhouseCoopers AB (PwC), which was elected at the Annual General Meeting 2010 for a period of four years. Two partners of PwC, Peter Clemedtson and Johan Rippe, are responsible for the audit of Volvo. Peter Clemedtson is Lead Partner.

The external auditors discuss the external audit plan and risk management with the Audit Committee. The auditors review the interim report for the period January 1 to June 30 and audit the Annual Report and the consolidated accounting. The auditors also express an opinion whether this Corporate Governance Report was prepared or not, and in such respect whether certain information therein coincides with the Annual Report and consolidated accounting. The auditors report their findings with regard to the annual report, consolidated accounting and the Corporate Governance Report through the audit reports and a separate opinion regarding the Corporate Governance Report, which they present to the Annual General Meeting. In addition, the auditors report detailed findings from their reviews to the Audit Committee twice a year and once a year to the full Board of Directors.

When PwC is retained to provide services other than the audit, it is done in accordance with rules decided by the Audit Committee pertaining to preapproval of the nature of the services and the fees.

For information concerning Volvo's remuneration to the auditors, refer to Note 28 "Fees to the auditors" in the Group's notes in the Annual Report.

Auditors

PricewaterhouseCoopers AB

Peter Clemedtson

Authorized Public Accountant.

Lead Partner.

Auditor since 2012.

Peter Clemedtson's other listed clients are SKF AB and Ratos AB. His unlisted clients include Stena AB and Wallenbergstiftelserna.

Born 1956.

Johan Rippe

Authorized Public Accountant.

Partner

Auditor since 2010.

Johan Rippe's other clients include Stena AB, Stena Metall AB and Elanders AB.

Born 1968.

8 Governance and organizational structure

Volvo's core values, vision and strategies

Volvo's core values are quality, safety and environmental care. These values form the common base for the Group's long-term goals and vision and for the strategies and plans, the purpose of which is to contribute to achieving our goals and vision.

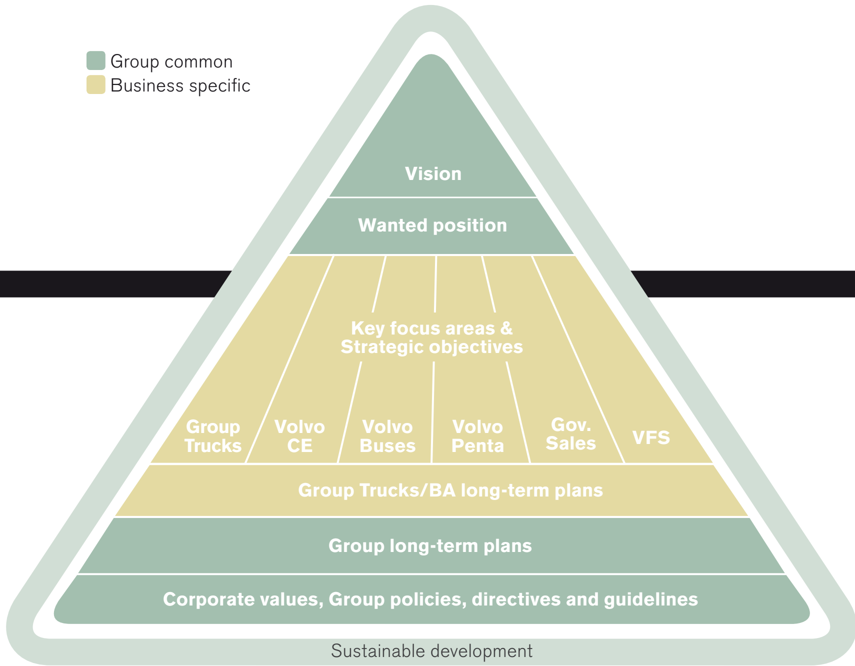
The Volvo Group's vision is to become the world leader in sustainable transport solutions. The vision describes the overall long-term goal for the operations. Volvo has also adopted a wanted position 2020 with the aim to achieve its long-term vision. In addition, the Board has resolved on a number of financial targets for the operations, primarily in relation to growth and profitability, which have been effective since 2012.

How Volvo will achieve the vision, the wanted position 2020 and the financial targets are defined in long-term plans for different areas such as brand positioning, product development, finance and IT, and in more short-term strategic objectives with a duration of three years. The long-term plans may be both Group-wide and business area/division specific, and even if a long-term approach is applied, they will be updated continuously. Every third year, focus areas and strategic objectives are formulated that are specific to the Group's various business areas and divisions. These focus areas and strategic objectives define what is to be achieved over the next three years, with the purpose of achieving the financial targets, the wanted position 2020 and also, in longtime-perspective, the vision.

The implementation of activities to reach the strategic objectives has high priority. Throughout the three-year period, monthly and quarterly follow-ups of the strategic objectives are reported to the management groups of each business area/division. Potential risks of not achieving the goals are therewith identified and discussed at an early stage, enabling efficient adjustment or action. The vision and strategies thereby become management and governance tools for the Group.

Governance documents

Another key component of the governance and control is the Group's policies and directives, such as the Code of Conduct and policies pertaining to investments, financial risks, accounting, financial control and internal audit, which contain Group wide operating and financial rules for the operations, as well as responsibility and authority structures.

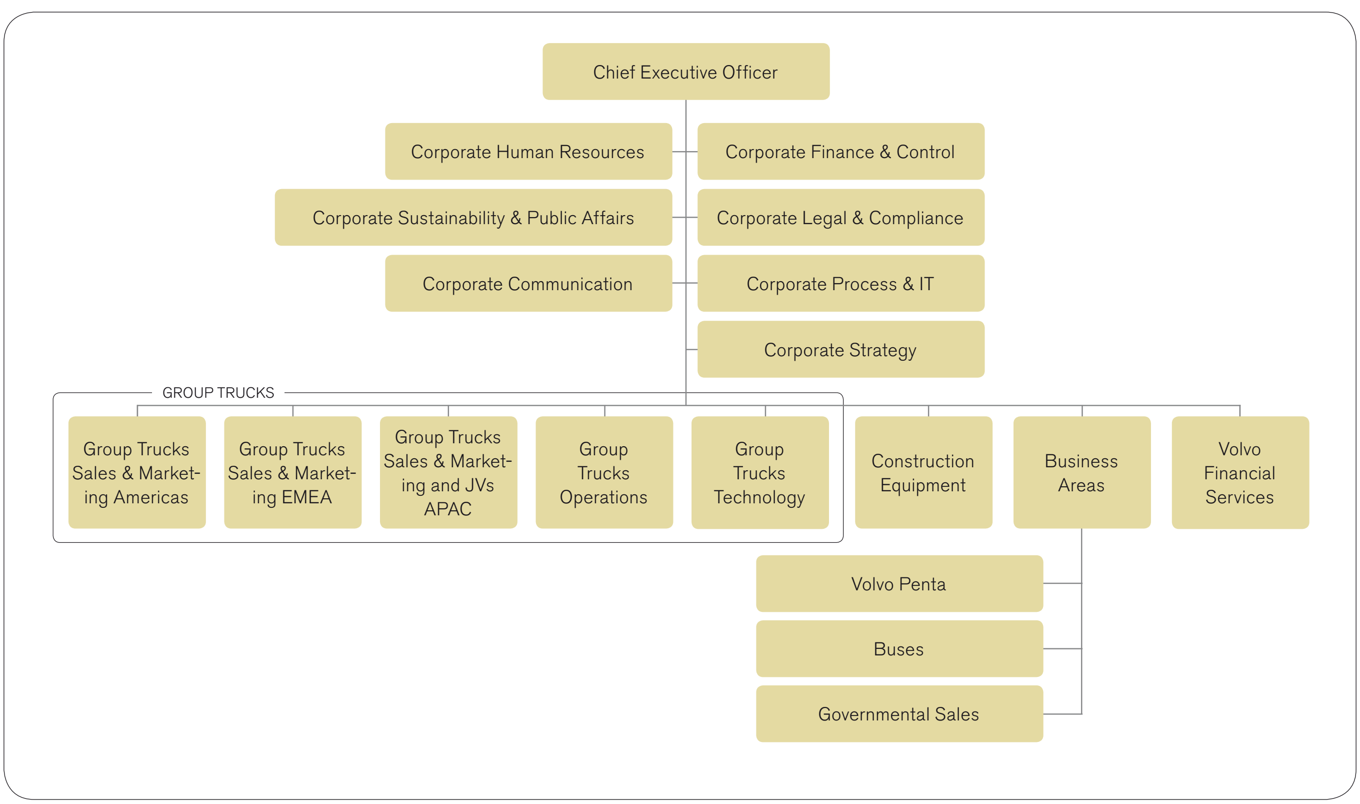


Organizational structure

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

The Group Trucks operations, which account for almost two-thirds of the Group's total sales, are organized into five divisions. There are three sales and marketing divisions: Group Trucks Sales & Marketing Americas (with responsibility for North and South America), Group Trucks Sales & Marketing EMEA (with responsibility for Europe, the Middle East and Africa) and Group Trucks Sales & Marketing and JVs APAC (with responsibility for Asia and the Pacific region and for the Group's joint-venture truck companies). There is also a division with responsibility for product development of engines, transmissions and trucks as well as for purchasing: Group Trucks Technology (GTT). Finally, Group Trucks Operations (GTO) is a division within Group Trucks with responsibility for production of trucks and the Group's engines and transmissions. GTO is also responsible for the Group's spare parts supply and logistics operations.

There are seven Corporate Functions: Corporate Human Resources, Corporate Sustainability and Public Affairs, Corporate Communication, Corporate Finance & Control, Corporate Legal & Compliance, Corporate Process & IT and Corporate Strategy, providing support to the CEO and the Group Executive Team with expertise in each Corporate Function area and developing standards for the entire organization through policies, directives and guidelines. In addition there are more than twenty Group Functions that provide services and/or products to the entire Group, for example IT Services and Business Services.



9 Group Management

Group Management

The Group Executive Team has 16 members including the CEO. In addition to the CEO, the Group Executive Team comprises the Executive Vice Presidents of the five Group Trucks divisions, the Executive Vice President Volvo Construction Equipment, the Executive Vice President Business Areas, the Executive Vice President Volvo Financial Services and the Executive Vice Presidents of the seven Corporate Functions. The members of the Group Executive Team report directly to the CEO.

The CEO leads the operations of the Group partly through the Group Executive Team but also through the Group Trucks Executive Management Team, which have regular meetings. In addition, the CEO conducts regular follow-ups with the heads of Group Functions, the other Business Areas and Corporate Functions. Further, the Business Areas and the Group Functions have separate decision foras called Business Review Meetings and there are also cross-functional committees that manage matters concerning processes pertaining to more than one division and/or Business Area. These bodies effect control and monitoring of the Group's financial development, strategies and targets and make decisions regarding investments and other matters.

Remuneration to the Group Executive Team

AB Volvo's Annual General Meeting annually approves a policy on remuneration to the Group Executive Team, following a proposal from the Board. The remuneration policy adopted by the Annual General Meeting 2013 states that the guiding principle is that remuneration and other terms of employment for the Group Executive Team shall be competitive in order to ensure that the Volvo Group can attract and retain competent executives.

The policy also states that the executives may receive variable salary in addition to fixed salary. The variable salary may, as regards the President, amount to a maximum of 75 percent of the fixed salary and, as regards the other Group Executive Team members, a maximum of 60 percent of the fixed salary. In 2013, members of the Group Executive Team were entitled to variable salary according to a program for variable remuneration determined by the Board. The performance targets defined in the program were mainly related to operating margin and cash flow.

Olof Persson
President and CEO

Born 1964. B. Sc. in Business Administration and Economics. President of AB Volvo and Chief Executive Officer of the Volvo Group since 2011. President of Volvo Construction Equipment 2008–2011. President of Volvo Aero 2006–2008. With Volvo since 2006. **Board Chairman:** The German-Swedish Chamber of Commerce. Member of the ERT (European Round Table of Industrialists) and the Royal Swedish Academy of Engineering Sciences. Member of the Volvo Board since 2011. **Holdings in Volvo, own and related parties:** 95,691 shares, including 95,640 Series B shares.

Dennis Slagle
Executive Vice President Group Trucks Sales & Marketing Americas

Born 1954. Bachelor of Science. President and CEO of North American Trucks 2009–2011. President and CEO of Mack Trucks, Inc. 2008–2011. President and CEO of Volvo Construction Equipment North America 2003–2008. Member of the Group Executive Team since 2008. With Volvo since 2000. **Board member:** West Virginia Wesleyan College Board of Trustees. **Holdings in Volvo, own and related parties:** 30,981 Series B shares.

Peter Karlsten
Executive Vice President Group Trucks Sales & Marketing EMEA

Born 1957. M. Sc. Electrical Engineering. President of Volvo Powertrain 2007–2011. Senior Vice President Technology for the Volvo Group 2007–2011. Head of Volvo's North American truck operations 2003–2007. Head of Volvo Trucks in Brazil 2001–2003. Member of the Group Executive Team since 2007. With Volvo since 2001. **Holdings in Volvo, own and related parties:** 115,482 shares, including 115,132 Series B shares.

Joachim Rosenberg
Executive Vice President Group Trucks Sales & Marketing and JVs APAC

Born 1970. M. Sc. Industrial Engineering and Management, M. Sc. Financial Economics, M. Sc. Business and Economics. Has held various senior positions in the Volvo Group, most recently as Executive Vice President Group Trucks Sales & Marketing APAC 2012. President of Volvo Group Asia Truck Operations 2007–2011. Vice President Volvo Group Alliance Office 2007. Vice President Volvo Powertrain 2005–2007. Member of the Group Executive Team since 2012. With Volvo since 2005. **Holdings in Volvo, own and related parties:** 20,900 Series B shares.

Torbjörn Holmström
Executive Vice President Group Trucks Technology and Volvo Group Chief Technology Officer

Born 1955. M. Sc. Mechanical Engineering. President of Volvo 3P 2003–2011. Prior to that he has held various senior positions at Volvo Powertrain. Member of the Group Executive Team since 2012. With Volvo since 1979. **Holdings in Volvo, own and related parties:** 48,879 Series B shares.

Mikael Bratt
Executive Vice President Group Trucks Operations

Born 1967. Has held various senior positions in the financial areas in the Volvo Group, most recently as Senior Vice President and CFO 2008–2011. Prior to that Vice President and Head of Corporate Finance at AB Volvo. Member of the Group Executive Team since 2008. With Volvo since 1988. **Holdings in Volvo, own and related parties:** 91,934 shares, including 91,042 Series B shares.

Martin Weissburg
Executive Vice President Volvo Construction Equipment

Born 1962. Bachelor of Science, Master of Business Administration. Head of Volvo Financial Services 2010–2013. President of Volvo Financial Services the Americas 2005–2010. Member of the Group Executive Team 2010–2011 and since 2013. With Volvo since 2005. **Holdings in Volvo, own and related parties:** 21,992 Series B shares.

Håkan Karlsson
Executive Vice President Business Areas

Born 1961. M. Sc. Engineering. President and CEO of Volvo Buses 2003–2011. President of Volvo Logistics 2000–2003. Member of the Group Executive Team since 2003. With Volvo since 1986. **Board member:** The Confederation of Swedish Enterprise and UITP, Industry Assembly. **Holdings in Volvo, own and related parties:** 56,768 shares, including 55,143 Series B shares.

Anders Osberg
Executive Vice President Corporate Finance & Control and CFO

Born 1961. Bachelor of Science. Has held various positions within Volvo Group Finance and Volvo Treasury, most recently as President of Volvo Treasury Group 2000–2011. Member of the Group Executive Team since 2012. With Volvo 1985–1988 and since 1992. **Holdings in Volvo, own and related parties:** 24,995 Series B shares.

Jan Gurander
Executive Vice President

Born 1961. Master of Science. Member of the Group Executive Team since 2014. With Volvo 2000–2001 (Head of Business Unit Finance) and since 2014. **Holdings in Volvo, own and related parties:** None.

Sofia Frändberg
Executive Vice President Corporate Legal & Compliance and General Counsel

Born 1964. Master of Laws. Responsible for Corporate Legal & Compliance and General Counsel of the Volvo Group since April 1, 2013. Head of Corporate Legal at AB Volvo 1998–2013. Corporate Legal Counsel at AB Volvo 1994–1997. Member of the Group Executive Team since April 1, 2013. With Volvo since 1994. Secretary to the Board of Volvo since April 1, 2013. **Holdings in Volvo, own and related parties:** 30,587 shares, including 29,142 Series B shares.

Kerstin Renard
Executive Vice President Corporate Human Resources

Born 1961. B. Sc. Sociology. Senior Vice President Human Resources for the Volvo Group 2007–2011. Prior to that Senior Vice President Human Resources & Communication at Volvo Powertrain 2005–2006. Member of the Group Executive Team since 2012. With Volvo since 2005. **Holdings in Volvo, own and related parties:** 17,867 shares, including 17,707 Series B shares.

Karin Falk
Executive Vice President Corporate Strategy

Born 1965. B. Sc. Business Administration. Has held various positions within the Volvo Group, most recently as President of Volvo Group NAP (Non-Automotive Purchasing) 2008–2011. Member of the Group Executive Team since 2012. With Volvo 1988–1999 and since 2008. **Holdings in Volvo, own and related parties:** 10,814 shares, including 8,574 Series B shares.

Mårten Wikforss
Executive Vice President Corporate Communication

Born 1964. Journalism degree, Bachelor of Arts, Master of Science. Responsible within the Volvo Group for Corporate Communication since 2012. Prior to that he was Senior Vice President Media Relations & Corporate News at AB Volvo. Member of the Group Executive Team since July 1, 2012. With Volvo since 2001. **Holdings in Volvo, own and related parties:** 23,960 shares, including 14,093 Series B shares.

Niklas Gustavsson
Executive Vice President Corporate Sustainability & Public Affairs

Born 1971. B Sc Electronics. Responsible within the Volvo Group for Corporate Sustainability & Public Affairs since April 1, 2013. Prior to that he was Senior Vice President Public & Environmental Affairs at AB Volvo 2008–2013. Member of the Group Executive Team since April 1, 2013. With Volvo 1987–1999 and since 2008. **Board member:** BIL Sweden. **Holdings in Volvo, own and related parties:** 4,503 shares, including 4,452 Series B shares.

Magnus Carlander
Executive Vice President Corporate Process & IT and CIO

Born 1955. Master Mechanical Engineering. Has held various senior positions in the Volvo Group, most recently as President of Volvo IT 2008–2011. Member of the Group Executive Team since 2012. With Volvo since 1985. **Holdings in Volvo, own and related parties:** 58,124 shares, including 57,930 Series B shares.

Group Management

The purpose of the program for variable remuneration is to create an incentive for the executives to strive for the Volvo Group developing in such a manner that the defined performance targets are achieved, thereby constituting a management tool. Accordingly, the performance targets set by the Board for variable remuneration inter alia relate to the Group's financial targets for improved operating margin.

The Group Executive Team members have participated in the Group's long-term, share-based incentive plan for senior executives comprising the years 2011–2013. The plan applied during the financial years 2011 until and including 2013 and consisted of three yearly plans. The participants invested in Volvo shares during each yearly plan, up to a maximum of 15 percent of the fixed gross base salary for Group Executive Team members and 10 percent of the fixed gross base salary for other participants. On the conditions that the participant remained an employee within the Volvo Group and also retained the invested Volvo shares for at least three years after the investment date, one matching share per invested share and a number of performance shares per invested share could be allotted. Allotment of performance shares was conditional on the Volvo Group's ROE reaching at least 10 percent according to the Group's annual report for the financial year in question. Maximum allotment of performance shares was effected if ROE for the financial year reached 25 percent. According to the plan conditions, no matching shares should be allotted for a yearly plan if the Annual General Meeting held the following year resolved that no dividend should be distributed to the shareholders. Maximum allotment of performance shares under a yearly plan amounted to seven shares per invested share for the CEO, six shares per invested share for Group Executive Team members and five shares per invested share for other participants.

The Remuneration Committee conducts an annual evaluation of the remuneration policy, Volvo's system for variable remuneration to executives and the long-term, share-based incentive program to senior executives and the Board prepares a special report of this evaluation and the conclusions. The report on the evaluation for 2013 will be available on Volvo's website not later than two weeks prior to the Annual General Meeting 2014, www.volvogroup.com. For more information about remuneration to the Group Executive Team and an account of outstanding share and share-price related incentive programs to the management, refer to Note 27 in the Group's notes in the Annual Report.

Changes to the Group Executive Team

On April 1, 2013, Eva Persson retired and thereby resigned from the Group Executive Team and from her position as General Counsel and Executive Vice President Corporate Legal & Compliance. Sofia Frändberg assumed the position on the same date.

On April 1, 2013, Jan-Eric Sundgren took up an assignment as expert adviser assisting the CEO and senior management on issues pertaining to environment, technology, policies, research and education. He therefore resigned from the Group Executive Team and from his position as Executive Vice President Public & Environmental Affairs. Niklas Gustavsson assumed the position on the same day.

On January 1, 2014, Patrick Olney left the Volvo Group and he therefore resigned from the Group Executive Team and from his position as Executive Vice President Volvo Construction Equipment. Martin Weissburg assumed the position on the same date. Martin Weissburg therefore resigned from his position as Executive Vice President Volvo Financial Services. While the recruitment process to find the successor to that position is ongoing, Scott Rafkin will, as per January 1, 2014, assume the position as Acting Head of Volvo Financial Services and in such capacity participate at the Group Executive Team meetings.

On January 1, 2014, Jan Gurander joined the Group Executive Team and assumed the position as Executive Vice President. On March 1, 2014, Anders Osberg will assume a new position and strengthen the management work on the long-term development of the Business Areas of the Volvo Group. He will therefore resign from the Group Executive Team and from his position as CFO and Executive Vice President Corporate Finance & Control. Jan Gurander will assume this position on the same date.

Internal control over financial reporting

The Board is responsible for the internal controls according to the Swedish Companies Act and the Code. The purpose of this report is to provide shareholders and other interested parties with an understanding of how internal control is organized at Volvo with regard to financial reporting. The description has been designed in accordance with the Swedish Annual Accounts Act and is thus limited to internal control over financial reporting.

Introduction

Volvo primarily applies internal control principles introduced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Volvo has a specific function for internal control. The objective of the Internal Control function is to provide support for management, allowing them to continuously provide solid and improved internal controls relating to financial reporting. Work that is conducted through this function is primarily based on a methodology that aims to ensure compliance with directives and policies, and to create effective conditions for specific control activities in key processes related to financial reporting. The Audit Committee is informed of the results of the work performed by the Internal Control function within Volvo with regard to risks, control activities and follow-up on the financial reporting.

Volvo also has a Corporate Audit function with the primary task of independently monitoring that companies in the Group follow the principles and rules that are stated in the Group's directives, policies and instructions for financial reporting. The head of the Corporate Audit function reports directly to the CEO, and to the Group's General Counsel and the Board's Audit Committee.

Control environment

Fundamental to Volvo's control environment is the business culture that is established within the Group and in which managers and employees operate. Volvo works actively on communications and training regarding the company's basic values as described in The Volvo Way, an internal document concerning Volvo's business culture, and the Group's Code of Conduct, to ensure that good morals, ethics and integrity permeate the organization.

The foundation of the internal control process relating to the financial reporting is based on the Group's directives, policies and instructions, as well as the responsibility and authority structure that have been adapted to the Group's organization to create and maintain a satisfactory control environment. The principles for internal controls and directives and policies for the financial reporting are contained in Volvo Financial Policies & Procedures (FPP), an internal document comprising all important instructions, rules and principles.

Risk assessment

Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee inter alia through identifying what types of risks that typically could be considered as material and where they would typically occur. The annual evaluation of internal control activities conducted by the Internal Control and Corporate Audit functions, is based on a risk-based model. The evaluation of the risk that errors will appear in the financial reporting is based on a number of criteria. Complex accounting principles can, for example, mean the financial reporting risks being inaccurate for those posts that are covered by such principles. Valuation of a particular asset or liability according to various evaluation criteria can also constitute a risk. The same is true for complex and/or changing business circumstances.

Control activities

In addition to the Board of AB Volvo and its Audit Committee, the management groups and other decision-making bodies in the business areas, Group Functions and Group companies constitute overall supervisory bodies.

Several control activities are applied in the ongoing business processes to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected. Control activities range from review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting.

Responsibility for ensuring that control activities in the financial processes are appropriate and in accordance with the Group's policies and instructions are compiled in the Group's financial reporting function. The Group's shared service center is responsible for the performance of control activities including the responsibility for ensuring that authority structures are designed in accordance with good internal control so that one person cannot perform an activity and then perform the control of the same activity. Control activities within IT security and maintenance are a key part of Volvo's internal control over financial reporting.

Information and communication

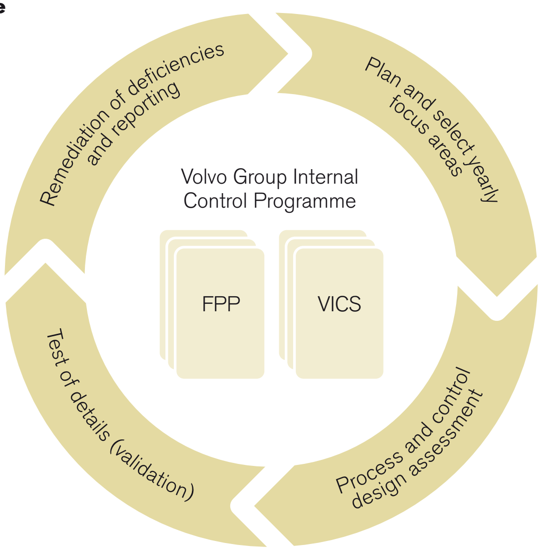
Policies and instructions relating to the financial reporting are updated and communicated on a regular basis from management to all affected employees. The Group's financial reporting function has direct operating responsibility for the daily financial reporting and works to ensure a uniform application of the Group's policies, principles and instructions for the financial reporting and to identify and communicate shortcomings and areas of improvement in the processes for financial reporting.

Follow-up

Ongoing responsibility for follow-up rests with the Group's financial reporting function. In addition, the Corporate Audit and the Internal Control functions conduct review and follow-up activities in accordance with what is described in the introduction of this report. More specifically, the Internal Control function runs and coordinates evaluation activities through the "Volvo Group Internal Control Programme," with the purpose of systematically evaluating the

Volvo Group Internal Control Programme

Yearly evaluation of the effectiveness of internal control over financial reporting (ICFR) within the Volvo Group.



quality of the internal control over financial reporting on an annual basis. An annual evaluation plan is established and presented to the Audit Committee. This evaluation program comprises three main areas:

1. Group-wide controls: Self-assessment procedure carried out by management teams at business area, Group Function and company levels. The main areas evaluated are compliant with the Group's financial directives and policies found in FPP, The Volvo Way and the Group's Code of Conduct.

2. Process controls at transaction level: Processes related to the financial reporting are evaluated by testing procedures/controls based on a framework for internal control over financial reporting, Volvo Internal Control Standards (VICS). The framework focuses on the financial reporting areas deemed to have a relatively higher risk for potential errors due to factors such as complex accounting principles, complex or changed business operations.

3. General IT controls: Processes for maintenance, development and access management of financial applications are evaluated by testing procedures and controls.

The results of the evaluation activities are reported to Group management and the Audit Committee.

Gothenburg, February 21, 2014

AB Volvo (publ)

The Board of Directors

Auditor's report on the Corporate Governance Report

To the annual meeting of the shareholders of AB Volvo (publ), corporate identity number 556012-5790

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2013 on pages 90–106 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Gothenburg, February 21, 2014

PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Lead Partner

Johan Rippe
Authorized Public Accountant
Partner

CONTENT

Financial Information 2013

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the preceding year, 2012.

FINANCIAL PERFORMANCE

Lower earnings

For the Volvo Group, the year 2013 was characterized by the most extensive product renewal in the history of the Group, with associated costs in manufacturing, sales, administration and research and development, as well as costs connected to restructuring primarily within the truck operations. Net sales amounted to SEK 273 billion and operating income to SEK 7.1 billion.

INCOME STATEMENTS VOLVO GROUP

		Industrial operations		Customer Finance		Eliminations		Volvo Group	
SEK M		**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Net sales	Note 6,7	**265,420**	**292,198**	**9,539**	**9,783**	**(2,337)**	**(2,167)**	**272,622**	**299,814**
Cost of sales		(209,307)	(227,745)	(5,534)	(6,036)	2,337	2,167	(212,504)	(231,615)
Gross income		**56,113**	**64,454**	**4,005**	**3,747**	**0**	**0**	**60,118**	**68,199**
Research and development expenses		(15,124)	(14,635)	–	–	–	–	(15,124)	(14,635)
Selling expenses		(26,904)	(26,230)	(1,602)	(1,665)	–	–	(28,506)	(27,894)
Administrative expenses		(5,824)	(5,535)	(38)	(29)	–	–	(5,862)	(5,563)
Other operating income and expenses	Note 8	(2,710)	(1,538)	(843)	(556)	–	–	(3,554)	(2,096)
Income (loss) from investments in joint ventures and associated companies	Note 5,6	96	99	–	–	–	–	96	99
Income from other investments	Note 5	(31)	(42)	–	–	–	–	(30)	(42)
Operating income		**5,616**	**16,573**	**1,522**	**1,496**	**–**	**–**	**7,138**	**18,069**
Interest income and similar credits		381	453	0	0	–	–	381	453
Interest expenses and similar charges		(2,810)	(2,949)	0	0	–	–	(2,810)	(2,949)
Other financial income and expenses	Note 9	11	(78)	0	0	–	–	11	(78)
Income after financial items		**3,199**	**13,999**	**1,522**	**1,496**	**–**	**–**	**4,721**	**15,495**
Income taxes	Note 10	(451)	(3,682)	(468)	(434)	–	–	(919)	(4,116)
Income for the period		**2,748**	**10,317**	**1,054**	**1,062**	**–**	**–**	**3,802**	**11,378**
Attributable to:									
Equity holders of the parent company								3,583	11,160
Minority interests	Note 11							219	219
								3,802	**11,378**
Basic earnings per share, SEK	Note 19							1.77	5.61
Diluted earnings per share, SEK	Note 19							1.76	5.61

OTHER COMPREHENSIVE INCOME

SEK M		**2013**	2012
Income for the period		**3,802**	**11,378**
Items that will not be reclassified to income statement:			
Remeasurements of defined benefit pension plans		3,904	(2,234)
Items that may be reclassified subsequently to income statement:			
Exchange differences on translation of foreign operations		(1,634)	(3,395)
Share of OCI related to joint ventures and associated companies		(135)	(191)
Exchange differences on hedge instruments of net investment in foreign operations		0	0
Accumulated translation difference reversed to income		37	(118)
Available-for-sale investments		470	343
Change in cash flow hedge reserve	Note 19	9	8
Other comprehensive income, net of income taxes		**2,651**	**(5,587)**
Total comprehensive income for the period		**6,453**	**5,791**
Attributable to:			
Equity holders of the Parent Company		6,196	5,655
Minority interests		257	136
		6,453	**5,791**

Net sales
Net sales for the Volvo Group decreased by 9% to SEK 272,622 M in 2013, compared with SEK 299,814 M in the preceding year.

Operating income
Volvo Group's operating income amounted to SEK 7,138 M (18,069).

Operating income for the Industrial Operations decreased to SEK 5,616 M compared with SEK 16,573 M in the preceding year. The Customer Finance operations' operating income rose to SEK 1,522 M (1,496).

Net financial items
Net interest expense amounted to SEK 2,429 M, compared with SEK 2,496 M in the preceding year.

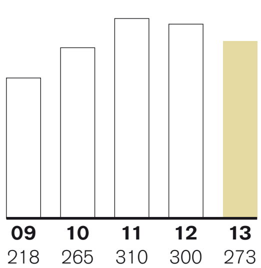
Income taxes
The tax expense for the year amounted to SEK 919 M (4,116) corresponding to a tax rate of 20% (27). The tax expense was positively impacted by a revaluation of deferred tax and a tax credit in Brazil.

Income for the period and earnings per share
The income for the period amounted to SEK 3,802 M (11,378), corresponding to diluted earnings per share of SEK 1.76 (5.61). The return on shareholders' equity was 5.0% (14.7).

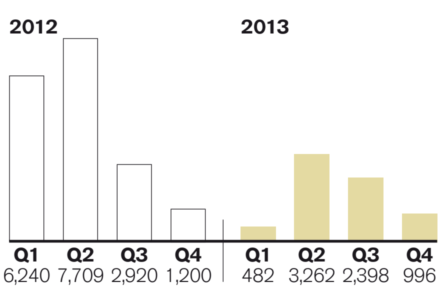
Net sales by business area, SEK M	**2013**	2012	%
Trucks	178,474	189,156	(6)
Construction Equipment	53,437	63,558	(16)
Buses	16,707	19,587	(15)
Volvo Penta	7,550	7,631	(1)
Volvo Aero	–	5,219	–
Eliminations and other	9,252	7,048	31
Industrial Operations[1]	**265,420**	**292,198**	**(9)**
Customer Finance	9,539	9,783	(2)
Reclassifications and eliminations	(2,336)	(2,167)	(8)
Volvo Group	**272,622**	**299,814**	**(9)**

1 Adjusted for acquired and divested units and changes in currency rates, net sales decreased by 2%.

Net sales, SEK bn



Operating income, SEK M



Operating income (loss) by business area, SEK M	**2013**	2012
Trucks	6,145	10,779
Construction Equipment	2,592	5,667
Buses	(190)	37
Volvo Penta	626	549
Volvo Aero	–	775
Eliminations and other	(3,557)	(1,235)
Industrial Operations	**5,616**	**16,573**
Customer Finance	1,522	1,496
Volvo Group	**7,138**	**18,069**

Operating margin, %	**2013**	2012
Trucks	3.4	5.7
Construction Equipment	4.9	8.9
Buses	(1.1)	0.2
Volvo Penta	8.3	7.2
Volvo Aero	–	14.9
Industrial Operations	**2.1**	**5.7**
Volvo Group	**2.6**	**6.0**

Change in operating income, SEK bn	Change (excluding currency)	Currency impact	**Total**
Operating income 2012			**18.1**
Change in gross income Industrial operations[1]	(1.6)	(5.4)	(7.0)
Change in gross income Customer financing	0.3	0	0.3
Higher credit losses[2]	(0.5)	0	(0.5)
Change in group structure	(1.4)	0	(1.4)
Lower capitalization of development cost	(1.3)	0.1	(1.2)
Lower research and development expenditures	0.1	0.4	0.5
Higher selling and administrative expenses	(2.6)	1.5	(1.1)
Revaluation of assets held for sale (Volvo Rents)	(1.5)	0	(1.5)
Volvo profit sharing program	0.2	0	0.2
Restructuring and efficiency program	0.8	0	0.8
Other	(0.1)	0	(0.1)
Operating income 2013			**7.1**

1 During 2013 gross income was affected by lower volumes which was partly offset by an improvement in price variances and warranty cost.
2 Of the total credit losses SEK 0.3 billion are related to customer financing.

Industrial Operations

In 2013, net sales for the Volvo Group's Industrial Operations decreased by 9% to SEK 265,420 M (292,198). Compared with 2012, sales decreased in all of the Group's markets except South America. Adjusted for changes in exchange rates net sales declined by 2%.

Lower earnings

In 2013, operating income for the Volvo Group's Industrial Operations amounted to SEK 5,616 M compared to SEK 16,573 M in the preceding year. The operating margin for the Industrial Operations amounted to 2.1% (5.7). Excluding restructuring charges of SEK 715 M (1,550) operating income amounted to SEK 6,332 M (18,123) and the operating margin to 2.4% (6.2).

The lower profitability is primarily an effect of lower volumes, negative currency impact, revaluation of assets held for sale (Volvo Rents), lower capitalization of research and development expenses, higher selling and administration expenses, that Volvo Aero contributed to the income for the first three quarters of 2012 and that the divestment of Volvo Aero had a positive impact during 2012. Lower restructuring charges, improved price variances and lower warranty costs had a positive impact on profitability.

Impact of exchange rates on operating income

Operating income for 2013 was negatively impacted by approximately SEK 3.4 billion as a consequence of changes in currency exchange rates when compared with 2012.

Income Statement Industrial Operations, SEK M	**2013**	2012
Net sales	265,420	292,198
Cost of sales	(209,307)	(227,745)
Gross income	**56,113**	**64,454**
Gross margin, %	21.1	22.1
Research and development expenses	(15,124)	(14,635)
Selling expenses	(26,904)	(26,230)
Administrative expenses	(5,824)	(5,535)
Other operating income and expenses	(2,710)	(1,538)
Income (loss) from investments in joint ventures and associated companies	96	99
Income from other investments	(31)	(42)
Operating income (loss) Industrial Operations	**5,616**	**16,573**
Operating margin, %	2.1	5.7

Impact of exchange rates on operating income Compared with preceding year, SEK M	
Net sales[1]	(15,819)
Cost of sales	10,356
Research and development expenses	455
Selling and administrative expenses	1,606
Total effect of changes in exchange rates on operating income	**(3,402)**

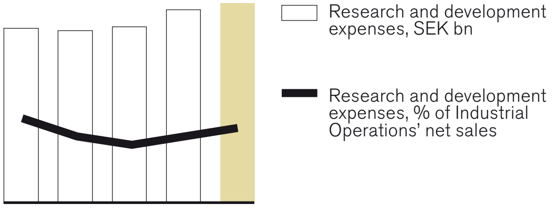
1 The Volvo Group sales are reported at monthly average rates.

Net sales by market area, SEK M	**2013**	2012	%
Western Europe	84,293	88,325	(5)
Eastern Europe	18,626	20,751	(10)
North America	60,237	68,297	(12)
South America	28,751	27,970	3
Asia	52,805	64,667	(18)
Other markets	20,708	22,188	(7)
Total Industrial Operations	**265,420**	**292,198**	**(9)**

Operating net flow per currency Local currency[1], million	**2013**	2012
USD	2,112	4,421
EUR	501	(158)
GBP	631	472
CAD	534	600
JPY(X100)	(128)	(181)

1 The predominant part of the operations in the Volvo Group are situated outside Sweden. Therefore the fluctuations in currency rates affecting the net flow in foreign currency are in many cases not against SEK.

Research and development expenses



	09	10	11	12	13
Research and development expenses, SEK bn	13.2	13.0	13.3	14.6	15.1
Research and development expenses, % of Industrial Operations' net sales	6.3	5.0	4.4	5.0	5.7

Customer Finance Operations

Total new financing volume in 2013 amounted to SEK 47.0 billion (46.6). Adjusted for changes in exchange rates, new business volume increased by 5.9% compared to 2012. In total, 51,466 new Volvo Group vehicles and machines (50,994) were financed during the year. In the markets where financing is offered, the average penetration rate was 27% (27).

As of December 31, 2013, the net credit portfolio amounted to SEK 103,873 M (99,690). The funding of the credit portfolio is matched in terms of maturity, interest rates and currencies in accordance with Volvo Group policy. For further information see note 4 to the Consolidated financial statements.

The operating income for the year amounted to SEK 1,522 M compared to SEK 1,496 M in the previous year. Return on shareholders' equity was 12.1% (12.5). The equity ratio at the end of the year was 8.1% (8.1). Improvements in gross income and operating expenses were partially offset by higher provisions.

During the year, credit provision expenses amounted to SEK 923 M (639) while write-offs of SEK 719 M (577) were recorded. Third quarter provisions and write-offs were higher than normal due to deterioration of collateral positions and values related to non-performing loans and leases in Spain stemming from the global financial crisis in 2009 and 2010 caused by the continuing recession and protracted legal processes in that country. The write-off ratio for 2013 was 0.71% (0.58). At the end of December 31, 2013, credit reserves were 1.31% (1.23) of the credit portfolio.

Income Statement Customer Finance, SEK M	**2013**	2012
Finance and lease income	9,539	9,783
Finance and lease expenses	(5,534)	(6,036)
Gross income	**4,005**	**3,747**
Selling and administrative expenses	(1,640)	(1,694)
Credit provision expenses	(923)	(639)
Other operating income and expenses	79	83
Operating income (loss)	**1,522**	**1,496**
Income taxes	(468)	(434)
Income (loss) for the period	**1,054**	**1,062**
Return on Equity, %	12.1	12.5

Key ratios, Customer Finance[1]	**2013**	2012
Credit portfolio net, SEK M	103,873	99,690
Operating income, SEK M	1,522	1,496
Return on shareholders' equity, %	12.1	12.5
Total penetration rate, %	27	27
Penetration by business area[1]**, %**		
Volvo CE	36	37
Volvo Trucks	30	30
Renault Trucks	21	23
Mack Trucks	21	19
Buses	16	21
UD Trucks	12	13

1 Share of unit sales financed by Volvo Financial Services in relation to the total number units sold by the Volvo Group in markets where financial services are offered.

FINANCIAL POSITION

Maintained financial position

Net debt in the Volvo Group's Industrial Operations amounted to SEK 32.1 billion at December 31, 2013, equal to 46.8% of shareholders' equity. Excluding provisions for post-employment benefits the Industrial Operation's net debt amounted to SEK 19.8 billion, which equal to 29.0% of shareholders' equity.

BALANCE SHEETS VOLVO GROUP – ASSETS

		Industrial Operations		Customer Finance		Eliminations		Volvo Group	
SEK M		**Dec 31 2013**	Dec 31 2012	**Dec 31 2013**	Dec 31 2012	**Dec 31 2013**	Dec 31 2012	**Dec 31 2013**	Dec 31 2012
Assets									
Non-current assets									
Intangible assets	Note 12	36,479	38,592	109	106	–	–	36,588	38,698
Tangible assets	Note 13								
Property, plant and equipment		51,819	53,330	87	105	–	–	51,906	53,435
Investment property		327	754	–	–	–	–	327	754
Assets under operating leases		17,013	21,263	13,714	12,543	(5,055)	(4,784)	25,672	29,022
Financial assets									
Investments in joint ventures and associated companies	Note 5	4,377	4,523	–	–	–	–	4,377	4,523
Other shares and participations	Note 5	1,944	1,614	6	6	–	–	1,950	1,620
Non-current customer-financing receivables	Note 15	727	600	49,466	47,329	(6,401)	(6,773)	43,792	41,156
Deferred tax assets	Note 10	12,326	15,106	840	770	–	–	13,166	15,876
Prepaid pensions	Note 20	11	–	11	–	–	–	22	–
Non-current interest-bearing receivables	Note 16	550	653	34	–	(104)	(316)	480	337
Other non-current receivables	Note 16	3,017	3,334	128	127	(208)	(373)	2,937	3,088
Total non-current assets		**128,590**	**139,769**	**64,395**	**60,986**	**(11,768)**	**(12,246)**	**181,217**	**188,510**
Current assets									
Inventories	Note 17	40,964	39,741	189	352	–	–	41,153	40,093
Current receivables									
Customer-financing receivables	Note 15	679	797	40,854	39,946	(1,464)	(910)	40,069	39,833
Tax assets		1,692	978	57	35	–	–	1,749	1,013
Interest-bearing receivables	Note 16	1,645	3,038	473	–	(1,209)	(464)	909	2,574
Internal funding[1]		2,256	4,612	–	–	(2,256)	(4,612)	–	–
Accounts receivable	Note 16	29,170	26,395	245	121	–	–	29,415	26,516
Other receivables	Note 16	12,207	11,753	1,383	2,651	(936)	(2,114)	12,654	12,290
Non interest-bearing assets held for sale	Note 3	8,102	–	–	–	–	–	8,102	–
Interest-bearing assets held for sale	Note 3	2	–	–	–	–	–	2	–
Marketable securities	Note 18	2,570	3,129	21	1	–	–	2,591	3,130
Cash and cash equivalents	Note 18	25,660	23,465	1,679	2,116	(371)	(374)	26,968	25,207
Total current assets		**124,947**	**113,908**	**44,901**	**45,222**	**(6,236)**	**(8,474)**	**163,612**	**150,656**
Total assets		**253,537**	**253,678**	**109,296**	**106,208**	**(18,004)**	**(20,720)**	**344,829**	**339,166**

1 Internal funding is internal lending from Industrial Operations to Customer Finance.

The Volvo Group's cash, cash equivalents and marketable securities combined, amounted to SEK 29.6 billion at December 31, 2013 which includes SEK 0.2 billion not available for use by the Volvo Group and SEK 7.7 billion where other limitations exist, mainly liquid funds in countries where exchange controls or other legal restrictions apply. In addition to this, granted but not utilized credit facilities amounted to SEK 31.9 billion.

Total assets in the Volvo Group amounted to SEK 344.8 billion as of December 31, 2013, an increase of SEK 5.7 billion compared to year-end 2012. The increase is mainly a result of increased customer financing receivables due to portfolio growth in the Customer Finance Operations which is offset by changes in currency rates.

The Volvo Group's intangible assets amounted to SEK 36.6 billion as of December 31, 2013. Investments in research and development amounted to SEK 3.8 billion in 2013, resulting in a net value of capitalized development costs of SEK 13.8 billion at the end of the year. The Volvo Group's total goodwill amounted to SEK 20.0 billion as of December 31, 2013, a decrease by SEK 2.1 billion compared to year-end 2012 mainly as a result of the reclassification of Volvo Rents to "Assets Held for Sale" and translation differences.

The tangible assets decreased by SEK 5.3 billion during 2013, mainly related to the reclassification of Volvo Rents at year end 2013.

The value of the inventories increased by SEK 1.1 billion during 2013. The increase is related to both finished products within trucks and construction equipment and production material.

The net value of assets and liabilities related to pensions and similar obligations amounted to SEK 12.3 billion as of December 31, 2013, a decrease of SEK 6.5 billion compared to year-end 2012. As of 2013 the Volvo Group ceases to account for defined benefit liabilities using the so called corridor method. All post-employment benefits are recognized on the Balance sheet of the Volvo Group. See Note 20 and Note 31 for further information. A third balance sheet is presented in Note 31.

At year-end, the equity ratio in the Industrial Operations was 27.0% and in the Volvo Group 22.4%. Equity in the Volvo Group amounted to SEK 77.4 billion at December 31, 2013.

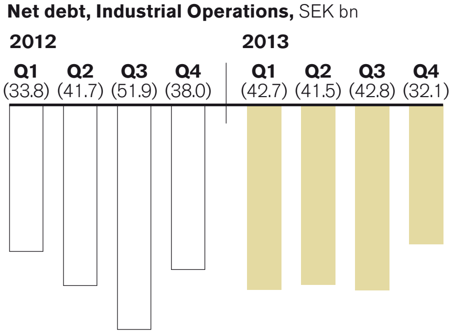
BALANCE SHEETS VOLVO GROUP – SHAREHOLDERS' EQUITY AND LIABILITIES

SEK M		Industrial Operations		Customer Finance		Eliminations		Volvo Group	
		Dec 31 2013	Dec 31 2012	**Dec 31 2013**	Dec 31 2012	**Dec 31 2013**	Dec 31 2012	**Dec 31 2013**	Dec 31 2012
Equity and liabilities									
Equity attributable to the equity holder of the Parent Company	Note 19	67,134	67,227	8,906	8,558	(8)	–	76,032	75,785
Minority interests	Note 11	1,333	1,266	–	–	–	–	1,333	1,266
Total equity		**68,467**	**68,493**	**8,906**	**8,558**	**(8)**	**–**	**77,365**	**77,051**
Non-current provisions									
Provisions for post-employment benefits	Note 20	12,249	18,772	73	63	–	–	12,322	18,835
Provisions for deferred taxes	Note 10	324	2,971	2,082	1,879	–	–	2,406	4,850
Other provisions	Note 21	6,005	5,545	183	187	2	8	6,190	5,740
Total non-current provisions		**18,578**	**27,288**	**2,338**	**2,129**	**2**	**8**	**20,918**	**29,425**
Non-current liabilities	Note 22								
Bond loans		46,585	43,092	–	–	–	–	46,585	43,092
Other loans		31,219	33,351	12,182	11,630	(6,537)	(6,553)	36,864	38,428
Internal funding[1]		(34,027)	(33,990)	35,761	34,298	(1,734)	(308)	–	–
Other liabilities		14,315	13,828	665	742	(3,503)	(3,856)	11,477	10,714
Total non-current liabilities		**58,092**	**56,281**	**48,608**	**46,670**	**(11,774)**	**(10,717)**	**94,926**	**92,234**
Current provisions	Note 21	**11,246**	**10,916**	**58**	**50**	**0**	**10**	**11,304**	**10,976**
Current liabilities	Note 22								
Loans		46,806	45,456	6,705	6,393	(1,959)	(1,836)	51,552	50,013
Internal funding[1]		(38,090)	(33,746)	39,659	38,600	(1,569)	(4,854)	–	–
Non interest-bearing liabilities held for sale	Note 3	332	–	–	–	–	–	332	–
Interest-bearing liabilities held for sale	Note 3	18	–	–	–	–	–	18	–
Trade payables		53,685	46,313	216	159	–	–	53,901	46,472
Tax liabilities		1,072	614	48	(154)	–	–	1,120	460
Other liabilities	Note 22	33,331	32,063	2,758	3,803	(2,696)	(3,331)	33,393	32,535
Total current liabilities		**97,154**	**90,700**	**49,386**	**48,801**	**(6,224)**	**(10,021)**	**140,316**	**129,480**
Total equity and liabilities		**253,537**	**253,678**	**109,296**	**106,208**	**(18,004)**	**(20,720)**	**344,829**	**339,166**

1 Internal funding is internal lending from Industrial Operations to Customer Finance.

Change in net financial position, Industrial Operations, SEK bn	**2013**	2012
Net financial position at the beginning of period	**(38.0)**	**(32.9)**
Cash flow from operating activities	14.6	12.4
Investments in fixed assets (to)/from	(13.7)	(18.2)
Disposals	0.6	0.9
Operating cash-flow	**1.5**	**(4.9)**
Investments and divestments of shares, net	0.0	(1.2)
Acquired and divested operations, net	0.4	3.7
Capital injections (to)/from Customer Finance Operations	0.4	0.9
Currency effect	3.4	3.6
Dividend paid to AB Volvo shareholders	(6.1)	(6.1)
Dividend paid to minority shareholders	(0.2)	0.0
Remeasurements of defined benefit pension plans	6.0	(2.5)
Pension payments and costs, net	0.3	0.0
Other changes	0.2	1.4
Total change	**5.9**	**(5.1)**
Net financial position at end of period	**(32.1)**	**(38.0)**

Net debt, Industrial Operations, SEK bn



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

CASH-FLOW STATEMENT

The operating cash-flow affected by an increase in working capital

During 2013, operating cash flow in the Industrial Operations amounted to a positive SEK 1.5 billion (negative 4.8).

CONSOLIDATED CASH-FLOW STATEMENTS

		Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
SEK M		**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Operating activities									
Operating income		5,624	16,130	1,522	1,492	(8)	0	7,138	17,622
Depreciation tangible assets	Note 13	6,205	5,928	16	20	–	–	6,221	5,948
Amortization intangible assets	Note 12	5,021	3,168	34	23	–	–	5,055	3,191
Depreciation leasing vehicles	Note 13	3,247	2,890	2,899	2,726	–	–	6,146	5,616
Other non-cash items	Note 29	1,496	796	890	565	30	69	2,416	1,430
Total change in working capital whereof		(1,956)	(9,184)	(8,774)	(14,574)	(35)	1,818	(10,765)	(21,940)
Change in accounts receivable		*(4,799)*	*(1,227)*	*(120)*	*79*	–	–	*(4,919)*	*(1,148)*
Change in customer financing receivables		*(91)*	*228*	*(8,923)*	*(14,812)*	*284*	*1,883*	*(8,730)*	*(12,701)*
Change in inventories		*(3,209)*	*627*	*114*	*258*	*(168)*	*0*	*(3,263)*	*885*
Change in trade payables		*7,905*	*(7,552)*	*60*	*(81)*	*(1)*	*0*	*7,964*	*(7,633)*
Other changes in working capital		*(1,762)*	*(1,260)*	*95*	*(18)*	*(150)*	*(65)*	*(1,817)*	*(1,343)*
Interest and similar items received		362	527	–	–	2	6	364	533
Interest and similar items paid		(2,404)	(2,825)	–	–	(33)	(75)	(2,437)	(2,900)
Other financial items		(225)	(319)	–	–	–	–	(225)	(319)
Income taxes paid		(2,641)	(4,668)	(181)	(697)	(1)	(1)	(2,823)	(5,366)
Cash flow from operating activities		**14,729**	**12,443**	**(3,594)**	**(10,445)**	**(45)**	**1,817**	**11,090**	**3,815**
Investing activities									
Investments in tangible assets		(8,307)	(9,308)	(26)	(29)	52	(1)	(8,281)	(9,338)
Investments in intangible assets		(3,903)	(5,281)	(18)	(19)	(1)	0	(3,922)	(5,300)
Investment in leasing vehicles		(1,529)	(3,566)	(6,784)	(6,496)	51	76	(8,262)	(9,986)
Disposals of fixed assets and leasing vehicles		556	911	2,848	2,205	(1)	(6)	3,403	3,110
Operating cash flow		**1,546**	**(4,801)**	**(7,574)**	**(14,784)**	**56**	**1,886**	**(5,972)**	**(17,699)**
Investments and divestments of shares, net	Note 5, 29							(14)	(1,186)
Acquired and divested operations, net	Note 3, 29							932	3,390
Interest-bearing receivables incl marketable securities								510	3,678
Cash-flow after net investments								**(4,544)**	**(11,817)**
Financing activities									
Change in loans, net	Note 29							12,955	14,075
Dividend to AB Volvo shareholders								(6,084)	(6,083)
Dividend to minority shareholders								(162)	0
Other								56	2
Change in cash and cash equivalents excl. translation differences								**2,221**	**(3,823)**
Translation difference on cash and cash equivalents								(460)	(797)
Change in cash and cash equivalents								**1,761**	**(4,620)**
Cash and cash equivalents, beginning of year	Note 18							**25,207**	**29,557**
Cash and cash equivalents, end of year	Note 18							**26,968**	**25,207**

The cash flow within Industrial Operations was positively affected by the operating income and negatively affected by the increased working capital. Accounts receivables increased with SEK 4.8 billion, inventories increased SEK 3.2 billion and the trade payables increased SEK 7.9 billion.

Financial items and paid income taxes had a SEK 4.9 billion negative effect on cash flow within Industrial Operations, mainly through payments of interests and income tax.

Operating cash flow within Customer Finance was a negative SEK 7.6 billion (neg: SEK 14.8 billion), mainly due to increased customer financing-receivables.

Investments

The industrial operations' investments in fixed assets and capitalized R&D during 2013 amounted to SEK 12.2 billion (14.6).

Capital expenditures in Trucks amounted to SEK 8.4 billion (10.7). Capital expenditures within Trucks have also this year to a large extent been driven by investments relating to the extensive product renewal with the completely new Renault Trucks range, new Volvo trucks, new heavy-duty trucks for growth markets, UD Quester, and a new Volvo VM in Brazil. Also Euro 6 emission regulations, and product related investments in production have had a large impact. There are also larger investments in the Kaluga-plant in Russia. During 2013 the Volvo Group continued to invest in the dealer network and workshops, mainly in Europe and Asia (mainly Japan), but also in Latin America.

Capital expenditures for Construction Equipment amounted to SEK 2.3 billion (1.7). The major investments during 2013 related to the new excavator plant in Kaluga, Russia; continuation of the investment program in the North American hub in Shippensburg, where the new sales office has been inaugurated as well as start-up of wheel loader production. The Jinan Technology center in China has been finalized during the year. The product related investments during the year refer mainly to the latest emission regulations in Europe and North America.

The investments in Buses were SEK 0.4 billion (0.3), and in Penta SEK 0.3 billion (0.2).

Investments in Volvo Rents were considerably lower during 2013 than previous year. During 2012 the rental fleet was renewed and expanded, affecting both investments in leasing assets and other assets. Total investments in leasing assets for Industrial operations during 2013 amounted to SEK 1.5 billion (3.6).

During 2014, investments in property, plant and equipment are expected to be on the same level as in 2013. The investments will mainly cover optimization of the industrial footprint, dealer investments and product related tooling; with a large share related to the Volvo Group strategic objectives.

Acquisitions and divestments

In September 2012 AB Volvo increased its shareholding in Deutz AG to just over 25% which had a negative impact on cash flow of SEK 1.1 billion.

Acquired and divested operations 2013 had a positive impact on cash flow of SEK 0.9 billion (positive 3.4).

Financing and dividend

Net borrowings increased cash and cash equivalents by SEK 13.0 billion during 2013 (14.1).

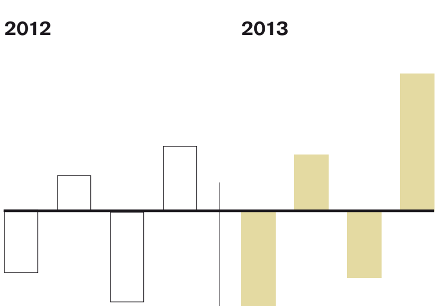
During the year dividend of SEK 6.1 billion, corresponding to SEK 3.00 per share, was paid to the shareholders of AB Volvo.

Change in cash and cash equivalents

The Volvo Group's cash and cash equivalents increased by SEK 1.8 billion during the year and amounted to SEK 27.0 billion at December 31, 2013.

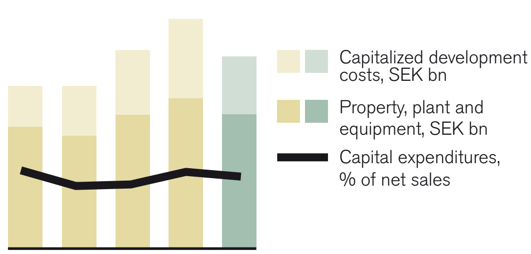
Refer to Note 29 for principles for preparing the cash flow analysis.

Operating cash flow, Industrial Operations, SEK bn



Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(4.9)	2.5	(7.2)	4.7	(7.6)	4.1	(5.3)	10.3

Capital expenditures, Industrial Operations



	09	10	11	12	13
Capitalized development costs, SEK bn	2.6	3.2	4.1	5.1	3.7
Property, plant and equipment, SEK bn	7.7	7.1	8.5	9.5	8.5
Capital expenditures, % of net sales	5.0	4.0	4.1	4.9	4.6

Self-financing ratio, Industrial Operations %

09	10	11	12	13
(16)	294	210	72	112

Cash-flow from operating activities divided by net investments in fixed assets and leasing assets.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK M		Share capital	Other reserves[1]	Translation reserve	Retained earnings	Total	Minority interests	Total equity
		Shareholders' equity attributable to equity holders of the Parent Company						
Balance at December 31, 2011		**2,554**	**10**	**1,176**	**80,841**	**84,581**	**1,100**	**85,681**
Effect of changes in accounting principles	Note 1, 31	–	194	(199)	(8,821)	(8,826)	–	(8,826)
Adjusted opening balance at January 1, 2012		**2,554**	**204**	**977**	**72,020**	**75,755**	**1,100**	**76,855**
Income for the period		–	–	–	11,160	11,160	219	11,378
Other comprehensive income								
Translation differences on foreign operations		–	–	(3,338)	–	(3,338)	(57)	(3,395)
Share of OCI related to Joint Ventures and associated companies		–	–	(191)	–	(191)	–	(191)
Accumulated translation differences reversed to income		–	–	(118)	–	(118)	–	(118)
Available-for-sale investments:	Note 5, 19							
Gains/losses at valuation to fair value		–	343	–	–	343	–	343
Change in cash flow hedge reserve	Note 19	–	8	–	–	8	–	8
Remeasurements of defined benefit plans	Note 20	–	–	–	(2,234)	(2,234)	–	(2,234)
Other comprehensive income for the period		–	351	(3,647)	(2,234)	(5,530)	(57)	(5,587)
Total income for the period		–	351	(3,647)	8,925	5,629	162	5,791
Transactions with shareholders								
Dividends to shareholders		–	–	–	(6,083)	(6,083)	–	(6,083)
Transactions with minority interests		–	–	–	–	–	–	–
Share based payments	Note 27	–	–	–	90	90	–	90
Changes in minority interests		–	–	–	–	–	–	–
Other changes		–	3	–	391	394	4	398
Transactions with shareholders		–	3	–	(5,602)	(5,599)	4	(5,595)
Balance at December 31, 2012		**2,554**	**558**	**(2,670)**	**75,343**	**75,785**	**1,266**	**77,051**
Income for the period		–	–	–	3,583	3,583	219	3,802
Other comprehensive income								
Translation differences on foreign operations		–	–	(1,672)	–	(1,672)	38	(1,634)
Share of OCI related to Joint Ventures and associated companies		–	–	(135)	–	(135)	–	(135)
Accumulated translation differences reversed to income		–	–	37	–	37	–	37
Available-for-sale investments:	Note 5, 19							
Gains/losses at valuation to fair value		–	470	–	–	470	–	470
Change in cash flow hedge reserve	Note 19	–	9	–	–	9	–	9
Remeasurements of defined benefit plans	Note 20	–	–	–	3,904	3,904	–	3,904
Other comprehensive income for the period		–	479	(1,770)	3,904	2,613	38	2,651
Total income for the period		–	479	(1,770)	7,487	6,196	257	6,453
Transactions with shareholders								
Dividends to shareholders		–	–	–	(6,084)	(6,084)	(162)	(6,246)
Transactions with minority interests		–	–	–	–	–	–	–
Share based payments	Note 27	–	–	–	94	94	–	94
Changes in minority interests		–	–	–	–	–	(35)	(35)
Other changes		–	–	–	41	41	7	48
Transactions with shareholders		–	–	–	(5,949)	(5,949)	(190)	(6,139)
Balance at December 31, 2013		**2,554**	**1,037**	**(4,440)**	**76,881**	**76,032**	**1,333**	**77,365**

1 For specification of other reserves, see Note 19.

Notes to Financial Statements

Comparative figures for 2012, except for cash-flow information, are restated for changes in Accounting Principles and do not correspond to the figures presented in the Volvo Group Annual Report 2012. See note 31 in this Annual Report for further information about the restatement.

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the preceding year, 2012.

NOTE 1 ACCOUNTING PRINCIPLES

The consolidated financial statements for AB Volvo and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The portions of IFRS not adopted by the EU have no material impact on this report. This Annual Report is prepared in accordance with IAS 1 Presentation of Financial Statements and with the Swedish Annual Accounts Act. In addition, RFR 1 Supplementary Rules for Groups, has been applied, which is issued by the Swedish Financial Reporting Board.

How should the Volvo Group's accounting policies be read?
Volvo describes the accounting policies in conjunction with each note in the aim of providing enhanced understanding of each accounting area. The Volvo Group focuses on describing the accounting choices made within the framework of the prevailing IFRS policy and avoids repeating the actual text of the standard, unless the Volvo Group considers it particularly important to the understanding of the note's content. The following symbols I/S and B/S shows which amounts in the notes that can be found in the income statement or balance sheet. Refer to the table below to see the note in which each accounting policy is listed and for the relevant and material IFRS standard.

Accounting principle	Note	IFRS-standard
Non-current assets held for sale and discontinued operations	3, Acquisitions and divestments of shares in subsidiaries	IFRS 5, IFRS 13
Business combinations	3, Acquisitions and divestments of shares in subsidiaries	IFRS 3
Joint ventures	5, Investments in joint ventures, associated companies and other shares and participations	IFRS 11, IAS 28, IFRS 12
	31, Changes in Volvo Group Financial Reporting 2013	IFRS 11, IAS 28
Investments in associates	5, Investments in joint ventures, associated companies and other shares and participations	IAS 28
Operating segments	6, Segment reporting	IFRS 8
Revenue	7, Income	IAS 17, IAS 18
Shares and participations	5, Investments in joint ventures, associated companies and other shares and participations	IAS 28, IAS 32, IAS 36, IAS 39, IFRS 7, IFRS 13
Financial income and expenses	9, Other financial income and expenses	IAS 39
Income taxes	10, Income taxes	IAS 12
Minority interests	11, Minority interests	IFRS 10, IFRS 12
Research and development expenditure	12, Intangible assets	IAS 36, IAS 38
Intangible assets	12, Intangible assets	IAS 36, IAS 38
Tangible assets	13, Tangible assets	IAS 16, IAS 36, IAS 40, IFRS 13
Leasing	14, Leasing	IAS 17
Customer-financing receivables	15, Customer-financing receivables	IAS 17, IAS 18, IAS 32, IAS 39, IFRS 7, IFRS 13
Inventories	17, Inventories	IAS 2
Earnings per share	19, Equity and number of shares	IAS 33
Pensions and similar obligations	20, Provisions for post-employment benefits	IAS 19 Revised
	31, Changes in Volvo Group Financial Reporting 2013	IAS 19 Revised, IAS 8
Provisions for residual value risks	21, Other provisions	IAS 17, IAS 18, IAS 37
Warranty expenses	21, Other provisions	IAS 37
Restructuring costs	21, Other provisions	IAS 37, IAS 19 Revised
Liabilities	22, Liabilities	IAS 32, IAS 37, IAS 39, IFRS 7, IFRS 13
Contingent liabilities	24, Contingent liabilities	IAS 37
Transactions with related parties	25, Transactions with related parties	IAS 24
Government grants	26, Government grants	IAS 20
Share-based payments	27, Personnel	IFRS 2
Cash-flow statement	29, Cash flow	IAS 7
Financial instruments	4, Goals and policies in financial risk management	IAS 32, IAS 39, IFRS 7, IFRS 13, IAS 8
	16, Receivables	
	18, Marketable securities and liquid funds	
	30, Financial instruments	
	31, Changes in Volvo Group Financial Reporting 2013	

Consolidated financial statements

Principles for consolidation

The consolidated financial statements are as from January 2013 prepared in accordance with the principles set forth in IFRS 10 Consolidated Financial Statements. Accordingly, intra-group transactions and gains on transactions with joint ventures and associated companies are eliminated. The consolidated financial statements comprise the Parent Company, subsidiaries, joint ventures and associated companies.

- Subsidiaries are defined as entities that are controlled by the Volvo Group.
- Joint ventures refer to joint arrangements whereby the Volvo Group together with one or more parties that have joint control, have rights to the net assets of the arrangements. Joint ventures are as from January 1, 2013 recognized using the equity method of consolidation. Comparative figures for 2012 have been restated.
- Associated companies are companies in which Volvo Group has a significant influence, which is normally when Volvo Group's holding of shares correspond to at least 20% but less than 50% of the voting rights. Holdings in associated companies are recognized in accordance with the equity method.

Read more about how the changes in accounting principles for joint ventures have affected the Volvo Group's financial reports **in Note 31.**

Translation to Swedish kronor when consolidating companies are using foreign currencies

AB Volvo's functional currency is Swedish krona (SEK). The functional currency of each Volvo Group company is determined based on the primary economic environment in which it operates. The primary economic environment is normally the one in which the company primarily generates and expends cash. In most cases, the functional currency is the currency of the country where the company is located. AB Volvo's and the Volvo Group's presentation currency is SEK. In preparing the consolidated financial statements, items in the income statements of foreign subsidiaries (except for subsidiaries in hyperinflationary economies) are translated to SEK using monthly average exchange rates. Balance-sheet items are translated into SEK using exchange rates at year-end (closing rate). Exchange differences arising, are recognized in other comprehensive income and accumulated in equity.

The accumulated translation differencies related to a certain subsidiary, joint venture or associated company are reversed to the income statement as a part of the gain/loss arising from disposal of such a company or repayment of capital contribution from such a company.

Receivables and liabilities in foreign currency

Receivables and liabilities in currencies other than the functional currency (foreign currencies) are translated to the functional currency using the closing rate. Translation differences on operating assets and liabilities are recognized in operating income, while translation differences arising in financial assets and liabilities are recognized in financial income and expenses. Financial assets and liabilities are defined as items included in the net financial position of the Volvo Group (see Definitions at the end of this report). Derivative financial instruments used for hedging of exchange and interest risks are recognized at fair value. Gains on exchange rates are recognized as receivables and losses on exchange rates are recognized as liabilities. Depending on the lifetime of the financial instrument, the item is recognized as current or non-current in the balance sheet. Exchange rate differences on loans and other financial instruments in foreign currency, which are used to hedge net assets in foreign subsidiaries and associated companies, are offset against translation differences in the shareholders' equity of the respective companies. Exchange-rate gains and losses on assets and liabilities in foreign currencies, both on payments during the year and on measurements at year-end, impact profit or loss in the year in which they are incurred. The more important exchange rates applied in the consolidated financial statements are shown in the table.

Exchange rates		Average rate		Closing rate as of Dec 31	
Country	Currency	2013	2012	2013	2012
Australia	AUD	6.3046	7.0183	5.7592	6.7655
Brazil	BRL	3.0308	3.4837	2.7821	3.1885
Euro Zone	EUR	8.6586	8.7145	8.9523	8.6259
Japan	JPY	0.0669	0.0851	0.0619	0.0757
Canada	CAD	6.3294	6.7827	6.0755	6.5536
China	CNY	1.0573	1.0738	1.0732	1.0456
Norway	NOK	1.1105	1.1651	1.0590	1.1682
Great Britain	GBP	10.1926	10.7402	10.7392	10.4977
South Africa	ZAR	0.6773	0.8275	0.6213	0.7661
South Korea	KRW	0.0060	0.0060	0.0062	0.0061
United States	USD	6.5153	6.7767	6.5097	6.5169

New accounting principles for 2013

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

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, amendments to IFRS 10, IFRS 11 and IFRS 12, IFRS 13 Fair value Measurement, IAS 28 Investments in Associates and joint ventures (revised 2011), amendments to IAS 1 Presentation of Financial Statements, amendments to IAS 36 Impairment of Assets, amendments to IFRS 7 Financial instruments: Disclosures and IAS 19 Employee Benefits (revised 2011). The Volvo Group has also as from January 1, 2013 changed the presentation regarding hedging effects on firm flows to be included in the finance net, these were previously reported within operating income. However hedging effects on firm flows from specific orders are still recognized in the operating income.

The major accounting changes refer to recognition of investments in joint ventures in accordance with IFRS 11 and IAS 28 (revised), that the Volvo Group ceases to account for defined pension liabilities using the so called corridor method in accordance with IAS 19 (revised) and that the presentation of hedging effects on commercial flows are changed to be included in the finance net. The new accounting principles have been applied retrospectively and comparative numbers for 2012, except for cash-flow information, are restated and do not correspond to the numbers presented in the Volvo Group Annual Report 2012.

Read more about the restatement and how IFRS 11 and IAS 28 (revised), IAS 19 (revised) and the changes in presentation of hedging have affected the Volvo Group's financial reports **in Note 31**.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the consolidation instructions in IAS 27 Consolidated and Separate Financial Statements and SIC – 12 Consolidation – Special Purpose Entities and introduce one basis for consolidation, which is control. If the following three criteria are fulfilled control is obtained (i) power of the investee (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use power over the investee to affect the amount of the return. IFRS 10 has not had any significant impact on the consolidation of other companies of which the Volvo Group has ownership or is involved.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires more detailed disclosures on subsidiaries, joint arrangements, associates and any unconsolidated structured entities in which the company is involved. The disclosures in note 5 in the Volvo Group's annual report 2013 have to some extent increased due to IFRS 12. The disclosures related to minority interests have also increased and are shown in note 11.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurement and disclosures of fair value measurements. IFRS 13 does not change the requirement regarding which items should be measured or disclosed at fair value. The standard is to be applied prospectively and comparative disclosures is not required. IFRS 13 requires us to take into account factors that are specific to the transaction and to the asset or liability. According to IFRS 13, an entity shall take into account the effect of its credit risk when measuring fair value of financial liabilities. In many cases, the transaction price will equal the fair value. IFRS 13 applies to all transactions and balances (financial or non-financial) for which IFRSs require or permit fair value measurements, except for share-based payment transactions and leasing transactions. IFRS 13 is effective from January 1, 2013. The standard has not had any material effect on the Volvo Group.

Amendments to IAS 36 Impairment of Assets

The amendments to IAS 36 refer to a disclosure requirement about recoverable amount which was made as a consequence of IFRS 13. This disclosure requirement has been removed and disclosures regarding recoverable amount are restricted to when an impairment loss is recognized. The effective date is January 1, 2014 but earlier application is permitted. Volvo Group is applying the amendments as from January 1, 2013.

Other new or revised accounting standards or new interpretations effective from January 1, 2013 have not had any material impact on the Volvo Group's financial statements.

New accounting principles for 2014 and later

When preparing the consolidated financial statements as of December 31, 2013, a number of standards and interpretations has been published, but has not yet become effective.

IFRS 9 Financial instruments

IFRS 9 is published in three parts: Classification and Measurement, Impairment and Hedge Accounting, which will replace the current IAS 39. A joint position regarding how the implementation of IFRS 9 will impact the Volvo Group will be taken in conjunction with the final version of all three components of the project being published. The mandatory effective date has been removed from the standard (previously January 2015), thus this date is at present not known.

Other new or revised accounting standards are not considered to have a material impact on the Volvo Group's financial statements.

NOTE 2 | KEY SOURCES OF ESTIMATION UNCERTAINTY

The Volvo Group's most significant accounting policies are primarily described together with the applicable note. Refer to Note 1, Accounting Policies for a specification. The preparation of AB Volvo's Consolidated Financial Statements requires the use of estimates and assumptions that may affect the recognized amounts of assets and liabilities at the date of the financial statements. In addition, the recognized amounts of net sales and expenses during the periods presented are affected. In preparing these financial statements, management has made its best judgments of certain amounts included in the financial statements, materiality taken into account. Actual results may differ from previously made estimates. In accordance with IAS 1, the company is required to disclose the assumptions and other major sources of estimation uncertainties that, if actual results differ, may have a material impact on the financial statements.

! The sources of uncertainty which has been identified by the Volvo Group and which are considered to fulfill these criteria are presented in connection to the items considered to be affected. The table below discloses where to find these descriptions.

Source of estimation uncertainty	Note
Buy-back agreements and residual value guarantees	7, Income
Deferred taxes	10, Income taxes
Impairment of goodwill and other intangible assets	12, Intangible assets
Impairment of tangible assets	13, Tangible assets
Credit loss reserves	15, Customer-financing receivables 16, Receivables
Inventory obsolescence	17, Inventories
Assumptions when calculating pensions and other post-employment benefits	20, Provisions for post-employment benefits
Product warranty costs	21, Other provisions
Legal proceedings	21, Other provisions
Residual value risks	21, Other provisions

NOTE 3 ACQUISITIONS AND DIVESTMENTS OF SHARES IN SUBSIDIARIES

ACCOUNTING POLICY

Recognition of business combinations

The Volvo Group applies IFRS 3, Business Combinations, for acquisitions. All business combinations are recognized for in accordance with the purchase method. Volvo Group measures acquired identifiable assets, tangible and intangible, and liabilities at fair value. Any surplus amount from the purchase price, possible non-controlling interests and fair value of previously held equity interests at the acquisition date compared to the Volvo Group's share of acquired net assets is recognized as goodwill. Any deficit amount, known as negative goodwill, is recognized in the income statement.

In step acquisitions, a business combination occurs only on the date control is achieved, which is also the time when goodwill is calculated. Transactions with the minority are recognized as equity as long as control of the subsidiary is retained. For each business combination, the Volvo Group decides whether the minority interest shall be valued at fair value or at the minority interest's proportionate share of the net assets of the acquiree. All acquisition-related costs are expensed. Companies acquired during the year are consolidated as of the date of acquisition. Companies that have been divested are included in the consolidated financial statements up to and including the date of the divestment.

Non-current assets held for sale and discontinued operations

The Volvo Group applies IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. The standard also includes the treatment of current assets. In a global group like the Volvo Group, processes are continuously ongoing regarding the sale of assets or groups of assets at minor values. When the criteria for being classified as a non-current asset held for sale are fulfilled and the asset or group of assets are of significant value, the asset or group of assets and the related liabilities are recognized on a separate line in the balance sheet. The asset or group of assets are tested for impairment and, if impaired, measured at fair value after deductions for selling expenses. The balance sheet items and the income effect resulting from the revaluation to fair value less selling expenses are normally recognized in the segment Group headquarter functions and other, until the sale is completed and the result distributed to each segment.

AB Volvo's holding of shares in subsidiaries as of December 31, 2013 is disclosed in note 13 for the Parent Company. Significant acquisitions, formations and divestments within the Group are listed below.

Business combinations during the period

During 2013, the Volvo Group acquired net assets amounting to 23 (702). The acquisition do not have any significant impact on the Volvo Group's earnings and financial position. For acquisitions made in 2012, the fair-value adjustments to the acquisition balance sheets have not had any significant impact on the Volvo Group. The impact on the Volvo Group's balance sheet and cash-flow statement in connection with the acquisition of subsidiaries and other business units are specified in the following table.

Acquisitions	2013	2012
Intangible assets	–	190
Property, plant and equipment	14	176
Assets under operating lease	8	475
Inventories	96	503
Current receivables	2	257
Cash and cash equivalents	–	21
Other assets	–	14
Minority interests	–	–
Provisions	(1)	(87)
Loans	(1)	(225)
Current liabilities	(95)	(622)
Acquired net assets	23	702
Goodwill	48	888
Negative goodwill	–	(42)
Total	**71**	**1,548**
Cash and cash equivalents paid	(71)	(1,548)
Cash and cash equivalents according to acquisition analysis	–	21
Effect on Group cash and cash equivalents	**(71)**	**(1,527)**
Effect on Group net financial position	**(138)**	**(1,714)**

Divestments

In May 2013 the consultancy company DRD, wholly-owned by UD Trucks with product development operations and approximately 500 employees, was divested. The divestment resulted in a capital gain of SEK 99 M in the second quarter 2013.

In September 2013, the Volvo CE Central European distribution network operations was divested. The divestment resulted in a capital gain of SEK 92 in the third quarter 2013.

The divestment of Volvo Aero was finalized during 2013.

In addition to that the Volvo Group has not made any other divestments during 2013, which solely or jointly have had a significant impact on the Volvo Group's financial statements.

The impact on the Volvo Group's balance sheet and cash-flow statement in connection with the divestment of subsidiaries and other business units are specified in the following table.

Divestments	2013	2012
Intangible assets	–	(3,220)
Property, plant and equipment	(140)	(1,786)
Assets under operating lease	(162)	(244)
Shares and participations	–	(17)
Inventories	(127)	(2,505)
Other receivables	(914)	(1,395)
Cash and cash equivalents	(87)	(323)
Other provisions	36	1,108
Other liabilities	472	3,385
Divested net assets	(922)	(4,997)
Goodwill	(27)	(300)
Total	**(949)**	**(5,297)**
Additional purchase price	**–**	**653**
Cash and cash equivalents received	1,090	5,240
Cash and cash equivalents, divested companies	(87)	(323)
Effect on Group cash and cash equivalents	**1,003**	**4,917**
Effect on Group net financial position	**537**	**5,594**

Assets and liabilities held for sale

As of December 31, 2013, the Volvo Group recognized assets amounting to SEK 8,104 M and liabilities amounting to SEK 350 M as assets and liabilities held for sale. This referred mainly to the divestment of Volvo Rents in North America. Volvo Rents offers rental of comprehensive range of machines intended for the construction and engineering industry, including Volvo CE products. Volvo Rents has operations in the US, Canada and Puerto Rico and has about 2,100 employees. As part of its strategic effort to focus on the core business, the Volvo Group has agreed to divest Volvo Rents. Per December 31, 2013, Volvo Rents were classified as assets held for sale and valued at fair value, a revaluation was therefore recognized within Other operating income and expense amounting to SEK 1.5 billion. The fair value is based on the purchase price stated in the sale and purchase agreement signed between the buyer and the seller, the purchase price is considered as a level 1 in accordance with the fair value hierarchy in IFRS 13. Translation differences on foreign operations of 13 was included in other comprehensive income.

There was also real estate amounting to SEK 1,014 M classified as assets held for sale at year end 2013. For the comparison year 2012, there were no assets or liabilities classified as held for sale.

Assets and liabilities held for sale	Dec 31, 2013	Dec 31, 2012
Intangible assets	–	–
Tangible assets	7,185	–
Inventories	221	–
Accounts receivable	–	–
Other current receivables	684	–
Other assets	14	–
B/S **Total assets**	**8,104**	**–**
Trade payables	76	–
Provisions	127	
Other current liabilities	137	–
Other liabilities	10	
B/S **Total liabilities**	**350**	**–**

Acquisitions and divestments after the end of the period

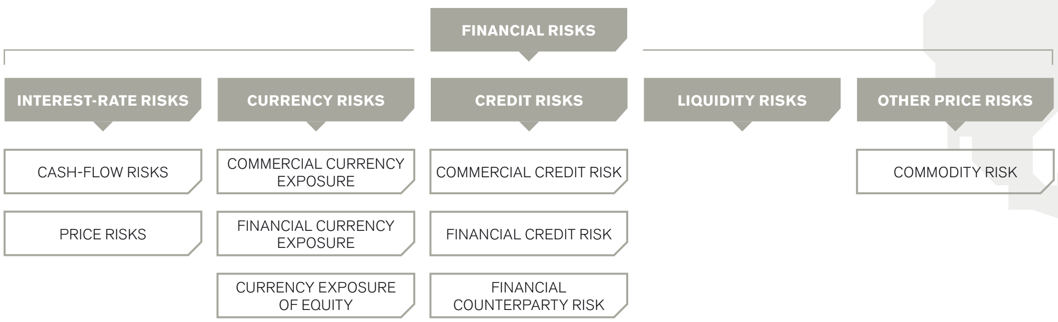
Volvo Rents in North America was divested per January 31, 2014. The Volvo Group has not made any other significant acquisitions or divestments after the end of the period that have had any significant impact on the Volvo Group.

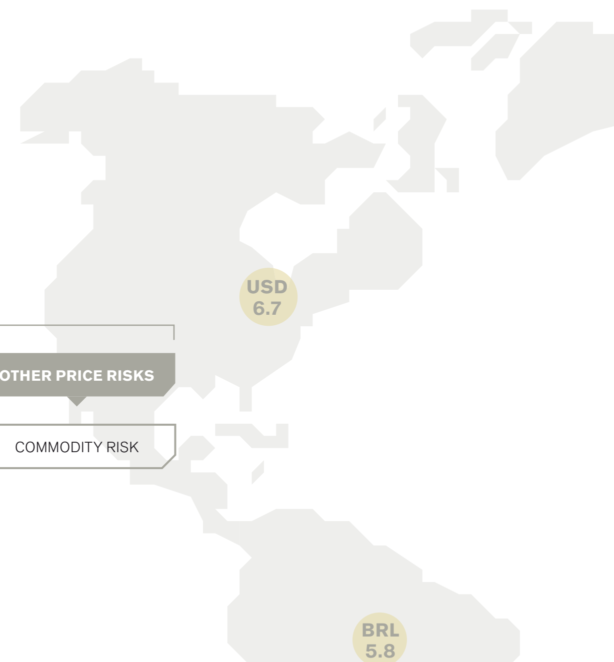
NOTE 4 GOALS AND POLICIES IN FINANCIAL RISK MANAGEMENT

The Volvo Group's global operations expose the company to financial risks in the form of interest rate risks, currency risks, credit risks, liquidity risks and other price risks. Work on financial risks comprises an integrated element of the Volvo Group's business. Volvo Group strives to minimize these risks by optimizing the Group's capital costs by utilizing economies of scale, minimize negative effects on income as a result of changes in currency or interest rates and to optimize risk exposure. All risks are managed pursuant to the Volvo Group's established policies in these areas.

The Volvo Group's risk management related to specific balance sheet items are also described in other areas of the Annual Report, see references in the Notes.

» **Read more** about accounting principles for financial instruments in **Note 30**, Financial Instruments.





INTEREST-RATE RISKS

INTEREST-RATE RISKS A

Interest-rate risk refers to the risk that changed interest-rate levels will affect the Volvo Group's consolidated earnings and cash flow (cash-flow risks) or the fair value of financial assets and liabilities (price risks).

POLICY

Matching the interest-fixing terms of financial assets and liabilities reduces the exposure. Interest-rate swaps are used to change/influence the interest-fixing term for the Volvo Group's financial assets and liabilities. Currency interest-rate swaps enable borrowing in foreign currencies from different markets without introducing currency risk. The Volvo Group also has standardized interest-rate forward contracts (futures) and FRAs (forward-rate agreements). Most of these contracts are used to hedge interest-rate levels for short-term borrowing or investments.

Cash-flow risks

The effect of changed interest rate levels on future currency and interest-rate flows primarily pertains to the Volvo Group's customer financing operations and net financial items. Customer finance operations measure the degree of matching interest rate fixing on borrowing and lending. The calculation of the matching degree excludes equity, which amounted to between 8 and 10% in the customer finance operations. At year-end 2013, the degree of such matching was 99% (99) for the segment Customer Finance, which was in line with the Volvo Group's policy. The centralized Treasury function has, for practical as well as business reasons, the mandate to mismatch the Customer finance portfolio down to a matching ratio of 80%. At year end 2013, matching ratio was 95% (89). Any gains or losses from the mismatch impacts the segment Group functions and other within Industrial operations. At year-end 2013, in addition to the assets in its customer-financing operations, the Volvo Group's interest-bearing assets consisted primarily of cash, cash equivalents and liquid assets invested in short-term interest-bearing securities. The objective for the Volvo Group's short-term interest-bearing securities is to achieve a return on these assets equivalent to a three-month fixed term security. On December 31, 2013, the average interest on Industrial operations financial assets was 1.1% (1.1). After taking derivatives into account, outstanding loans had interest terms corresponding to a short term interest-rate fixing term, between one to three months and the average interest on Industrial operations financial liabilities at year-end amounted to 3.3% (3.2), including the Volvo Group's credit costs.

Price risks C

Exposure to price risks as result of changed interest-rate levels refers to financial assets and liabilities with a longer interest-rate fixing term (fixed interest).

The following table D shows the effect on earnings before taxes in Industrial Operations net financial position, including pensions and similar obligations, if interest rates were to increase by 1 percentage point, (100 basis points) assuming an average interest-rate fixed term of three months.*

* The sensitivity analysis on interest rate risks is based on simplified assumptions. It is not unreasonable for market interest rates to change by one percentage point (100 basis points) on an annual basis. However, in reality, these rates often rise or decline at different points in time. The sensitivity analysis also assumes a parallel deferment of the return curve, and that the interest rates on assets and liabilities will be equally impacted by changes in market interest rates. Accordingly, the impact of real interest-rate changes may differ from the analysis presented above. D

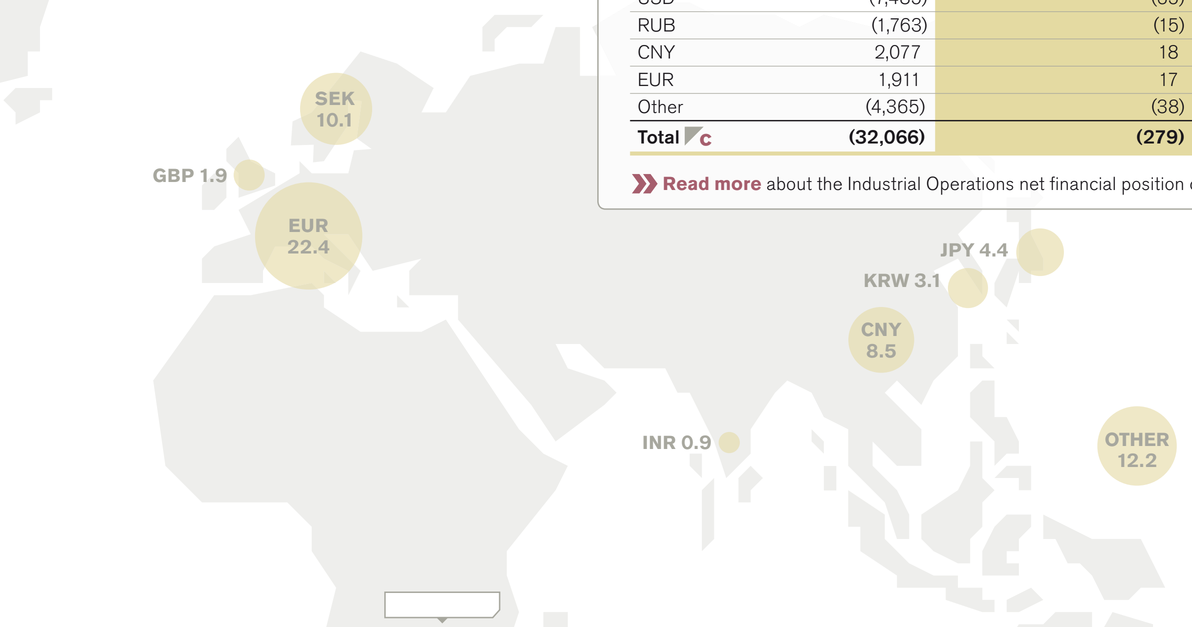
» **Read more** about the Industrial Operations net financial position on **page 112.**

Currency SEK M	Net financial position incl. pensions	Impact on earnings before tax if interest rate rises 1% A (Interest-rate risks)	Impact on Net financial position if SEK appreciates against other currencies 10% B (Currency risks)
JPY	(13,410)	(117)	1,341
SEK	(9,031)	(79)	–
USD	(7,485)	(65)	749
RUB	(1,763)	(15)	176
CNY	2,077	18	(208)
EUR	1,911	17	(191)
Other	(4,365)	(38)	436
Total C	**(32,066)**	**(279)**	**2,303**

Read more about the Industrial Operations net financial position on **page 113.**

D

The Volvo Group's net assets in different currencies (SEK bn) =



CURRENCY RISKS

CURRENCY RISKS B

The content in the balance sheet may be affected by changes in different exchange rates. Currency risks in the Volvo Group's operations are related to changes in the value of contracted and expected future payment flows (commercial currency exposure), changes in the value of loans and investments (financial currency exposure) and changes in the value of assets and liabilities in foreign subsidiaries (currency exposure of equity).

POLICY

The aim of the Volvo Group's currency risk management is to secure cash flow from firm flows through currency hedges pursuant to the established currency policy, and to minimize the exposure of financial items in Volvo Group's balance sheet. Below is a presentation on how this work is conducted for commercial and financial currency exposure, and for currency exposure of equity.

The Volvo Group's outstanding forward contracts and options contracts for hedging of commercial currency risks

	Currencies						Market value
Millions	CNY/SEK[1]	USD/SEK	USD/KRW	USD/CNY	SGD/SEK	EUR/USD	
Due date 2014	4,500	285	276	60	41	5	
Due date 2015	–	–	–	39	13	–	
Due date 2016	–	–	–	9	–	–	
Total local currency	**4,500**	**285**	**276**	**108**	**54**	**5**	
Average contract rate	1.02	6.51	1.09	6.34	5.75	1.28	
Market value of outstanding forward contracts, SEK M	**212**	**(2)**	**50**	**22**	**32**	**3**	**317**

1 The outstanding forward contracts in CNY/SEK is the hedging of future cash flow of the acqusition of Dongfeng Commercial Vehicles.

F

Goals and policies in financial risk management (cont.)

Commercial currency exposure

Transaction exposure from commercial flows

Volvo Group conducts manufacturing in 18 countries around the globe and more than 90% of net sales are generated in countries other than Sweden. Transaction exposure from commercial flows in foreign currency are generated from internal purchases and sales between manufacturing units and market companies and external sales and purchases in foreign currency around the globe. As the predominant part of the operations in the Volvo Group are situated outside Sweden, the fluctuations in currency rates affecting the transaction flows in foreign currency are in many cases not against SEK.

The hedging of the Volvo Group's commercial currency exposure is decided centrally. The Volvo Group's consolidated currency portfolio exposure is the value on forecasted future payment flows in foreign currency. Volvo Group only hedge part of the forecasted portfolio that is considered highly probable to occur (i.e firm flows), most of which are realized within six months. The Volvo Group uses forward contracts and currency options to hedge the portion of the value of forecasted future payment flows in foreign currency. The amount of firm flows for all periods fall within the framework of the Volvo Group's currency policy.

The table F shows outstanding forward and option contracts for the hedging of commercial currency risks. The table Operating net flow per currency on page 110 shows commercial net flows per currency (transactional flows).

Translation exposure from the consolidation of operating income in foreign subsidiaries

In conjunction with the translation of operating income in foreign subsidiaries, the Volvo Group's earnings are impacted if currency rates change. The Volvo Group does not hedge this risk. For more information on currency hedging of equity see below.

*Sensitivity analysis – currencies**(next page)

The tables G H and I on next page show the impact on sales and operating income for the Volvo Group if key currencies fluctuate against SEK. The sensitivity analysis include the transaction impact from commercial flows and the translation impact during the consolidation of foreign subsidiaries. The fluctuations in currency rates affecting the transaction flows in foreign currency are in many cases not against SEK. For further information see section commercial currency exposure.

Financial currency exposure

Loans and investments in the Volvo Group's subsidiaries are performed mainly in local currencies through Volvo Treasury, which minimizes individual companies' financial currency exposure. Volvo Treasury uses various derivatives to facilitate lending and borrowing in different currencies without increasing the company's risk. The net financial position of the Volvo Group is affected by exchange-rate fluctuations since financial assets and liabilities are distributed among the Volvo Group companies that conduct their operations using different currencies.

Table D discloses the impact on earnings before tax of Industrial operations net financial position, including pensions and similar net obligations, if SEK were to strengthen by 10%.

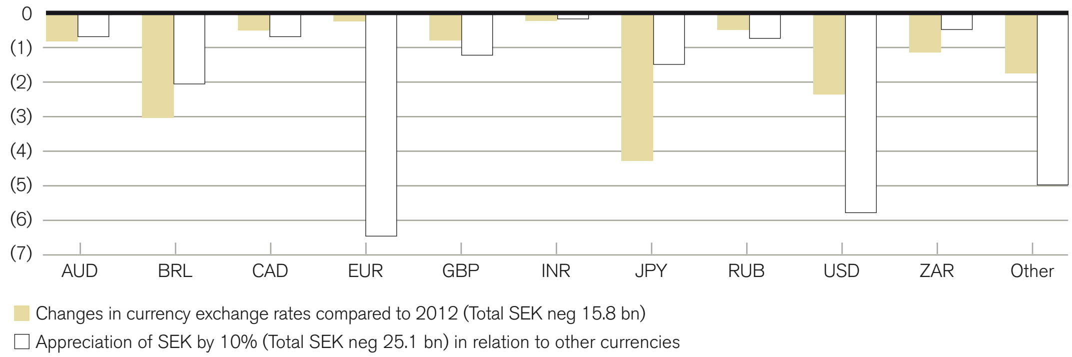
Currency exposure of equity

The carrying amount of assets and liabilities in foreign subsidiaries are affected by current exchange rates in conjunction with the translation of assets and liabilities to Swedish kronor. To minimize currency exposure of equity, the size of equity in foreign subsidiaries is continuously optimized with respect to commercial and legal conditions. Currency hedging of equity may occur in cases where a foreign subsidiary is considered overcapitalized. Net assets in foreign subsidiaries, associated companies and joint ventures amounted at year-end 2013 to SEK 66,0 billion (69,8). The need to undertake currency hedging relating to investments in associated companies, joint ventures and other companies is assessed on a case-by-case basis.

On the map on page 122–123 the Volvo Group's net assets in different currencies (SEK bn) are displayed.

*Sensitivity analysis**

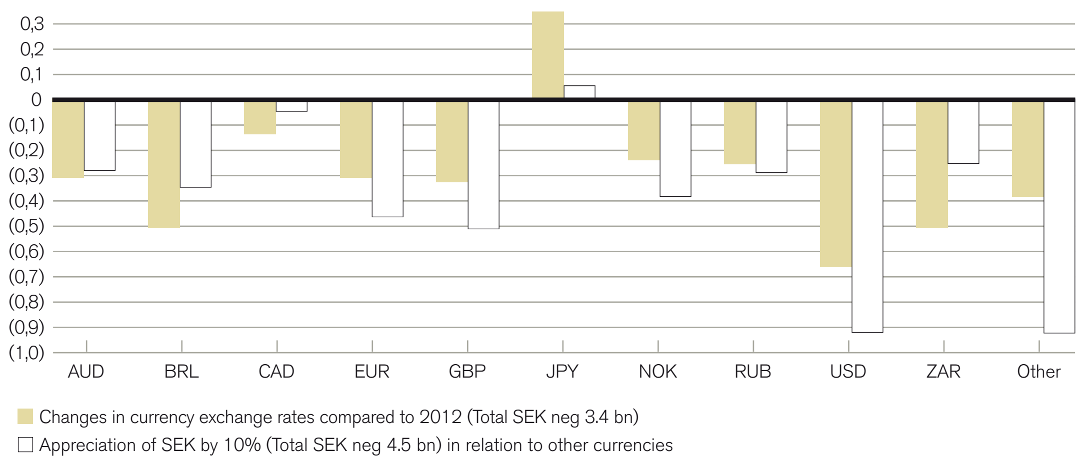
Currency effect on net sales from inflows in foreign currency and translation effect when consolidating net sales in foreign subsidiares for Industrial operations (G).



G

*Sensitivity analysis**

Currency effect on operating income from net flows in foreign currency and translation effect when consolidating operating income in foreign subsidiaries for Industrial operations (H).



H

The Volvo Group's currency review

When the Volvo Group communicates the currency impact on operating income for Industrial operations, the following factors are included:

Currency impact on operating income, SEK billion, Industrial Operations	2013	2012	Change
Net flows in foreign currency			(2.7)
Realized gains and losses on hedging contracts	–	–	–
Unrealized gains and losses on hedging contracts	–	–	–
Unrealized gains and losses on receivables and liabilities in foreign currency	(0.3)	(0.3)	–
Translation effect on operating income in foreign subsidiaries			(0.7)
Total currency impact on operating income			**(3.4)**

Currency impact on Net flows in foreign currency and Translation effect on operating income in foreign subsidiaries are detailed in table H in key currencies.

I

* The sensitivity analysis on currency rate risks is based on simplified assumptions. It is not unreasonable for the value in SEK to appreciates by 10% in relation to other currencies. In reality, currencies usually do not change in the same direction at any given time, so the actual effect of exchange-rate changes may differ from the sensitivity analysis. Please refer to table D G H

Goals and policies in financial risk management (cont.)

CREDIT RISKS

CREDIT RISKS

Credit risks are defined as the risk that the Volvo Group does not receive payment for recognized accounts receivable and customer-financing receivables (commercial credit risk), that the Volvo Group's investments are unable to be realized (financial credit risk) and that potential profit is not realized due to the counterparty not fulfilling its part of the contract when using derivative instruments (financial counterparty risk).

POLICY

The objective of the Volvo Group Credit Policy is to define and measure the credit exposure and control the risk of losses deriving from credits to customers, credits to suppliers, counter party risks and Customer Dealer Financing activities.

Commercial credit risk

The Volvo Group's credit granting is steered by Group-wide policies and customer-classification rules. The credit portfolio should contain a distribution among different customer categories and industries. The credit risks are managed through active credit monitoring, follow-up routines and, where applicable, product repossession. Moreover, regular monitoring ensures that the necessary allowances are made for incurred losses on doubtful receivables. In Notes 15 and 16, ageing analyses are presented of customer finance receivables overdue and accounts receivables overdue in relation to the reserves made.

The customer-financing receivables in the Volvo Group's customer-financing operations amounted at December 31, 2013 to approximately net SEK 84 billion (81). The credit risk of this portfolio is distributed over a large number of retail customers and dealers. Collaterals are provided in the form of the financed products. In the credit granting the Volvo Group strives for a balance between risk exposure and expected return.

Read more about Volvo's credit risk in the customer-financing operation in **Note 15.**

The Volvo Group's accounts receivables amounted as of December 31, 2013 to approximately net SEK 29 billion (27).

Financial credit risk

The Volvo Group's financial assets are largely managed by Volvo Treasury and invested in the money and capital markets. All investments must meet the requirements of low credit risk and high liquidity. According to the Volvo Group's credit policy, counterparties for investments and derivative transactions should have a rating better or equivalent to A from one of the well-established credit rating institutions.

Liquid funds and marketable securites amounted as of December 31, 2013 to approximately SEK 30 billion (28).

Read more about Volvo Group's Marketable securities and liquid funds in **Note 18.**

Financial counterparty risk

The use of derivatives involves a counterparty risk, in that a potential gain will not be realized if the counterparty fails to fulfill its part of the contract. To reduce the exposure, the Volvo Group enters into master netting agreements (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 profit, loss or the position of the Volvo Group, since derivative transactions are accounted for on a gross-basis, with the exception of the derivatives described in footnote 3, under the table on page 161 in note 30. Counterparty risk exposure for derivatives is also limited through weekly cash transfers corresponding to the value change of open contracts. The Volvo Group's gross exposure from positive derivatives, amounting to SEK 3,713 M (5,148) is reduced by 41% (43%) to SEK 2,203 M (2,948) 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.

Read more about the Volvo Group's gross exposure from positive derivatives per type of instrument in note 30 on page 163.

LIQUIDITY RISKS

Liquidity risk is defined as the risk that the Volvo Group would be unable to finance or refinance its assets or fulfill its payment obligations.

POLICY

The Volvo Group assures itself of sound financial preparedness by always having liquid funds and committed facilities to cover the Volvo Group's expected liquidity needs for a period of 12–18 months in a scenario with no access to capital markets.

The adjacent graph discloses expected future cash-flows including derivatives related to financial liabilities. Capital flow refers to expected payments of loans and derivatives, see note 22. Expected interest flow refers to the future interest payments on loans and derivatives based on interest rates expected by the market. The interest flow is recognized within cash flow from operating activities.

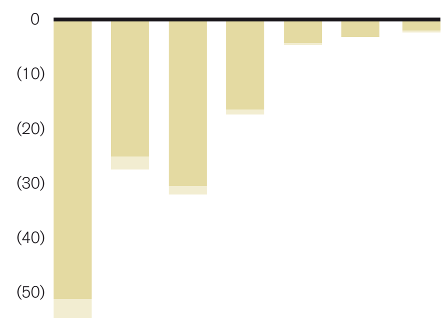
In addition to derivatives included in capital flow in the adjacent graph there are also derivatives related to financial liabilities recognized as assets, which are expected to give a future capital flow of SEK 0,5 billion and a future interest flow of SEK 2,4 billion.

The predominant part of expected future cash-flows that expires within 2014 is an effect of the Volvo Group's normal business cycle , with shorter duration in the Customer finance portfolio compared to Industrial operations.

Read more about the maturity structure of bond loans and other loans, as well as granted but unutilized credit facilities in **Note 22.**

Read more about contractual term analyses of the Volvo Group's future payments from non-annullable financial and operational lease contracts in **Note 14.**

Future cash-flow including derivatives related to non-current and current financial liabilities



	2014	2015	2016	2017	2018	2019	2020
Capital flow, SEK bn	(51.7)	(25.5)	(30.9)	(16.8)	(4.6)	(3.2)	(2.3)
Interest flow, SEK bn	(3.9)	(2.3)	(1.5)	(0.9)	(0.3)	(0.2)	(0.3)

OTHER PRICE RISKS

Commodity risks

Commodity risks refer to the risk that changed commodity prices will affect the consolidated earnings within the Volvo Group. Procurement of commodities such as steel, precious metals and electricity are made on a regular basis where prices are set in the global markets.

POLICY

Changes in commodity prices are included in the product cost calculation. Increased commodity prices is therefore reflected in the sales price of the Volvo Group's final products. Purchasing agreements with commodity suppliers may also be long term in nature or structured in a way that short term volatility in commodity prices have less direct effect on Volvo Group's cost base. Financial hedging is performed in order to reduce short term volatility electricity cost in Sweden.

NOTE 5 INVESTMENTS IN JOINT VENTURES, ASSOCIATED COMPANIES AND OTHER SHARES AND PARTICIPATIONS

ACCOUNTING POLICIES

Subsidiaries
The Volvo Group has production facilities in 18 countries and sales of products in more than 190 markets which mean that the Volvo Group has subsidiaries in many parts of the world. A subsidiary is defined as an entity that is controlled by the Volvo Group. A subsidiary is controlled by a parent company when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's return. Most of the Volvo Group's subsidiaries are owned to 100% by the Volvo Group and are therefore considered to be controlled by the Volvo Group. For some subsidiaries there are restrictions on the Volvo Group's ability to access or use cash from these subsidiaries, for more information on cash that is not available or with other limitations see note 18.

Read more about minority interests in **Note 11.** For more information about the composition of the Volvo Group see **Note 13** for the parent company.

Joint ventures
Joint ventures are companies over which the Volvo Group has controlling influence together with one or more external parties. Joint ventures are as from January 1, 2013, recognized by applying equity accounting, in accordance with IFRS 11 Joint arrangements. Joint ventures were previously recognized by applying the proportionate consolidation method. All three joint ventures owned by the Volvo Group are of business related nature.

Read more about changes in the Volvo Group's accounting for Joint Ventures as from January 1, 2013 in **Note 31.**

Associated companies
Associated companies are companies in which the Volvo Group has a significant influence, normally when the Group's holdings equal at least 20% but less than 50% of the voting rights. Holdings in associated companies are recognized in accordance with the equity method.

Equity method
The Volvo Group's share of income in companies recognized according to the equity method is included in the consolidated income statement under Income (loss) from investments in joint ventures and associated companies, less, where appropriate, depreciation of surplus values and the effect of applying different accounting policies. Income from companies recognized in accordance with the equity method is included in operating income since the Volvo Group's investments are of operating nature. For practical reasons, some of the associated companies are included in the consolidated financial statements with a certain time lag, normally one quarter. Dividends from joint ventures and associated companies are not included in consolidated income. In the consolidated balance sheet, investments in joint ventures and associated companies are affected by the Volvo Group's share of the company's net income, less depreciation of surplus values and dividends received.

Other shares and participations
Holding of shares that do not provide the Volvo Group with significant influence, which generally means that Volvo Group's holding of shares corresponds to less than 20% of the votes, are recognized as other shares and participations. For listed shares, the carrying amount is equivalent to the market value. Unlisted shares and participations, for which a fair value cannot reasonably be determined, are measured at cost less any impairment.

Joint ventures
The Volvo Group's investments in joint ventures are listed below.

Shares in joint ventures	Dec 31, 2013	Dec 31, 2012
	Holding percentage	Holding percentage
Shanghai Sunwin Bus Corp., China	50	50
DONGVO Truck Co., Ltd. (former Dong Feng Nissan Diesel Motor Co., Ltd.,) China	50	50
VE Commercial Vehicles, Ltd., India[1]	45.6	45.6

1 VE Commercial Vehicles (VECV) is considered to be a joint venture as Volvo Group and Eicher Motors Ltd have signed an agreement which states that common agreement is needed in relation to important questions related to the governance of VECV. Read more in Note 31 regarding changes in the Volvo Group's financial reporting 2013.

The following tables present summarized financial information for the Volvo Group's joint ventures:

Summarized income statements	2013			2012		
	VE Commercial Vehicles, Ltd.	Other joint ventures	Total	VE Commercial Vehicles, Ltd.	Other joint ventures	Total
Net sales	5,516	1,291	6,807	6,604	1,803	8,407
Operating income[1]	342	(52)	290	440	(10)	430
Interest income and similar credits	60	1	61	113	1	114
Interest expense and similar charges	(10)	(39)	(49)	(6)	(34)	(40)
Other financial income and expenses	(2)	(1)	(3)	0	(1)	(1)
Income taxes	(84)	(5)	(89)	(140)	4	(136)
Income for the period	**306**	**(96)**	**210**	**407**	**(40)**	**367**
Other comprehensive income	**(298)**	**12**	**(286)**	**(221)**	**(26)**	**(247)**
Total comprehensive income	**8**	**(84)**	**(76)**	**186**	**(66)**	**120**

1 Depreciation and amortization of 138 (112) are included within operating income.

Summarized balance sheets	Dec 31, 2013			Dec 31, 2012		
	VE Commercial Vehicles, Ltd.	Other joint ventures	Total	VE Commercial Vehicles, Ltd.	Other joint ventures	Total
Non-current assets	2,179	448	2,627	1,877	512	2,389
Marketable securities, cash and cash equivalents	669	87	756	945	158	1,103
Other current assets	1,698	1,884	3,582	1,713	1,376	3,089
Total assets	**4,546**	**2,419**	**6,965**	**4,535**	**2,046**	**6,581**
Equity	2,405	400	2,805	2,487	484	2,971
Non-current financial liabilities	6	–	6	6	3	9
Other non-current liabilities	329	8	337	283	7	290
Current financial liabilities	835	901	1,736	822	674	1,496
Other current liabilities	971	1,110	2,081	937	878	1,815
Total equity and liabilities	**4,546**	**2,419**	**6,965**	**4,535**	**2,046**	**6,581**

Investments in joint ventures	Dec 31, 2013 Carrying value	Dec 31, 2012 Carrying value
VE Commercial Vehicles., Ltd	2,189	2,334
Other holdings in joint ventures	102	144
B/S **Investments in joint ventures**	**2,291**	**2,478**

Net financial position for the joint ventures (excluding post-employment benefits) amounted to negative 149 (244) as of December 31, 2013.

As of December 31, 2013, Volvo Group's share of contingent liabilities in its joint ventures amounted to 62 (61). Dividend received from VE Commercial Vehicles., Ltd, amounts to 41 (46).

Associated companies

Investments in associated companies	Percentage holding	Dec 31, 2013 Carrying value	Dec 31, 2012 Carrying value
Deutz AG, Germany[1]	25	1,407	1,359
Other holdings in associated companies	–	679	686
B/S **Investments in associated companies**		**2,086**	**2,045**

1 The fair value of investments in Deutz AG amounted to 1,756 (924) as of December 31, 2013.

The following tables present summarized financial information for the Volvo Group's associated companies:

Summarized income statements	2013			2012		
	Deutz AG[1]	Other associated companies	Total	Deutz AG[1]	Other associated companies	Total
Net sales	11,828	3,610	15,438	8,447	3,209	11,656
Operating income	372	80	452	206	65	271
Income for the period	**260**	**(69)**	**191**	**98**	**(88)**	**10**
Other comprehensive income	**13**	**–**	**13**	**–**	**–**	**–**
Total comprehensive income	**273**	**(69)**	**204**	**98**	**(88)**	**10**

Summarized balance sheets	Dec 31, 2013			Dec 31, 2012		
	Deutz AG[1]	Other associated companies	Total	Deutz AG[1]	Other associated companies	Total
Non-current assets	5,669	1,979	7,648	5,612	1,979	7,591
Current assets	4,230	1,498	5,728	3,644	1,654	5,298
Total assets	**9,899**	**3,476**	**13,375**	**9,256**	**3,633**	**12,889**
Equity	4,235	970	5,205	4,090	1,603	5,693
Non-current liabilities	3,516	1,210	4,726	2,835	667	3,502
Current liabilities	2,148	1,296	3,444	2,331	1,363	3,694
Total equity and liabilities	**9,899**	**3,476**	**13,375**	**9,256**	**3,633**	**12,889**

1 Deutz AG equity share is recognized in the Volvo Group with a time lag of one quarter. The Volvo Group's holding in Deutz AG is of a business-related nature. No dividends have been received from Deutz AG.

Income (loss) from investments in joint ventures and associated companies

	2013	2012
Income/loss joint ventures		
VE Commercial Vehicles., Ltd.	104	142
Shanghai Sunwing Bus Corp.	3	3
DONGVO (Hangzhou) Truck Co., Ltd.	(51)	(23)
Subtotal	**56**	**122**
Income/loss associated companies		
Deutz AG	54	–
UD Trucks Niigata Co	10	8
JV Fonderie Venissieux	1	2
Merkavim Metal Works., Ltd.	10	9
Blue Chip Jet I & II HB	–	1
Holdings of Volvo Group Venture Capital	(8)	(13)
Other companies	4	3
Subtotal	**71**	**10**
Revaluation and write-down of shares associated companies		
Blue Chip Jet I & II HB	(31)	(19)
Holdings of Volvo Group Venture Capital	–	(1)
Other companies	–	(12)
Subtotal	**(31)**	**(32)**
I/S **Income (loss) from investments in joint ventures and associated companies**	**96**	**99**

Other shares and participations

The carrying amount of the Volvo Group's holding of shares and participations in other companies as of December 31, 2013, is disclosed in the table below.

Holding of shares in listed companies	Dec 31, 2013 Percentage holding	Dec 31, 2013 Carrying value	Dec 31, 2012 Carrying value
Eicher Motors Ltd., India	8	1,191	775
Nippon Express Co., Ltd., Japan	0	136	116
TBK Co., Ltd., Japan	–	–	69
Sankyu Inc., Japan	1	43	42
Senko Co., Ltd., Japan	1	42	35
Yamato Holdings Co., Ltd., Japan	0	31	23
Tonami Transportation Co., Ltd., Japan	1	15	15
Fukuyama Transporting Co., Ltd., Japan	–	–	14
Holdings in other listed companies	0	32	33
Holding of shares in listed companies		**1,490**	**1,122**
Holding of shares in non-listed companies		460	498
B/S **Other shares and participations**		**1,950**	**1,620**

Income from other shares and participations

Dividends received	2013	2012
Eicher Motors Ltd.	5	5
Holdings in Japanese companies	11	16
Other	11	4
Subtotal	**27**	**25**
Write-downs of shares		
Holdings of Volvo Group Venture Capital	(89)	(75)
Holdings in Japanese companies	–	(14)
Other	(3)	–
Subtotal[1]	**(92)**	**(89)**
Gain on divestment of shares		
Holdings of Volvo Group Venture Capital	8	12
Holdings in Japanese companies	27	(1)
Other		11
Subtotal	**35**	**22**
I/S **Income from other investments**	**(30)**	**(42)**

1 Write-downs of shares refer mainly to financial assets available for sale for which a reliable market value can be calculated.

NOTE 6 | SEGMENT REPORTING

The Trucks operations is structured according to a functional approach, whereby the entire Trucks business is managed as one single business area consisting of five different functional organizations: Group Trucks Sales & Marketing EMEA (Europe, Middle East, Africa), Group Trucks Sales & Marketing Americas, Group Trucks Sales & Marketing and JV's APAC (Asia Pacific), Group Trucks Operations and Group Trucks Technology. Business areas Buses, Construction Equipment, Volvo Penta and Customer Finance are separate business areas. Governmental Sales and Volvo Rents are treated as separate business areas, but are included in Group function and other segment. The Volvo Group is thereby organized in seven business areas. Volvo Rents was divested on January 31, 2014.

The Group have shared operations in both Group Trucks and Group functions and other. Purchasing, powertrain, logistics and parts operations are part of Group Trucks segment. Volvo IT, Group Business Services and Volvo Real Estate are treated as business support functions and included in Group functions and other segment. The cost of these operations is shared between the different business areas based on utilization according to the principles of the financial framework set by the Volvo Group.

2013	Trucks	Construction Equipment	Buses	Volvo Penta	Group functions and other incl. elim.	Industrial Operations	Customer Finance	Eliminations	Volvo Group
Net sales, external customers	176,503	52,770	16,267	7,343	10,889	263,772	8,850	–	272,622
Net sales, internal	1,971	667	440	207	(1,637)	1,648	689	(2,337)	0
I/S **Net sales**	**178,474**	**53,437**	**16,707**	**7,550**	**9,252**	**265,421**	**9,539**	**(2,337)**	**272,622**
Expenses	(172,397)	(50,846)	(16,910)	(6,924)	(12,824)	(259,901)	(8,017)	2,337	(265,580)
I/S Income from investments in joint ventures and associated companies	68	–	14	–	14	96	–	–	96
I/S **Operating income**	**6,145**	**2,592**	**(190)**	**626**	**(3,557)**	**5,616**	**1,522**	**0**	**7,138**
I/S Interest income and similar credits						381	–	–	381
I/S Interest expense and similar charges						(2,810)	–	–	(2,810)
I/S Other financial income and expense						11	–	–	11
I/S **Income after financial items**						**3,199**	**–**	**–**	**4,721**
Other segment information									
Depreciation and amortization	(9,461)	(2,049)	(376)	(307)	(2,279)	(14,472)	(2,949)		(17,422)
Restructuring costs	(667)	(5)	22	–	(53)	(702)	(5)		(707)
Gains/losses from divestments	115	100	–	–	(1,572)	(1,357)	(3)		(1,360)
Capital expenditure	8,753	2,475	386	254	2,025	13,892	6,832	(52)	20,672
B/S Investments in joint ventures and associated companies (the equity method)	2,406	–	165	29	1,776	4,377	–	–	4,377
B/S Assets held for sale (total assets)						8,104	–	–	8,104
B/S Assets held for sale (total liabilities)						(350)	–	–	(350)

2012	Trucks	Construction Equipment	Buses	Volvo Penta	Volvo Aero	Group functions and other incl. elim.	Industrial Operations	Customer Finance	Elimina-tions	Volvo Group
Net sales, external customers	187,120	62,449	18,938	7,470	5,219	9,488	290,683	9,131	–	299,814
Net sales, internal	2,036	1,109	649	161	–	(2,440)	1,515	652	(2,167)	0
I/S **Net sales**	**189,156**	**63,558**	**19,587**	**7,631**	**5,219**	**7,048**	**292,198**	**9,783**	**(2,167)**	**299,814**
Expenses	(178,507)	(57,891)	(19,561)	(7,082)	(4,444)	(8,240)	(275,725)	(8,287)	2,167	(281,845)
I/S Income from investments in joint ventures and associated companies	130	–	12	–	–	(43)	99	–	–	99
I/S **Operating income**	**10,779**	**5,667**	**37**	**549**	**775**	**(1,235)**	**16,573**	**1,496**	**0**	**18,069**
I/S Interest income and similar credits							453	–	–	453
I/S Interest expense and similar charges							(2,949)	–	–	(2,949)
I/S Other financial income and expense							(78)	–	–	(78)
I/S **Income after financial items**							**13,999**	**1,496**	**0**	**15,495**
Other segment information										
Depreciation and amortization	(8,238)	(1,752)	(347)	(309)	–	(1,214)	(11,860)	(2,768)	–	(14,628)
Restructuring costs	(1,343)	(13)	(107)	(17)	–	(29)	(1,509)	(15)	–	(1,524)
Gains/losses from divestments	–	28	–	–	–	568	596	–	–	596
Capital expenditure	10,811	1,712	314	171	0	5,232	18,239	6,544	(76)	24,707
B/S Investments in joint ventures and associated companies (the equity method)	2,611	–	147	–	–	1,765	–	–	–	4,523

Internal sales between segments are generally made at standard cost of sales, including calculated interest and product improvement expenses. Internal sales from service companies are generally made at market price.

Reporting by market	**Net sales**		**Non-current assets[1]**	
	2013	2012	2013	2012
Europe	105,296	111,606	72,627	70,810
of which Sweden	*9,020*	*12,133*	*25,929*	*27,705*
of which France	*21,886*	*24,273*	*19,089*	*17,207*
North America	63,074	71,101	17,900	23,908
of which USA	*49,727*	*56,441*	*14,649*	*19,923*
South America	29,751	29,164	2,271	1,872
of which Brazil	*20,939*	*18,662*	*1,861*	*1,515*
Asia	53,500	65,445	20,774	24,321
of which China	*15,949*	*19,105*	*2,404*	*2,120*
of which Japan	*14,219*	*18,987*	*13,814*	*17,992*
Other markets	21,001	22,498	923	998
I/S B/S **Total**	**272,622**	**299,814**	**114,493**	**121,909**

1 Non-current assets include intangible and tangible assets.

The reporting of net sales by market is based on where the customers are located.

NOTE 7 INCOME

ACCOUNTING POLICY

The Volvo Group's recognized net sales pertain mainly to revenues from sales of goods and services. Net sales are, if the occasion arises, reduced by the value of discounts granted and by returns.

Revenue from the sale of goods is recognized when significant risks and rewards of ownership have been transferred to external parties, normally when the goods are delivered to the customer. However, if the sale of goods is combined with a buy-back agreement or a residual value guarantee, the transaction is recognized as an operating lease transaction if significant risks in regard to the goods are retained in Volvo Group. Revenue is then recognized over the period of the residual value commitment. If the residual value risk commitment is not significant or the sale was made to an independent party before Volvo Group is committed to the residual value risk the revenue is recognized at the time of sale and a provision is made to reflect the estimated residual value risk (refer also to Note 21 Other provisions for description of residual value risk). If sale is in combination with a commitment from the customer to buy a new Volvo product in connection to a buy-back option, revenue is recognized at the time of the sale.

Revenue from the sale of workshop services is recognized when the service is provided. Interest income in conjunction with finance leasing or installment contracts are recognized during the underlying contract period. Revenue for maintenance contracts are recognized in line with the allocation of associated costs over the contract period.

Interest income is recognized on a continuous basis and dividend income when the right to receive dividend is obtained.

SOURCES OF ESTIMATION UNCERTAINTY

Buy-back agreements and residual value guarantees

In certain cases, Volvo Group enters into a buy-back agreement or residual value guarantee after Volvo Group has sold the product to an independent party or in combination with an undertaking from the customer to purchase a new product in the event of a buy-back. In such cases, there may be a question of judgement regarding whether or not significant risks and rewards of ownership have been transferred to the customer. If it is determined that such an assessment was incorrect, the Volvo Group's recognized revenue and income for the period will decline and instead be distributed over several reporting periods.

» **Refer to note 21,** Other provisions, for a description of residual value risks.

Hard and soft products

The Volvo Group's product range is divided into hard and soft products. The sale of new vehicles, machinery and engines comprise hard products as well as the sale of used vehicles and machines, trailers, superstructures and special vehicles. Soft products are defined as the sale of services and aftermarket products.

» **Refer to page 38** World-class services for more information about the Volvo Group's services.

» **Refer to Note 6** for information regarding net sales by product and market.

NOTE 8 OTHER OPERATING INCOME AND EXPENSES

Changes in provisions for doubtful accounts receivable and customer-financing receivables are recognized in Other operating income and expenses.

Other operating income and expense	2013	2012
Gains/losses on divestment of Group companies	144	596
Revaluation of assets held for sale[1]	(1,458)	–
Change in allowances and write-offs for doubtful receivables, customer financing	(923)	(640)
Change in allowances and write-offs for doubtful receivables, other	(299)	(105)
Damages and litigations	(117)	(175)
Restructuring costs[2]	(707)	(1,524)
Volvo profit sharing program	(15)	(208)
Other income and expenses	(179)	(41)
I/S **Total**	**(3,554)**	**(2,096)**

1 Including revaluation of Volvo Rents.
2 Restructuring costs are mainly related to the Group wide efficiency program which impacted the Group with an amount of SEK 715 M (1,550).

» **Read more** regarding the company's management of credit risk and credit reserves in **Note 4.**

NOTE 9 OTHER FINANCIAL INCOME AND EXPENSES

The unrealized losses from derivatives used to hedge interest rate exposure are mainly related to the customer finance portfolio. The unrealized and realized gains from derivatives used to hedge future cash flow exposure in foreign currency are primarily an effect of SEK 283 M (–) from derivatives used to hedge future cash flow of the acquisition of Dongfeng Commercial Vehicles.

Other financial income and expense	2013	2012
Gains and losses on derivatives used to hedge interest rate exposure	(66)	8
Gains and losses on derivatives used to hedge foreign cash flow exposure	274	223
Financial instruments at fair value through profit or loss	**208**	**231**
Exchange rate gains and losses on financial assets and liabilities	101	(9)
Financial income and expenses related to taxes	(22)	(34)
Costs for Treasury function, credit facilities, etc	(276)	(266)
I/S **Total**[1]	**11**	**(78)**

1 Other financial income and expenses attributable to financial instruments amounted to positive SEK 309 M (222).

» **Refer to Note 30** for information regarding Financial Instruments.

NOTE 10 INCOME TAXES

ACCOUNTING POLICY

Income tax for the period includes current and deferred taxes. Current taxes are calculated on the basis of the tax regulations prevailing in the countries in which the Parent Company and subsidiaries are active and generate taxable income.

Deferred taxes are recognized on differences that arise between the taxable value and carrying value of assets and liabilities as well as on tax-loss carryforwards. Furthermore are deferred taxes recognized to the extent it is probable that they will be utilized against taxable income.

Deferred taxes on temporary differences on participations in subsidiaries and associated companies are only recognized when it is probable that the difference will be recovered in the near future.

Tax laws in Sweden and certain other countries allow companies to defer payment of taxes through allocations to untaxed reserves. However, in the consolidated financial statements untaxed reserves are reclassified to deferred tax liability and equity. In the consolidated income statements a provision to, or reversal of, untaxed reserves split between deferred taxes and net income for the year.

SOURCES OF ESTIMATION UNCERTAINTY

The Volvo Group recognizes valuation allowances for deferred tax assets where management does not expect such assets to be realized based upon current forecasts. In the event that actual results differ from these estimates or adjustments are made to future periods in these estimates, changes in the valuation allowance may be required, this could have significant impact on the financial position and the income for the period. As of December 31, 2013, the valuation allowance amounted to 125 (191) of the value of deferred tax assets. Most of the reserve consists of unused loss carryforwards. Net of this valuation allowance, deferred tax assets of 22,326 (23,096) were recognized in the Volvo Group's balance sheet.

The Volvo Group has significant tax-loss carryforwards that are related to countries with long or indefinite periods of utilization, mainly Sweden, France and Japan. The Volvo Group considers that sufficient income will be generated in the coming years for the tax-loss carryforwards to be utilized.

Income taxes were distributed as follows:

	2013	2012
Current taxes relating to the period	(3,453)	(3,584)
Adjustment of current taxes for prior periods	327	(144)
Deferred taxes originated or reversed during the period	2,048	(568)
Remeasurements of deferred tax assets	158	180
I/S **Total income taxes**	**(919)**	**(4,116)**

Provisions have been made for estimated tax charges that may arise as a result of prior tax audits. Tax processes are evaluated on a regular basis and provisions are made for possible outcome when it is probable that the Volvo Group will have to pay more taxes and when it is possible to make a reasonably assessment of the possible outcome. Tax claims for which no provision was deemed necessary were recognized as contingent liabilities.

At year-end 2013, the Volvo Group's unused tax-loss carryforwards amounted to 23,382 (18,396). These loss carryforwards expire according to the table below:

Due date	Dec 31, 2013	Dec 31, 2012
after 1 year	91	76
after 2 years	104	148
after 3 years	183	267
after 4 years	533	950
after 5 years	752	466
after 6 years or more	21,719	16,489
Total	**23,382**	**18,396**

The Swedish corporate income tax rate amounted to 22.0% (26.3) in 2013. The table below discloses the principal reasons for the difference between this rate and the Volvo Group's income tax rate, based on income after financial items.

	2013, %	2012, %
Swedish corporate income tax rate	22	26
Difference in tax rate in various countries	6	3
Other non-taxable income	(7)	(3)
Other non-deductible expenses	5	1
Current taxes attributable to prior years	(7)	1
Remeasurement of deferred tax assets	(3)	(1)
Other differences	4	0
Income tax rate for the Group	**20**	**27**

Due to transfer of intellectual property within the Volvo Group, deferred tax assets and tax liabilities have been revalued which has affected the income tax in the income statement positively by 236.

Specification of deferred tax assets and tax liabilities	Dec 31, 2013	Dec 31, 2012
Deferred tax assets:		
Unused tax-loss carryforwards	6,581	5,232
Other unused tax credits	114	171
Intercompany profit in inventories	1,263	1,026
Allowance for inventory obsolescence	486	443
Valuation allowance for doubtful receivables	656	568
Provisions for warranties	2,825	2,257
Provisions for residual value risks	244	302
Provisions for post-employment benefits	3,747	6,560
Provisions for restructuring measures	140	219
Adjustment to fair value during corporate acquisitions/divestitures	441	1
Market value of derivative instruments	28	33
Land	1,574	1,872
Other deductible temporary differences	4,352	4,602
Deferred tax assets before deduction for valuation allowance	**22,451**	**23,287**
Valuation allowance	(125)	(191)
Deferred tax assets after deduction for valuation allowance	**22,326**	**23,096**
Netting of deferred tax assets/liabilities	(9,160)	(7,220)
B/S **Deferred tax assets, net**	**13,166**	**15,876**
Deferred tax liabilities:		
Accelerated depreciation on property, plant and equipment	3,023	3,176
Accelerated depreciation on leasing assets	2,227	2,064
LIFO valuation of inventories	362	362
Capitalized product and software development	2,435	3,393
Untaxed reserves	85	92
Provisions for post-employment benefits	37	686
Other taxable temporary differences	3,396	2,298
Deferred tax liabilities	**11,565**	**12,070**
Netting of deferred tax assets/liabilities	(9,160)	(7,220)
B/S **Deferred tax liabilities, net**	**2,406**	**4,850**
Deferred tax assets/liabilities, net[1]	**10,760**	**11,026**

1 The deferred tax assets and liabilities above are partially recognized in the balance sheet on a net basis after taking into account offsetting possibilities. Deferred tax assets and liabilities have been measured at the tax rates that are expected to apply during the period when the asset is realized or the liability is settled, according to the tax rates and tax regulations that have been resolved or announced at the balance-sheet date.

The total deferred tax assets attributable to unused tax-loss carryforwards amounted to 6,581 (5,232) of which 2,409 (1,815) pertains to Sweden, 1,533 (1,278) to France and 1,295 (1,409) to Japan.

The cumulative amount of undistributed earnings in foreign subsidiaries, which the Volvo Group currently intends to indefinitely reinvest outside of Sweden and upon which deferred income taxes have not been provided is SEK 59 billion (60) at year end. The main part of the undistributed earnings is pertaining to countries where the dividends are not taxable.

» **Refer to Note 4** for information on how the Volvo Group handles equity currency risk.

NOTE 11 MINORITY INTERESTS

ACCOUNTING POLICY

Minority interests are interest attributable to non-controlling shareholders. Minority interests are presented in the equity, separately from the equity of the owners of the parent (IFRS 10). At business combinations minority interests are valued either at fair value or at the minority's proportionate share of the acquiree's net assets (IFRS 3). Minority interests are assigned the minority shareholder's portion of the equity of the subsidiary. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (IFRS 10).

Subsidiaries with minority interests

The Volvo Group has a few non-wholly owned subsidiaries of which one of the subsidiaries are considered to have a significant minority interest. Shandong Lingong Construction Machinery Co., Lingong, in China has a minority interest holding amounting to 30% share and voting rights in the company. During the year, the profit allocated to the minority interest amounts to 218 (206) and the accumulated minority interest of Lingong at the end of December 31, 2013, amounts to 1,296 (1,203).

The following table presents summarized financial information for Shandong Lingong Construction Machinery Co., Lingong:

Summarized income statement	2013	2012
Net sales	8,990	9,595
Operating income	927	989
Income for the period	728	688
Other comprehensive income	120	(190)
Total comprehensive income	848	498
Dividends paid to minority interest	162	–

Summarized balance sheet	Dec 31, 2013	Dec 31, 2012
Non-current assets	1,415	1,371
Current assets	8,192	7,778
Total assets	**9,607**	**9,149**
Non-current liabilities	1,253	1,573
Current liabilities	4,035	3,566
Total liabilities	**5,288**	**5,139**
Equity attributable to the Volvo Group's shareholders	3,023	2,807
Minority interests	1,296	1,203

NOTE 12 INTANGIBLE ASSETS

ACCOUNTING POLICIES

Intangible assets
The Volvo Group applies the cost method for recognition of intangible assets. Borrowing costs are included in the cost of assets that is expected to take more than 12 months to complete for their intended use or sale, known as qualifying assets.

When participating in industrial projects in partnership with other companies the Volvo Group in certain cases pays an entrance fee to participate. These entrance fees are capitalized as intangible assets.

Research and development expenses
The Volvo Group applies IAS 38 Intangible Assets, for the recognition of research and development expenses. Pursuant to this standard, expenditures for the development of new products, production systems and software are recognized as intangible assets if such expenditures, with a high degree of certainty, will result in future financial benefits for the company. The cost for such intangible assets is amortized over the estimated useful life of the assets.

The rules require stringent criteria to be met for these development expenditures to be recognized as assets. For example, it must be possible to prove the technical functionality of a new product or software prior to its development being recognized as an asset. In normal cases, this means that expenditures are capitalized only during the industrialization phase of a product development project. Other research and development expenses are recognized in the income statement as incurred.

The Volvo Group has developed a process for conducting product development projects named the Global Development Process (GDP). The GDP has six phases focused on separate parts of the project. Every phase starts and ends with a reconciliation point, known as a gate, the criteria for which must be met for the project's decision-making committee to open the gate and allow the project to progress to the next phase. During the industrialization phase, the industrial system is prepared for series production and the product is launched.

Goodwill
Goodwill is recognized as an intangible asset with indefinite useful life. For non-depreciable assets such as goodwill, impairment tests are performed annually, as well as if there are indications of impairments during the year, by calculating the asset's recovery value. If the calculated recovery value is less than the carrying value, the asset is written down to it's recovery value.

The Volvo Group's valuation model is based on a discounted cash-flow model, with a forecast period of four to six years. Valuation is performed on cash-generating units, identified as the Volvo Group's business areas. Each business area is fully integrated ensuring maximum synergy, hence no independent cash-flows exists on a lower level.

Goodwill is allocated to these cash-generating units based on expected future benefit from the combination. The valuation is based on a business plan which is an integral part of the Volvo Group's financial planning process and represents management's best estimate of the development of the Group's operations'. Assumption of 2% (2) long-term market growth and the Group's expected performance in this environment is a basis for the valuation. In the model, the Volvo Group is expected to maintain stable capital efficiency over time. Other parameters considered in the calculation are gross margin, product mix, expenses and capital needs. Measurements are based on nominal values and applies a general rate of inflation applicable for the main markets where the Volvo Group operates. The Volvo Group uses a discounting factor measured at 12% (12) before tax for 2013.

In 2013, the value of Volvo Group's operations exceeded the carrying amount of goodwill for all business areas, thus no impairment was recognized. The Volvo Group has also tested whether a negative adjustment of one percentage point to the aforementioned parameters would result in impairment for any goodwill value however none of the business areas would be impaired as a result of this test. The operating parameters applied in the valuation are based on management's strategy and indicates higher value than historical performance. Furthermore the Volvo Group is operating in a cyclical industry where performance could vary over time.

The surplus values differ between the business areas and are to a varying degree sensitive to changes in the assumptions described above. Therefore, the Volvo Group continuously follows the performance of the business areas whose surplus value is dependent on the fulfillment of the Volvo Group's assessments. Instability in the recovery of the market and volatility in interest and currency rates may lead to indications of a need for impairment. The most important factors for the future operations of the Volvo Group are described in the Volvo Group business area section, as well as in the Risk management section.

Amortization and impairment
Amortization is made on a straight-line basis based on the cost of the assets, adjusted in appropriate cases by impairments, and estimated useful lives. Amortization is recognized in the respective function to which it belongs. Impairment tests for amortizable assets are performed if there are indications of impairment at the balance sheet date.

Amortization periods

Trademarks	20 years
Distribution networks	10 years
Product and software development	3 to 8 years

SOURCES OF ESTIMATION UNCERTAINTY

Impairment of goodwill and other intangible assets
Intangible assets other than goodwill are amortized and depreciated over their useful lives. Useful lives are based on estimates of the period in which the assets will generate revenue. If, at the date of the financial statements, any indication exists that an intangible non-current asset has been impaired, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the asset's net selling price and its value in use, estimated with reference to management's projections of future cash flows. If the recoverable amount of the asset is less than the carrying amount, an impairment loss is recognized and the carrying amount of the asset is reduced to the recoverable amount. Determination of the recoverable amount is based upon management's projections of future cash flows, which are generally based on internal business plans or forecasts. While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect valuations. The need for impairment of goodwill and certain other intangible assets with indefinite useful lives is determined on an annual basis, or more frequently if required through calculation of the value of the asset. Such an impairment review will require management to determine the fair value of the Volvo Group's cash generating units, on the basis of projected cash flows and internal business plans and forecasts. Surplus values differ between the business areas and they are, to a varying degree, sensitive to changes in assumptions and the business environment. The Volvo Group has performed similar impairment reviews since 2002. No need for impairment losses was required for the period 2002 until 2013. The goodwill related to Volvo Rents was revalued in accordance with IFRS 5, refer to Note 3 for further information on the revaluation of Volvo Rents.

Intangible assets, acquisition costs	Goodwill[1]	Entrance fees, industrial programs	Capitalized product and software development	Other intangible assets[2]	Total intangible assets
Acquisition cost as of Dec 31, 2011	22,588	224	29,737	6,148	**58,697**
Capital expenditures[3]	–	93	5,385	22	**5,500**
Sales/scrapping	–	(14)	(1,738)	(11)	**(1,763)**
Acquired and divested operations	588	(3,182)	(2,109)	52	**(4,651)**
Translation differences	(1,380)	(11)	(1,465)	(550)	**(3,406)**
Reclassified to assets held for sale	297	3,198	1,958	60	**5,513**
Reclassifications and others	–	(19)	(23)	(80)	**(122)**
Acquisition cost as of Dec 31, 2012	**22,093**	**289**	**31,745**	**5,641**	**59,768**
Capital expenditures[3]	–	154	3,750	51	**3,955**
Sales/scrapping	–	–	(5)	(18)	**(23)**
Acquired and divested operations	21	–	(3)	(3)	**15**
Translation differences	(734)	24	(790)	(426)	**(1,926)**
Reclassified from assets held for sale	–	–	–	–	**–**
Reclassifications and other	32	48	(162)	(132)	**(214)**
Acquisition cost as of Dec 31, 2013	**21,412**	**515**	**34,535**	**5,113**	**61,575**

Accumulated amortization and impairment	Goodwill[1]	Entrance fees, industrial programs	Capitalized product and software development	Other intangible assets[2]	Total intangible assets
Accumulated amortization and impairment as of Dec 31, 2011	–	33	18,331	2,555	**20,919**
Amortization and impairment[5]	–	55	2,727	352	**3,134**
Sales/scrapping	–	–	(1,734)	(11)	**(1,745)**
Acquired and divested operations	–	(1,633)	(547)	(29)	**(2,209)**
Translation differences	–	(1)	(936)	(173)	**(1,110)**
Reclassified to assets held for sale	–	1,602	572	24	**2,198**
Reclassifications and other	–	(6)	(38)	(73)	**(117)**
Accumulated amortization and impairment as of Dec 31, 2012	**–**	**50**	**18,375**	**2,645**	**21,070**
Amortization and impairment[5]	–	18	3,282	297	**3,597**
Revaluation	1,458	–	–	–	**1,458**
Sales/scrapping	–	–	(5)	(11)	**(16)**
Acquired and divested operations	–	–	(3)	(3)	**(6)**
Translation differences	–	4	(685)	(118)	**(799)**
Reclassified from assets held for sale	–	–	–	–	**–**
Reclassifications and other	–	48	(210)	(155)	**(317)**
Accumulated amortization and impairment as of Dec 31, 2013	**1,458**	**120**	**20,754**	**2,655**	**24,987**
B/S **Net value in balance sheet as of December 31, 2012[4]**	**22,093**	**239**	**13,370**	**2,996**	**38,698**
B/S **Net value in balance sheet as of December 31, 2013[4]**	**19,954**	**395**	**13,781**	**2,458**	**36,588**

1 Includes on the date of IFRS adoption, costs of 14,184 and accumulated amortization of 3,863.
2 Other intangible assets mainly consist of trademarks and distribution networks.
3 Includes capitalized borrowing costs of 35 (295).
4 Costs less accumulated, amortization and impairments.
5 Of which impairments 4 (83).

Goodwill per Business Area	Dec 31, 2013	Dec 31, 2012
Trucks	10,915	11,620
Construction Equipment	7,536	7,462
Buses	996	1,039
Volvo Rents	–	1,469
Other business areas	507	503
Total goodwill value	**19,954**	**22,093**

NOTE 13 TANGIBLE ASSETS

ACCOUNTING POLICIES

Tangible assets
The Volvo Group applies the cost method for measurement of tangible assets. Borrowing costs are included in the acquisition value of assets that is expected to take more than 12 months to complete for their intended use or sale, so called qualifying assets.

Investment properties are properties owned for the purpose of obtaining rental income and/or appreciation in value. Investment properties are recognized at cost. Information regarding the estimated fair value of investment properties is based on an internal discounted cash flow projections. The required return is based on current property market conditions for comparable properties in comparable locations. The applied valuation method is classified as level 3 as per the fair value hierarchy in IFRS 13 and there have not been any changes in valuation method during the year.

Depreciation and impairment
Property, plant and equipment are depreciated over their useful lives. Useful lives are based on estimates of the period over which the assets will generate revenue.

Depreciation is recognized on a straight-line basis based on the cost of the assets, adjusted in appropriate cases by impairments, and estimated useful lives. Depreciation is recognized in the respective function to which it belongs. Impairment tests for depreciable non-current assets are performed if there are indications of impairment at the balance-sheet date.

Depreciation periods	
Type-specific tools	2 to 8 years
Assets under operating leases	3 to 5 years
Machinery	5 to 20 years
Buildings and investment properties	25 to 50 years
Land improvements	20 years

SOURCES OF ESTIMATION UNCERTAINTY

Impairment of tangible assets
If, at the balance-sheet date, there is any indication that a tangible asset has been impaired, the recoverable amount of the asset should be estimated. The recoverable amount is the higher of the asset's net selling price and its value in use, estimated with reference to management's projections of future cash flows. If the recoverable amount of the asset is less than the carrying amount, an impairment loss is recognized and the carrying amount of the asset is reduced to the recoverable amount. Determination of the recoverable amount is based upon management's projections of future cash flows, which are generally made by use of internal business plans or forecasts. While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect valuations.

Tangible assets, Acquisition cost	Buildings	Land and land improvements	Machinery and equipment[3]	Construction in progress, including advance payments	**Total investment property, property, plant and equipment**	Assets under operating leases	**Total tangible assets**
Acquisition costs as of Dec 31, 2011	31,941	13,221	70,184	6,230	**121,576**	32,565	**154,141**
Capital expenditures[1]	794	344	3,037	5,024	**9,199**	9,986	**19,185**
Sales/scrapping	(234)	(32)	(2,115)	(13)	**(2,394)**	(5,229)	**(7,623)**
Acquired and divested operations	(661)	(9)	(4,244)	(92)	**(5,006)**	69	**(4,937)**
Translation differences	(1,762)	(1,273)	(3,825)	(159)	**(7,019)**	(1,438)	**(8,457)**
Reclassified from assets held for sale	706	49	4,584	57	**5,396**	219	**5,615**
Reclassifications and other	1,211	253	1,853	(3,560)	**(243)**	2,196	**1,953**
Acquisition costs as of Dec 31, 2012	**31,995**	**12,553**	**69,474**	**7,487**	**121,509**	**38,368**	**159,877**
Capital expenditures[1]	649	86	1,753	5,967	**8,455**	8,262	**16,717**
Sales/scrapping	(372)	(40)	(3,291)	(21)	**(3,724)**	(5,847)	**(9,571)**
Acquired and divested operations	(65)	(98)	(74)	8	**(229)**	(227)	**(456)**
Translation differences	(1,252)	(1,176)	(2,435)	(137)	**(5,000)**	495	**(4,505)**
Reclassified to assets held for sale	(1,309)	(289)	(857)	(45)	**(2,500)**	(6,855)	**(9,355)**
Reclassifications and other	1,229	128	6,529	(8,483)	**(597)**	1,527	**930**
Acquisition costs as of Dec 31, 2013	**30,875**	**11,164**	**71,099**	**4,776**	**117,914**	**35,723**	**153,637**

Tangible assets, Accumulated depreciation	Buildings	Land and land improvements	Machinery and equipment[3]	Construction in progress, including advance payments	**Total investment property, property, plant and equipment**	Assets under operating leases	**Total tangible assets**
Accumulated depreciation as of Dec 31, 2011	16,251	1,135	50,286	–	**67,672**	8,643	**76,315**
Depreciation[4]	1,168	91	4,624	–	**5,883**	5,616	**11,499**
Sales/scrapping	(102)	(13)	(1,830)	–	**(1,945)**	(2,577)	**(4,522)**
Acquired and divested operations	(499)	(24)	(2,873)	–	**(3,396)**	(162)	**(3,558)**
Translation differences	(1,127)	(81)	(3,052)	–	**(4,260)**	(385)	**(4,645)**
Reclassified from assets held for sale	496	23	3,003	–	**3,522**	109	**3,631**
Reclassifications and other	(73)	(18)	(65)	–	**(156)**	(1,898)	**(2,054)**
Accumulated depreciation as of Dec 31, 2012	**16,114**	**1,113**	**50,093**	**–**	**67,320**	**9,346**	**76,666**
Depreciation[4]	1,157	113	4,951	–	**6,221**	6,146	**12,367**
Sales/scrapping	(252)	(8)	(3,075)	–	**(3,335)**	(2,790)	**(6,125)**
Acquired and divested operations	(36)	(3)	(64)	–	**(103)**	(73)	**(176)**
Translation differences	(891)	(61)	(2,166)	–	**(3,118)**	219	**(2,899)**
Reclassified to assets held for sale	(595)	(35)	(268)	–	**(898)**	(1,238)	**(2,136)**
Reclassifications and other	(69)	5	(342)	–	**(406)**	(1,559)	**(1,965)**
Accumulated depreciation as of Dec 31, 2013	**15,428**	**1,124**	**49,129**	**–**	**65,681**	**10,051**	**75,732**
B/S **Net value in balance sheet as of Dec 31, 2012[2,5]**	**15,881**	**11,440**	**19,381**	**7,487**	**54,189**	**29,022**	**83,211**
B/S **Net value in balance sheet as of Dec 31, 2013[2,5]**	**15,447**	**10,040**	**21,970**	**4,776**	**52,233**	**25,672**	**77,905**

1 Includes capitalized borrowing costs of 73 (134).
2 Acquisition costs less accumulated depreciation, amortization and write-downs.
3 Machinery and equipment pertains mainly to production related assets.
4 Of which write-down 650 (195).
5 Of which, investment property 327 (754) and property, plant and equipment 51,906 (53,435).

Reclassifications and other mainly consist of assets under operating lease related to legal sales transactions, where revenue is deferred and accounted for as operating lease revenue. Assets classified as inventory will, when the operating lease model is applied for revenue recognition, be reclassified from inventory to assets under operating leases, when the legal sales transaction occurs. If the product is returned after the lease period, there will again be a reclassification from assets under operating leases to inventory. When a buy-back agreement has expired, but the related product is not returned, the cost and the accumulated depreciation are reversed in reclassification and other, within the line item assets under operating leases. Most reclassifications within tangible assets relate to construction in progress, which are reclassified to the respective category within property, plant and equipment.

Investment properties

The acquisition value of investment properties at year-end amounted to 689 (1,474) after reclassification of certain properties to Assets held för sale. Capital expenditures during 2013 amounted to 9 (22). Accumulated depreciation amounted to 362 (720) at year-end, of which 26 (45) refers to 2013. The estimated fair value of investment properties amounted to SEK 0.6 billion (2.3) at year-end. Before reclassification to assets held for sale, 98% of the area available for lease were leased out during the year (95). Net income for the year was affected by 259 (220) in rental income from investment properties and of 63 (44) in direct costs.

NOTE 14 LEASING

ACCOUNTING POLICIES

Volvo Group as the lessor
Leasing contracts are defined in two categories, operational and financial leases, depending on the contract's financial implications. Operational leasing contracts are recognized as non-current assets in Assets under operational leases. Income from operational leasing is recognized equally distributed over the leasing period. Straight-line depreciation is applied to these assets in accordance with the terms of the undertaking and the deprecation amount is adjusted to correspond to the estimated realizable value when the undertaking expires. Assessed impairments are charged to the income statement. The product's assessed realizable value at expiration of the undertaking is reviewed continuously on an individual basis.

Financial leasing agreements are recognized as either non-current or current receivables in the customer finance operations. Payments from financial leasing contracts are distributed between interest income and amortization of the receivable in the customer finance operations.

Volvo Group as the lessee
Volvo evaluates leasing contracts in accordance with IAS 17, Leases. In those cases in which risks and rewards that are related to ownership are substantially held by the Volvo Group, so-called financial leases, Volvo Group recognizes the asset and related obligation in the balance sheet at the lower of the leased asset's fair value or the present value of minimum lease payments. Future leasing fee commitments are recognized as obligations. The lease asset is depreciated in accordance with the Volvo Group's policy for the respective non-current asset. The lease payments when made are allocated between amortization and interest expenses. If the leasing contract is considered to be a operational lease, lease payments are charged to profit or loss over the lease contract period.

Volvo Group as the lessor

As of december 31, 2013, future rental income from non-cancellable financial and operational leases (minimum leasing fees) amounted to 53,061 (52,322). Future rental income is distributed as follows:

	Finance leases	Operating leases
2014	14,809	5,402
2015–2018	22,616	9,258
2019 or later	710	266
Total	**38,135**	**14,926**
Allowance for uncollectible future rental income	(492)	
Unearned rental income	(2,795)	
Present value of future rental income related to non-cancellable leases	34,848	

Read more about financial leasing, see **note 15**.

Volvo Group as a lessee

As of december 31, 2013, future rental payments (minimum leasing fees) related to non-cancellable leases amounted to 4,570 (3,817).

Future rental payments are distributed as follows:

	Finance leases	Operating leases
2014	264	1,132
2015–2018	428	1,832
2019 or later	142	772
Total	**834**	**3,736**

Rental expenses amounted to:

	2013	2012
Finance leases:		
Contingent rents	(8)	(10)
Operating leases:		
Contingent rents	(32)	(36)
Rental payments	(1,125)	(1,113)
Sublease payments	7	7
Total	**(1,158)**	**(1,152)**

Carrying amount of assets subject to financial leases:

	Dec 31, 2013	Dec 31, 2012
Costs:		
Buildings	216	226
Land and land improvements	32	41
Machinery and equipment	591	627
Assets under operating lease[1]	931	57
Total	**1,770**	**951**
Accumulated depreciation:		
Buildings	(65)	(58)
Land and land improvements	–	(1)
Machinery and equipment	(236)	(288)
Assets under operating lease[1]	(308)	(14)
Total	**(609)**	**(361)**
Carrying amount in the balance sheet:		
Buildings	151	168
Land and land improvements	32	40
Machinery and equipment	355	339
Assets under operating lease[1]	623	43
Total	**1,161**	**590**

1 Refer to assets leased by the Volvo Group as financial lease which are later leased to customers as operating lease.

NOTE 15 CUSTOMER-FINANCING RECEIVABLES

Non-current and current receivables recognized in the Volvo Group's customer financing operations.

! SOURCES OF ESTIMATION UNCERTAINTY

Credit loss reserves

The establishment of credit loss reserves on customer-financing receivables is dependent on estimates including assumptions regarding past dues, repossession rates and the recovery rate on the underlying collaterals. As of December 31, 2013, the total credit loss reserves in the Customer Finance segment amounted to 1.31% (1.23) of the total credit portfolio in the segment.

» **Refer to Note 4** for a description of the credit risk, interest and currency risks and **Note 30** for further information regarding customer-financing receivables.

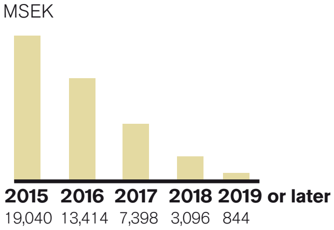
Volvo Group Non-current customer-financing receivables

Allocation of non-current customer-financing receivables	Dec 31, 2013	Dec 31, 2012
Installment credits	21,850	19,314
Financial leasing	21,040	21,115
Other receivables	902	727
B/S Non-current customer financing receivables as of December 31	**43,792**	**41,156**

The effective interest rate for non-current customer-financing receivables amounted to 5.61 % (6.31) as of December 31, 2013.

Volvo Group Non-current customer-financing receivables maturities

MSEK



Volvo Group Current customer-financing receivables

Allocation of current customer-financing receivables	Dec 31, 2013	Dec 31, 2012
Installment credits	11,597	10,884
Financial leasing	13,808	13,748
Dealer financing	13,676	14,079
Other receivables	988	1,122
B/S Current customer financing receivables as of December 31	**40,069**	**39,833**

The effective interest rate for current customer-financing receivables amounted to 5.63% (6.06) as of December 31, 2013.

Volvo Group Credit risk in the customer-financing operations

Volvo Group Customer-financing receivables	Dec 31, 2013	Dec 31, 2012
Customer-financing receivables gross	85,040	82,080
Valuation allowance for doubtful customer-financing receivables	(1,179)	(1,091)
Whereof specific reserve	*(316)*	*(258)*
Whereof other reserve	*(863)*	*(833)*
Customer-financing receivables, net	**83,861**	**80,989**

Volvo Group Customer-financing receivables (days/SEK M) payments due	Dec 31, 2013					Dec 31, 2012				
	Not due	1–30	31–90	>90	**Total**	Not due	1–30	31–90	>90	**Total**
Overdue amount	–	863	279	626	**1,768**	–	407	331	404	**1,142**
Valuation allowance for doubtful customer financing receivables	(84)	(70)	(37)	(125)	**(316)**	(64)	(42)	(43)	(109)	**(258)**
Customer-financing receivables, net book value	**(84)**	**793**	**242**	**501**	**1,452**	**(64)**	**365**	**288**	**295**	**884**

The table above presents overdue payments within the customer financing operations in relation to specific reserves. It is not unusual for a receivable to be settled a couple of days after its due date, which impacts the age interval of 1–30 days.

Customer-financing receivables (cont.)

Change of valuation allowance for doubtful customer-financing receivables for the Volvo Group	2013	2012
Valuation allowance for doubtful customer-financing receivables as of December 31, preceding year	1,091	1,150
New valuation allowance charged to income	1,292	835
Reversal of valuation allowance charged to income	(437)	(252)
Utilization of valuation allowance related to actual losses	(731)	(575)
Translation differences	(36)	(67)
Valuation allowance for doubtful customer-financing receivables as of December 31	**1,179**	**1,091**

The total contractual amount to which the overdue payments pertain are presented in the table below. In order to provide for occurred but not yet identified customer-financing receivables overdue, there are additional reserves of 863 (833). The remaining exposure is secured by liens on the purchased equipment and, in certain circumstances, other credit enhancements such as personal guarantees, credit insurance, liens on other property owned by the borrower etc.

Collaterals taken in possession that meet the criteria for recognition in the Balance sheet amounted to 132 (200) as of December 31, 2013.

Volvo Group Customer financing receivables total exposure	Dec 31, 2013					Dec 31, 2012				
	Not due	1–30	31–90	>90	**Total**	Not due	1–30	31–90	>90	**Total**
Customer financing receivables	74,517	7,956	2,095	471	**85,040**	72,068	7,221	2,161	630	**82,080**

Concentration of credit risk

Customer concentration

The ten largest customers in Customer Finance account for 6.8 % (7.7) of the total asset portfolio. The rest of the portfolio is pertinent to a large number of customers. Hence the credit risk is spread across many markets and customers.

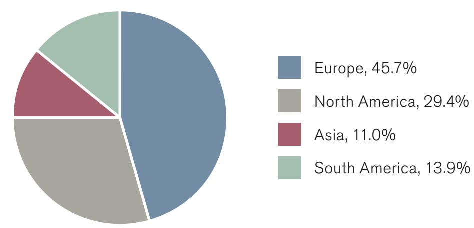
Concentration by geographical market

The adjacent table discloses the concentration of the customer-financing portfolio divided into geographical markets.

Read more about the Volvo Group's overall description credit risks in **Note 4**, Financial-risk management.

Read more about Volvo Financial Services' trend during the year on **page 81.**

Geographic market, percentage of customer-financing portfolio (%).



NOTE 16 RECEIVABLES

SOURCES OF ESTIMATION UNCERTAINTY

Credit loss reserves

The establishment of credit loss provisions for account receivables is recognized as soon as it is probable that a credit loss has incurred. A credit loss has incurred when there has been an event that has triggered the customer's inability to pay. As of December 31, 2013, the total credit loss reserves for account receivables amounted to 2.02% (2.45) of total account receivables.

Refer to Note 4 regarding credit risk.

Non-current receivables	Dec 31, 2013	Dec 31, 2012
Other interest-bearing loans to external parties	85	76
Other interest-bearing financial receivables	395	261
Other financial receivables	329	767
Other receivables	2,608	2,320
Non-current receivables as of December 31[1]	**3,417**	**3,425**

1 Of non-current receivables 786 (1,190) pertains to financial instruments.

Current receivables	Dec 31, 2013	Dec 31, 2012
Other interest-bearing financial receivables	909	2,574
Accounts receivable	29,415	26,516
Prepaid expenses and accrued income	2,356	2,362
VAT receivables	3,033	3,506
Other financial receivables	1,411	1,220
Other receivables	5,854	5,202
Current receivables, after deduction of valuation allowances for doubtful accounts receivable[1]	**42,978**	**41,380**

1 Of current receivables, 31,497 (31,143) pertains to financial instruments.

Credit risks in accounts receivable

Change of valuation allowance for doubtful accounts receivable	Dec 31, 2013	Dec 31, 2012
Valuation allowance for doubtful accounts receivables as of December 31, preceding year	665	720
New valuation allowance charged to income	291	220
Reversal of valuation allowance charged to income	(159)	(147)
Utilization of valuation allowance related to actual losses	(114)	(89)
Acquired and divested operations	(16)	8
Translation differences	(19)	(39)
Reclassifications, etc.	(42)	(8)
Valuation allowance for doubtful accounts receivables as of December 31	**606**	**665**

Refer to Note 4 for more information regarding the Volvo Group's financial risks.

Refer to Note 15 for more information regarding credit risk in customer financing receivables.

Refer to Note 30 for information regarding goals and policies for financial instruments.

Age analysis of portfolio value – Accounts receivable	Dec 31, 2013					Dec 31, 2012				
	Not Due	1–30	31–90	>90	**Total**	Not Due	1–30	31–90	>90	**Total**
Accounts receivable gross	27,056	1,293	593	1,079	**30,020**	24,579	1,208	510	884	**27,181**
Provision for doubtful accounts receivable	(90)	(18)	(25)	(473)	**(606)**	(156)	(3)	(25)	(481)	**(665)**
Accounts receivable net	**26,966**	**1,275**	**568**	**606**	**29,415**	**24,423**	**1,205**	**485**	**403**	**26,516**

NOTE 17 INVENTORIES

ACCOUNTING POLICY

Inventories
Inventories are recognized at the lower of cost and net realizable value. The cost is established using the first-in, first-out method (FIFO) and is based on the standard cost method, including costs for all direct manufacturing expenses and the attributable share of capacity and other manufacturing-related costs. The standard costs are tested regularly and adjustments are made based on current conditions. Costs for research and development, selling, administration and financial expenses are not included. Net realizable value is calculated as the selling price less costs attributable to the sale.

SOURCES OF ESTIMATION UNCERTAINTY

Inventory obsolescence
If the net realizable value is lower than cost, a valuation allowance is established for inventory obsolescence. The total inventory value, net of inventory obsolescence allowance, was SEK 41,153 M (40,093) as of December 31, 2013.

Inventory	Dec 31, 2013	Dec 31, 2012
Finished products	26,339	25,847
Production materials, etc.	14,814	14,246
B/S **Inventory as of December 31**	**41,153**	**40,093**

Inventories recognized as cost of sold products during the period amounted to SEK 191,509 M (208,958).

Increase (decrease) in allowance for inventory obsolescence	2013	2012
Allowance for inventory obsolescence as of December 31, preceding year	2,593	2,604
Increase in allowance for inventory obsolescence charged to income	510	456
Scrapping	(452)	(389)
Translation differences	(39)	(91)
Reclassifications, etc.	29	13
Allowance for inventory obsolescence as of December 31	**2,641**	**2,593**

NOTE 18 MARKETABLE SECURITIES AND LIQUID FUNDS

ACCOUNTING POLICY

Cash and cash equivalents include high liquid interest-bearing securities that are considered easily convertible to cash. Interest-bearing securities that fail to meet this definition are recognized as marketable securities.

Marketable securities

Marketable securities comprise mainly of interest-bearing securities, distributed as shown below:

	Dec 31, 2013	Dec 31, 2012
Government securities	387	131
Banks and financial institutions	917	494
Real estate financial institutions	1,287	2,505
B/S Marketable securities as of December 31	**2,591**	**3,130**

Cash and cash equivalents

	Dec 31, 2013	Dec 31, 2012
Cash in banks	23,765	22,160
Bank certificates[1]	456	1,019
Time deposits in banks	2,747	2,028
B/S Cash and cash equivalents as of December 31	**26,968**	**25,207**

1 Bank certificates which matures within three months of the date of acquisition.

Cash and cash equivalents as of December 31, 2013, include SEK 0.2 billion (0.2) 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. Therefore 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.

NOTE 19 EQUITY AND NUMBER OF SHARES

ACCOUNTING POLICY

Earnings per share is calculated as income for the period, attributable to the Parent Company's shareholders, divided by the Parent Company's average number of shares outstanding for the fiscal year. Diluted earnings per share is calculated as income for the period attributable to the Parent Company's shareholders divided by the average number of shares outstanding plus the average number of shares that would be issued as an effect of ongoing share-based incentive programs. If during the year there were potential shares redeemed or expired during the period, these are also included in the average number of shares used to calculate the earnings per share after dilution.

The share capital of the Parent Company is divided into two series of shares, A and B. Both series carry the same rights, except that each Series A share carries the right to one vote and each Series B share carries the right to one tenth of a vote. The shares quota value is SEK 1.20.

Cash dividend 2013, decided by the Annual General Meeting 2012, was SEK 3.00 (3.00) per share or totally SEK 6,083.7 M (6,082.5).

During 2013 AB Volvo transferred, free of consideration, 420,856 treasury B-shares, with a total quota value of 505,027.20 SEK, to participants in the long-term, share-based incentive program for Group and senior executives in the Volvo Group, as accelerated allotment. The transferred treasury shares represent an insignificant portion of the share capital of AB Volvo.

During 2013 AB Volvo converted a total of 27,245,422 Series A shares to Series B shares.

Unrestricted equity in the Parent Company as of December 31, 2013 amounted to SEK 24,693 M (31,346).

» **Refer to Note 27** regarding the Volvo Group long-term incentive program.

Information regarding number of shares	Dec 31, 2013	Dec 31, 2012
Own Series A shares	20,728,135	20,728,135
Own Series B shares	79,592,353	80,013,209
Total own shares	**100,320,488**	**100,741,344**
Own shares in % of total registered shares	4.71	4.73
Outstanding Series A shares	498,570,818	525,816,240
Outstanding Series B shares	1,529,528,914	1,501,862,636
Total outstanding shares	**2,028,099,732**	**2,027,678,876**
Total registered Series A shares	519,298,953	546,544,375
Total registered Series B shares	1,609,121,267	1,581,875,845
Total registered shares	**2,128,420,220**	**2,128,420,220**
Average number of outstanding shares	2,027,915,094	2,027,521,257

Earnings per share

The long-term share-based incentive programs decided by the Annual General Meeting 2011 create a dilution effect in 2013 of 0.01 SEK.

Information regarding shares (other)	2013	2012
Number of shares, December 31, in millions	2,028	2,028
Average number of shares before dilution in millions	2,028	2,028
Average number of shares after dilution in millions	2,030	2,030
Average share price, SEK	93.06	88.44
Net income attributable to Parent Company shareholders	3,583	11,160
Basic earnings per share, SEK	1.77	5.61
Diluted earnings per share, SEK	1.76	5.61

Change in other reserves	Hedge reserve	Available-for-sale reserve	Total
Balance as of January 1, 2013	(49)	607	558
Other changes	9	–	9
Fair value adjustments regarding holdings in Japanese companies	–	54	54
Fair value adjustments regarding Eicher Motors Ltd.	–	416	416
Balance as of December 31, 2013	**(40)**	**1,077**	**1,037**

The Volvo Group's acumulative amount of exchange difference recognized in equity relating to assets held for sale amounts to SEK 13 M (0).

NOTE 20 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

The Volvo Group's post-employment benefits, such as pensions, health-care and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through *defined-contribution plans.*

The remaining post-employment benefits are *defined-benefit plans*; that is, the obligations remain within the Volvo Group or are secured by proprietary pension foundations. The Volvo Group's defined-benefit plans relate mainly to subsidiaries in the U.S. and comprise both pensions and other benefits, such as healthcare. Other large-scale defined-benefit plans apply to white-collar employees in Sweden (mainly through the Swedish ITP pension plan) and employees in France and Great Britain.

ACCOUNTING POLICY

The Volvo Group applies IAS 19, Employee Benefits, for post-employment benefits. Effective as from January 1, 2013 IAS 19 was revised. The revised standard is applied retrospectively, hence the opening balance for 2012 is adjusted in accordance with the revised IAS 19. The reported numbers for 2012 are restated accordingly for comparison purposes. In accordance with IAS 19, actuarial calculations shall be made for all defined-benefit plans in order to determine the present value of obligation for benefits vested by its current and former employees. The actuarial calculations are prepared annually and are based upon actuarial assumptions that are determined at the balance-sheet date each year. Changes in the present value of obligations due to revised actuarial assumptions and experience adjustments constitute remeasurements.

Provisions for post-employment benefits in the Volvo Group's balance sheet correspond to the present value of obligations at year-end, less fair value of plan assets. According to the revised IAS 19, discount rate is used when calculating the net interest income or expense on the net defined benefit liability (asset). All changes in the net defined liability (asset) are recognized when they occur. Service cost and net interest income or expense are recognized in the income statement, while remeasurements such as actuarial gains and losses are recognized in other comprehensive income. Special payroll tax is included in the pension liability, special payroll tax is applicable for pension plans in Sweden and Belgium.

For defined contribution plans, premiums are recognized in the income statement as incurred according to function.

SOURCES OF ESTIMATION UNCERTAINTY

Assumptions when calculating pensions and other post-employment benefits

Provisions and costs for post-employment benefits, mainly pensions and health-care benefits, are dependent on assumptions used by actuaries when calculating such amounts. The appropriate assumptions and actuarial calculations are made separately for the respective countries of the Volvo Group's operations which result in obligations for post-employment benefits. The assumptions include discount rates, health care cost trends rates, inflation, salary growth, retirement rates, mortality rates and other factors. Health care cost trend assumptions are based on historical cost data, the near-term outlook, and an assessment of likely long-term trends. Inflation assumptions are based on an evaluation of external market indicators. The salary growth assumptions reflect the historical trend, the near-term outlook and assumed inflation. Retirement and mortality rates are based primarily on officially available mortality statistics. The actuarial assumptions are annually reviewed by the Volvo Group and modified when deemed appropriate to do so.

The following tables disclose information about defined-benefit plans. The Volvo Group recognizes the difference between the obligations and the plan assets in the balance sheet. The disclosures refer to assumptions applied for actuarial calculations, recognized costs during the financial year and the value of obligations and plan assets at year-end. The tables also include a reconciliation of obligations and plan assets during the year.

Summary of provision for post-employment benefits	2013	2012
Obligations	(39,954)	(43,453)
Fair value of plan assets	27,653	24,618
Funded status	**(12,301)**	**(18,835)**
Net provision for post-employment benefits	**(12,301)**	**(18,835)**

Sweden

The main defined benefit plan in Sweden is the ITP2 plan and it is based on final salary. The plan is semi-closed, meaning that only new employees born before 1979 have the possibility to choose the ITP2 solution. The Volvo Group's pension foundation in Sweden was formed in 1996 to secure obligations relating to retirement pensions for white-collar workers in Sweden in accordance with the ITP plan. Plan assets amounting to 2,456 were contributed to the foundation at its formation, corresponding to the value of the pension obligations at that time. Since its formation, net contributions of 2,633, whereof 380 during 2013, have been made to the foundation. The plan assets in the Volvo Group's Swedish pension foundation are invested in Swedish and foreign stocks and mutual funds, and in interest-bearing securities, in accordance with a distribution that is determined by the foundation's Board of Directors. As of December 31, 2013, the fair value of the foundation's plan assets amounted to 8,206 (7,217), of which 49% (44) was invested in equity instruments. At the same date, retirement pension obligations attributable to the ITP plan amounted to 10,951 (12,140).

Swedish companies can secure new pension obligations through balance-sheet provisions or pension-fund contributions. Furthermore, a credit insurance policy must be taken out for the value of the obligations. In addition to benefits relating to retirement pensions, the ITP plan also includes, for example, a collective family pension, which the Volvo Group finances through an insurance policy with the Alecta insurance company. According to an interpretation from the Swedish Financial Reporting Board, this is a multi-employer defined-benefit plan. For fiscal year 2013, the Volvo Group did not have access to information from Alecta that would have enabled this plan to be recognized as a defined-benefit plan. Accordingly, the plan has been recognized as a defined-contribution plan. The Volvo Group estimates it will pay premiums of about SEK 294 M to Alecta in 2014. The collective consolidation level measures the apportionable assets in relation to the insurance commitment. According to Alecta's consolidation policy for defined-benefit pension insurance, the collective consolidation level is normally allowed to vary between 125% and 155%. Alecta's consolidation ratio amounts to 148% (129). If the consolidation level falls short or exceeds the normal interval one measure may be to increase the contract price for new subscription and expanding existing benefits or introduce premium reductions.

The Volvo Group's share of the total saving premiums for ITP2 in Alecta as at December 31, 2013 amounted to 0.35% and the share of the total number of active policy holders amounted to 1.92%.

USA

In the US, the Volvo Group has tax-qualified pension plans, post-retirement medical plans and non-qualified pension plans. The tax-qualified pension plans are funded while the other plans are generally unfunded. The Volvo Group's subsidiaries in the United States mainly secure their pension obligations through transfer of funds to pension plans. At the end of 2013, the total value of pension obligations secured by pension plans of this type amounted to 13,262 (14,645). At the same point in time, the total value of the plan assets in these plans amounted to 11,916 (10,592), of which 58% (53) was invested in equity instruments. The regulations for securing pension obligations stipulate certain minimum levels concerning the ratio between the value of the plan assets and the value of the obligations. During 2013, the Volvo Group contributed 819 (1,022) to the American pension plans.

France

In France, the Volvo Group has two types of defined benefit plans, retirement indemnity plan and jubilee award plan. The plans are unfunded. The retirement indemnities plan is compulsory in France. The benefits are based on the Collective Bargaining Agreement applicable in the Company, on the employee's seniority at retirement date and on the final pay. The benefit payment is due only if employees are working for the Company when they retire. The jubilee awards plan is an internal agreement. The benefit is based on the employee's seniority career at 20, 30, 35 and 40 years. As of December 31 2013 the total value of pension obligations amounted to 2,356 (2,002).

Great Britain

The Volvo Group has six defined benefit pension plans in Great Britain. The plans are funded. The defined benefit pension plans provides benefits which are linked to each members final pay at the earlier of their date of leaving or retirement. All plans are closed to new entrants and two of the plans are closed to future accrual. Members of the Plan also have the option to commute an amount of their pension benefit as cash at retirement as permitted by UK legislation.

The pension funds are set up as separate legal entities, which are governed by trustees who are responsible for the governance of the plan. The trustee boards are composed of representatives from the employer, the employees and independent trustees. The strategic allocation of plan assets must comply with the investment guidelines agreed by the trustees of the respective schemes. At the end of 2013, the total value of pension obligations secured by pension plans amounted to 5,315 (4,740). The total value of the plan assets in these plans amounted to 5,274 (4,837).

During 2013, the Volvo Group has made extra contributions to the pension plans in Great Britain in the amount of 88 (87).

Assumptions applied for actuarial calculations, %	Dec 31, 2013	Dec 31, 2012
Sweden		
Discount rate[1]	4.00	3.25
Expected salary increase	3.00	3.00
Inflation	1.50	1.50
United States		
Discount rate[1 2]	2.50–4.75	1.75–3.75
Expected salary increase	3.50	3.50
Inflation	2.50	2.00
France		
Discount rate[1]	3.25	3.75
Expected salary increase	3.00	3.00
Inflation	1.50	1.50
Great Britain		
Discount rate[1]	4.25–4.40	4.25–4.60
Expected salary increases	3.70–3.75	3.20–3.30
Inflation	3.25	2.70

1 The discount rate for each country is determined by reference to market yields on high-quality corporate bonds. In countries where there is no functioning market in such bonds, the market yields on government bonds are used. The discount rate for the Swedish pension obligation is determined by reference to mortgage bonds.
2 For all plans except one the discount rate used is within the range 3.75–4.75 (3.00–3.75).

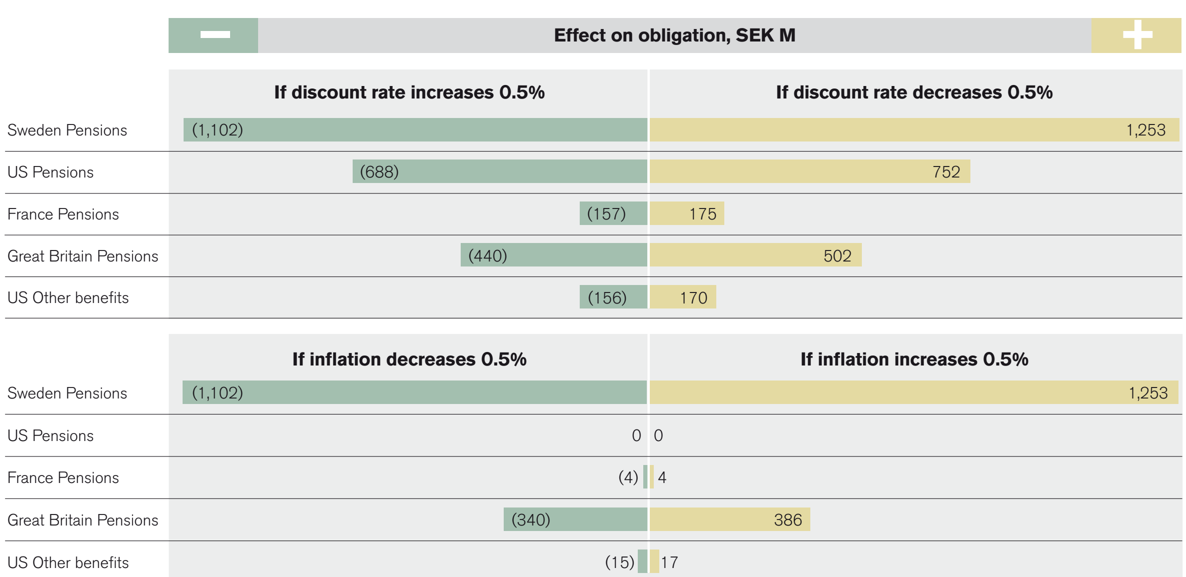
Pension costs	2013	2012
Current year service costs	1,297	1,071
Interest expense	1,319	1,415
Interest income	(842)	(944)
Past service costs	144	32
Gain (loss) on settlements	0	35
Pension costs for the period, defined-benefit plans	**1,918**	**1,609**
Pension costs for defined-contribution plans	2,226	2,356
Total pension costs for the period	**4,144**	**3,965**

Costs for the period, post-employment benefits other than pensions	2013	2012
Current year service costs	82	141
Interest costs	116	142
Interest income	(2)	(2)
Past service costs	82	11
(Gain) loss on settlements	1	6
Remeasurements	7	0
Total costs for the period, post-employment benefits other than pensions	**286**	**298**

	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits
Average duration of the obligation, years	20.8	10.5	14.1	17.7	10.2

The analysis below presents the sensitivity on the defined benefit obligations when changes in the applied assumptions for dicount rate and inflation are made. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is not probable, and changes in some of the assumptions may be correlated.

Sensitivity analysis

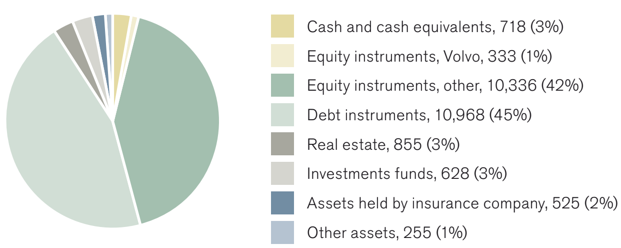


Obligations in defined-benefit plans	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Obligations at January 1, 2012	**12,944**	**14,360**	**1,765**	**4,369**	**3,577**	**4,324**	**41,339**
Acquisitions, divestments and other changes	(1,362)	(9)	84	0	(3)	(45)	**(1,335)**
Current year service costs	442	299	59	22	131	259	**1,212**
Interest costs	419	576	78	215	138	131	**1,557**
Past service costs	14	(1)	1	–	3	(112)	**(95)**
Settlement payments from plan	–	–	–	–	–	–	**–**
Employee contributions	–	–	1	10	–	3	**14**
Remeasurements:							
– Effect of changes in assumptions	747	1,629	157	383	391	395	**3,702**
– Effect of experience adjustments	568	(83)	12	7	(79)	(13)	**412**
Exchange rate translation	–	(879)	(67)	(81)	(237)	(298)	**(1,562)**
Benefits paid	(330)	(763)	(88)	(185)	(184)	(241)	**(1,791)**
Obligations as of December 31, 2012	**13,442**	**15,129**	**2,002**	**4,740**	**3,737**	**4,403**	**43,453**
of which							
Funded defined-benefit plans	11,866	14,645	6	4,740	–	2,724	**33,981**
Acquisitions, divestments and other changes	(5)	16	–	–	–	(160)	**(149)**
Current year service costs	523	368	70	45	68	305	**1,379**
Interest costs	448	482	74	207	111	113	**1,435**
Past service costs	38	117	–	–	(65)	18	**108**
Settlement payments from plan	–	–	–	–	–	(30)	**(30)**
Employee contributions	–	–	–	10	–	3	**13**
Remeasurements:							
– Effect of changes in demographic assumptions	(642)	103	143	(23)	16	55	**(348)**
– Effect of changes in financial assumptions	(1,946)	(1,450)	74	406	(425)	(100)	**(3,441)**
– Effect of experience adjustments	(176)	(328)	43	8	(42)	(25)	**(520)**
Exchange rate translation		5	75	117		(174)	**23**
Benefits paid	(349)	(756)	(125)	(195)	(219)	(326)	**(1,970)**
Obligations as of December 31, 2013	**11,333**	**13,686**	**2,356**	**5,315**	**3,181**	**4,082**	**39,953**
of which							
Funded defined-benefit plans	10,980	13,262	8	5,315	23	2,693	**32,281**

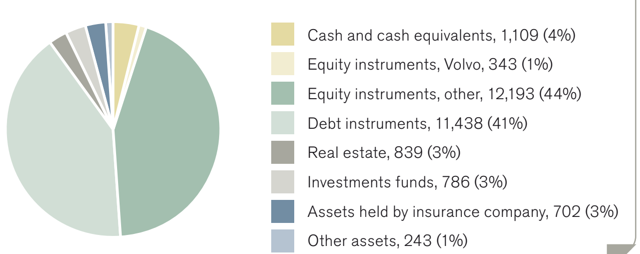
Fair value of plan assets in funded plans	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Plan assets at January 1, 2012	**7,580**	**9,842**	**–**	**4,680**	**24**	**1,747**	**23,873**
Acquisitions, divestments and other changes	(938)	1	6	–	–	(25)	**(956)**
Interest income	234	414	–	233	–	65	**946**
Remeasurements	339	710	–	102	–	40	**1,191**
Employer contributions	25	1,022	–	87	139	209	**1,482**
Employee contributions	–	–	–	10	–	18	**28**
Exchange rate translation	–	(624)	–	(86)	(1)	(39)	**(750)**
Benefits paid	(1)	(773)	–	(189)	(139)	(94)	**(1,196)**
Plan assets as of December 31, 2012	**7,239**	**10,592**	**6**	**4,837**	**23**	**1,921**	**24,618**
Acquisitions, divestments and other changes	–	–	–	–	–	70	**70**
Interest income	235	337	–	210	1	61	**844**
Remeasurements	376	861	–	188	(1)	80	**1,504**
Employer contributions	380	819	2	88	–	215	**1,504**
Employee contributions	–	–	–	10	–	4	**14**
Exchange rate translation	–	(12)	–	125	–	14	**127**
Benefits paid	(1)	(681)	(1)	(184)	–	(161)	**(1,028)**
Plan assets as of December 31, 2013	**8,229**	**11,916**	**7**	**5,274**	**23**	**2,204**	**27,653**

Net provisions for post-employment benefits	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
Net provision for post-employment benefits as of December 31, 2012	**(6,203)**	**(4,537)**	**(1,996)**	**97**	**(3,714)**	**(2,482)**	**(18,835)**
of which reported as:							
B/S Provisions for post-employment benefits	(6,203)	(4,537)	(1,996)	97	(3,714)	(2,482)	**(18,835)**
Net provisions for post-employment benefits as of December 31, 2013	**(3,104)**	**(1,770)**	**(2,349)**	**(41)**	**(3,158)**	**(1,878)**	**(12,300)**
of which reported as:							
B/S Prepaid pensions	–	11	–	–	–	11	**22**
B/S Provisions for post-employment benefits	(3,104)	(1,781)	(2,349)	(41)	(3,158)	(1,889)	**(12,322)**

Plan assets by category as of December 31, 2012



Plan assets by category as of December 31, 2013



Actual return on plan assets amounted to 2,348 (2,137).

Fair value of plan assets with a quoted market price	Dec 31, 2013	Dec 31, 2012
Cash and cash equivalents	232	419
Equity instruments	11,247	9,440
Debt instruments	11,423	9,939
Real estate	149	260
Derivatives	7	11
Investments funds	784	629
Assets held by insurance company	573	541
Other assets	17	0
Total	**24,432**	**21,239**

Investment strategy and risk management

The Volvo Group manages the allocation and investment of pension plan assets with the purpose of meeting the long term objectives. The main objectives are to meet present and future benefit obligations, provide sufficient liquidity to meet such payment requirements and to provide a total return that maximizes the ratio of the plan assets in relation to the plan liabilities by maximizing return on the assets at an appropriate level of risk. The final investment decision often resides with the local trustee, but the investment policy for all plans ensures that the risks in the investment portfolios are well diversified. The risks related to pension obligations, e.g., longevity and inflation, as well as buy out premiums and matching strategies are monitored on an ongoing basis in order to limit the Volvo Group's exposure.

In the last couple of years, some of the defined benefit plans have been closed to new entrants and replaced by defined contribution plans in order to reduce risk for the Volvo Group.

In Sweden the minimum funding target is decided by PRI Pensionsgaranti, this is mandatory in order to stay in the system and get insurance for the pension liability. The minimum contribution is decided by the company and should equal at least the pension benefits expected to be earned during the coming year.

In the United States the minimum funding target is decided by the company in order to avoid penalties, keep flexibility and avoid extensive filing with the IRS and participants. The minimum contribution should equal at least the benefits expected to be earned during the coming year + 1/7 of the underfunding.

In Great Britain there are no minimum funding requirements. For each plan there is a contribution plan, which is well defined, in place to bring the schemes to full funding within a reasonable time frame. The contribution plans are to to be approved by regulators.

In 2014, the Volvo Group estimates to transfer an amount of SEK 1-2 billion to pension plans.

NOTE 21 OTHER PROVISIONS

ACCOUNTING POLICY

Provisions
Provisions are recognized when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions for residual value risks
Residual value risks are attributable to operating lease contracts or sales transactions combined with buy-back agreements or residual value guarantees. Residual value risks are the risks that the Volvo Group in the future would have to dispose used products at a loss if the price development of these products is worse than what was expected when the contracts were entered. Provisions for residual value risks are made on a continuing basis based upon estimations of the used products' future net realizable values. The estimations of future net realizable values are made with consideration to current prices, expected future price development, expected inventory turnover period and expected direct and indirect selling expenses. If the residual value risks pertain to products that are recognized as tangible assets in the Volvo Group's balance sheet, these risks are reflected by depreciation or write-down of the carrying value of these assets. If the residual value risks pertain to products, which are not recognized as assets in the Volvo Group's balance sheet, these risks are reflected under the line item current provisions.

Refer to Note 7 regarding Revenue recognition.

Provision for product warranty
Estimated provision for product warranties are recognized when the products are sold. The provision includes both expected contractual warranties and so called technical goodwill warranties and is determined based on historical statistics considering known quality improvements, costs for remedy of defaults e.t.c. Provision for campaigns in connection with specific quality problems are recognized when the campaign is decided.

Provision for Restructuring costs
A provision for decided restructuring measures is recognized when a detailed plan for the implementation of the measures is complete and when this plan is communicated to those who are affected. A liability and costs for termination benefits as a result of a voluntary termination program is recognized when the employee accepts the offer. Restructuring costs could be reported as a separate line item in the income statement if they relate to a major change of the Group structure. Normally restructuring costs are included in other operating income and expenses.

SOURCES OF ESTIMATION UNCERTAINTY

Residual value risks
In the course of its operations, the Volvo Group is exposed to residual value risks through operating lease agreements and sales combined with repurchase agreements. Residual value commitments amount to 17,781 (15,906) as of December 31, 2013. Residual value risks are reflected in different ways in the Volvo Group's consolidated financial statements depending on the extent to which the risk remains with the Volvo Group.

In cases where significant risks pertaining to the product remain with the Volvo Group, the products, primarily trucks, are generally recognized in the balance sheet as assets under operating leases. Depreciation of these products are recognized on a straight-line basis over the term of the commitment and the depreciable amount is adjusted to agree with estimated net realizable value at the end of the commitment. The estimated net realizable value of the products at the end of the commitment is monitored individually on a continuing basis. A decline in prices for used trucks and construction equipment may negatively affect the Volvo Group's operating income. High inventories in the truck industry and the construction equipment industry and low demand may have a negative impact on the prices of new and used trucks and construction equipment. In monitoring estimated net realizable value of each product under a residual value commitment, management makes considerations of current price-level of the used product model, value of options, mileage, condition, future price deterioration due to expected change of market conditions, alternative distribution channels, inventory lead-time, repair and reconditioning costs, handling costs and indirect costs associated with the sale of used products. Additional depreciations and estimated impairment losses are immediately recognized in the income statement.

The total risk exposure for assets under operating lease is recognized as current and non-current residual value liabilities.

Read more about residual value liabilities in **Note 22.**

If the residual value risk commitment is not significant, independent from the sale transaction or in combination with a commitment from the customer to buy a new product in connection to a buy-back option, the asset is not recognized on the balance-sheet. Instead, the risk exposure is reported as a residual value provision equivalent to the estimated residual value risk.

To the extent the residual value exposure does not meet the definition of a provision, the remaining residual value risk exposure is reported as a contingent liability.

Read more about contingent liabilities in **Note 24.**

Provision for product warranty
Warranty provisions are estimated with consideration of historical claims statistics, the warranty period, the average time-lag between faults occurring and claims to the company and anticipated changes in quality indexes. Estimated costs for product warranties are recognized as cost of sales when the products are sold. Estimated warranty costs include contractual warranty and goodwill warranty (warranty cover in excess of contractual warranty or campaigns which is accepted as a matter of policy or normal practice in order to maintain a good business relation with the customer). Differences between actual warranty claims and the estimated claims generally affect the recognized expense and provisions in future periods. Refunds from suppliers, that decrease the Volvo Group's warranty costs, are recognized to the extent these are considered to be certain. As of December 31, 2013 warranty cost provisions amount to 9,881 (8,852).

Legal proceedings
The Volvo Group recognizes obligations as provisions or other liabilities only in cases where Volvo has a present obligation from a past event, where a financial responsibility is probable and the Volvo Group can make a reliable estimate of the amount. When these criteria are not met, a contingent liability may be recognized.

The Volvo Group regularly reviews the development of significant outstanding legal disputes in which the Volvo Group companies are parties, both civil law and tax disputes, in order to assess the need for provisions and contingent liabilities in the financial statements. Among the factors that the Volvo Group considers in making decisions on provisions and contingent liabilities are the nature of the dispute, the amount claimed, the progress of the case, the opinions or views of legal counsels and other advisers, experience in similar cases, and any decision of the Volvo Group's management as to how the Volvo Group intends to handle the dispute. The actual outcome of a legal dispute may deviate from the expected outcome of the dispute. The difference between actual and expected outcome of a dispute might materially affect future financial statements, with an adverse impact upon the Volvo Group's operating income, financial position and liquidity.

Read more about contingent liabilities in **Note 24.**

	Carrying value as of Dec 31, 2012	Provisions	Reversals	Utilizations	Acquired and divested companies	Translation differences	Other reclassi-fications	Carrying value as of Dec 31, 2013	Of which due within 12 months	Of which due after 12 months
Warranties	8,852	7,706	(1,093)	(5,346)	(14)	(145)	(79)	9,881	6,375	3,506
Provisions in insurance operations	377	262	(42)	(27)	0	(24)	101	647	19	627
Restructuring measures	1,106	409	(277)	(393)	0	(38)	(25)	781	523	258
Provisions for residual value risks	732	231	(196)	(68)	0	1	(55)	646	217	429
Provisions for service contracts	389	186	(100)	(121)	3	(2)	(12)	343	188	155
Dealer bonus	2,271	2,740	(256)	(2,381)	0	9	86	2,470	2,431	39
Other provisions	2,989	2,988	(604)	(2,304)	(6)	(80)	(256)	2,726	1,551	1,175
B/S **Total**	**16,716**	**14,522**	**(2,567)**	**(10,640)**	**(18)**	**(279)**	**(240)**	**17,494**	**11,304**	**6,190**

Long-term provisions as above are expected to be settled within 2 to 3 years.
The provision for the efficiency program included in restructuring measures amounts to SEK 0.5 billion.

Read more about restructuring costs in **Note 8**.

NOTE 22 LIABILITIES

Non-current liabilities

The tables below disclose the Volvo Group's non-current liabilities in which the largest loans are listed by currency. The main part are issued by Volvo Treasury AB. Information regarding loan terms refer to December 31, 2013. The Volvo Group hedges foreign-exchange and interest-rate risks using derivative instruments.

Refer to Note 4 Goals and policies in financial risk management and Note 30 Financial Instruments for more information.

Bond loans	Actual interest rate Dec 31, 2013, %	Effective interest rate Dec 31, 2013, %	Dec 31, 2013	Dec 31, 2012
EUR 2007–2012/2014–2024	0.74–5.04	0.74–5.04	19,883	20,725
SEK 2007–2012/2014–2017	1.76–5.04	1.77–5.04	19,437	15,131
JPY 2013/2016	0.60	0.60	124	–
USD 2009/2015	0.42–5.98	0.42–5.98	5,246	4,861
GBP 2009/2014	–	–	–	523
CNY 2012/2015	3.80–5.90	3.80–6.06	1,895	1,852
B/S Bond loans as of December 31[1]			**46,585**	**43,092**

1 Of which loans raised to finance the credit portfolio of the customer financing operations totalled 25,619 (29,044).

Other loans	Actual interest rate Dec 31, 2013, %	Effective interest rate Dec 31, 2013, %	Dec 31, 2013	Dec 31, 2012
USD 2008–2012/2015–2018	0.47–2.46	0.47–2.49	8,105	7,902
EUR 2005–2012/2014–2027	1.59–6.50	1.60–6.50	1,734	2,127
GBP 2011/2014	6.22	6.22	1	902
SEK 2007–2011/2015–2017	1.16–2.91	1.17–2.94	4,180	4,270
CAD 2012/2015	2.74–3.05	2.77–3.08	911	675
MXN 2009–2012/2014–2016	4.30–4.76	4.38–4.87	847	1,673
JPY 2007–2012/2014–2017	0.51–1.31	0.51–1.31	10,772	7,837
BRL 2007/2020	0.33–3.11	0.46–3.16	5,932	5,807
AUD 2012/2015	3.74–6.05	3.79–6.05	516	690
Other loans			3,726	4,612
Revaluation of outstanding derivatives to SEK			140	1,933
B/S Other loans as of December 31[1]			**36,864**	**38,428**
Bond loans and other loans as of December 31			**83,449**	**81,520**
Deferred leasing income			2,462	2,247
Residual value liabilities			4,840	4,439
Accrued expenses service contracts			2,928	2,548
Other non-current financial liabilities			280	609
Other non-current liabilities			967	871
B/S Other liabilities as of December 31			**11,477**	**10,714**
Non-current liabilities as of December 31			**94,926**	**92,234**

1 Of which loans raised to finance the credit portfolio of the customer financing operations 20,590 (16,874). Volvo Treasury employs cross-currency interest swaps to be able to offer lending and borrowing in various currencies without increasing Volvo Group's risk. The table presents Volvo Group's financial net position, including pensions, listed by currency. Of non-current liabilities, 83,715 (82,153) pertains to financial instruments. Refer also to Note 30 Financial instruments.

Of the above loans, 4,928 (3,723) are secured.

Refer to Note 23 for an explanation of changes to assets pledged.

	Non-current loans mature as follows	Not utilized credit facilities
2014	25,520	3,220
2015	30,928	17,904
2016	16,845	10,743
2017	4,629	–
2018	3,204	–
2019 or later	2,323	–
Total	**83,449**	**31,867**

Refer to Note 15 for maturities of non-current customer financing receivables.

The major part of other non-current liabilities will mature within five years.

Granted but not utilized credit facilities consists of stand-by facilities for loans. A fee is charged for granted credit facilities, this is recognized in profit or loss within other financial income and expenses.

Current liabilities

Current liabilities	Dec 31, 2013	Dec 31, 2012
Bank loans	10,992	9,172
Other loans	40,560	40,841
B/S Current liabilities as of December 31[1]	**51,552**	**50,013**

1 Of which loans raised to finance the credit portfolio of the customer financing operations amount to 44,188 (39,259) and financial derivatives at fair value amount to 1,753 (43).

Bank loans include current maturities of non-current loans 3,254 (2,586). Other loans include current maturities of non-current loans, 21,848 (22,173), and commercial paper, 13,528 (13,535). Non-interest-bearing current liabilities accounted for 88,746 (79,467), or 63% (61) of the Volvo Group's total current liabilities.

Other current liabilities	Dec 31, 2013	Dec 31, 2012
Advances from customers	3,280	3,929
Wages, salaries and withholding taxes	8,261	7,860
VAT liabilities	1,971	1,692
Accrued expenses and prepaid income	11,161	10,910
Deferred leasing income	1,882	1,793
Residual value liability	2,186	1,705
Other financial liabilities	160	254
Other liabilities	4,492	4,392
B/S Other current liabilities as of December 31	**33,393**	**32,535**

Current liabilities also include trade payables of 53,901 (46,472), current tax liabilities of 1,120 (460) and non interest-bearing and interest-bearing liabilities held for sale, as disclosed in Note 3. Secured bank loans at year-end 2013 amounted to 0 (113). The corresponding amount for other current liabilities amounted to 1,747 (1,581). Of current liabilities including trade payables, 105,693 (97,992) pertains to financial instruments.

» **Refer to Note 30** Financial instruments.

» **Refer to Note 23** for disclosures regarding assets pledged.

NOTE 23 | ASSETS PLEDGED

Assets pledged	Dec 31, 2013	Dec 31, 2012
Property, plant and equipment – mortgages	84	97
Assets under operating leases	57	150
Receivables	4,897	3,661
Cash, loans and marketable securities	40	32
Other assets pledged	–	39
Total	**5,078**	**3,979**

Total liabilities for which assets are pledged amounted to 4,928 (3,722).

In 2013 an asset-backed securitization was completed. Under the terms of the transaction, 4,297 of securities were issued tied to US-based loans, secured by Customer Finance receivables recognized on the balance-sheet with trucks and construction equipment assets as collaterals.

NOTE 24 CONTINGENT LIABILITIES

ACCOUNTING POLICY

Contingent liabilities
A contingent liability is recognized for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

Contingent liabilities	Dec 31, 2013	Dec 31, 2012
Credit guarantees issued for customers and others	8,823	9,540
Tax claims	1,250	861
Residual value guarantees	3,389	3,317
Other contingent liabilities	3,828	4,045
Contingent liabilities as of December 31	**17,290**	**17,763**

Total contingent liabilities at December 31, 2013, amount to net 17,290 (17,763) and include contingent assets of 285 (307).

Credit guarantees amount to 8,823 (9,540) and a major part are issued as a result of sales in emerging markets.

Tax claims amounting to 1,250 (861) pertain to charges against the Volvo Group for which provisions are not considered necessary.

Other contingent liabilities include for example bid and performance clauses and legal proceedings.

The recognized amounts for contingent liabilities have not been reduced because of counter guarantees received or 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 3,825 (4,216) and mainly pertains to credit guarantees and residual value guarantees.

» **For more** information regarding residual value guarantees, see **note 21**.

Legal proceedings
In July 1999, Volvo Truck Corporation (VTC) and Volvo Construction Equipment (VCE) entered into a Consent Decree with the U.S. Environmental Protection Agency (EPA). The Consent Decree stipulated, among other provisions, that new stricter emission requirements for certain engines that would come into effect on January 1, 2006, should be applied by VTC and VCE from January 1, 2005. The Consent Decree was later transferred from VTC and VCE to Volvo Powertrain Corporation. During 2008, the EPA demanded stipulated penalties from Volvo Powertrain Corporation in the amount, including interest, of appr. USD 72 M, alleging that the stricter standards under the Consent Decree should have been applied to engines manufactured by Volvo Penta during 2005. Volvo Powertrain disagrees with EPA's interpretation and is defending the case vigorously based on, among other grounds, the fact that the Volvo Penta engines were not subject to the Consent Decree. The dispute was referred to a U.S. court. On April 13, 2012, The United District Court of the District of Colombia handed down a decision in favor of EPA, and ordered Volvo Powertrain to pay penalties and interest of appr. USD 72 M. Volvo Powertrain has appealed the decision. As of December 31, 2013, an amount of appr. SEK 65 M remains as a provision and appr. SEK 401 M as a contingent liability.

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

In April 2011, the Volvo Group's truck business in Korea and a number of other truck companies became the subject of an investigation by the Korean Fair Trade Commission. The Korean Fair Trade Commission has issued a decision, received by Volvo on December 19, 2013, imposing a fine in the amount of appr. 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.

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

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

NOTE 25 TRANSACTIONS WITH RELATED PARTIES

Transactions between AB Volvo and its subsidiaries, which are related parties to AB Volvo, have been eliminated in the group and are not disclosed in this note.

The Volvo Group engages in transactions with some of its associated companies. The transactions consist mainly of sales of vehicles to dealers and purchases of engines.

	2013	2012
Sales to associated companies	2,138	1,670
Purchase from associated companies	2,609	702
Receivables from associated companies, Dec 31	301	242
Liabilities to associated companies, Dec 31	707	632

The increase in sales to associated companies is mainly explained by Arabian Vehicle & Truck Industry Ltd. The increase in purchases is explained by Deutz AG, which is an associated company from September 2012. Commercial terms and market prices apply for the supply of goods and services to/from associated companies.

The Volvo Group engages in transactions with its joint ventures. The transactions consist mainly of sales of vehicles and parts and purchase of engine long blocks and services. Commercial terms and market prices apply for the supply of goods and services to/from joint ventures.

	2013	2012
Sales to joint ventures	763	741
Purchase from joint ventures	192	80
Receivables from joint ventures, Dec 31	143	91
Liabilities to joint ventures, Dec 31	58	108

The increase in purchases from joint ventures is explained by purchases of engine long blocks from VE Commercial Vehicles, Ltd.

Until December 2012 Renault s.a.s was a related party to the Volvo Group due to its holding in AB Volvo. In December 2012 Renault s.a.s sold their Volvo shares. Sales to and purchases from Renault s.a.s. and its subsidiaries for the comparison year 2012 amounted to 29 and 1,719. Sales were mainly from Renault Trucks to Renault s.a.s. and consisted of components and spare parts. Purchases were mainly made by Renault Trucks from Renault s.a.s. and primarily consisted of light trucks. Renault Trucks has a license from Renault s.a.s. for the use of the trademark Renault.

During 2012, AB Volvo divested an apartment to a former member of the Group management for a market value of 10.

Refer to Note 5 regarding the Volvo Group's share in associated companies.

NOTE 26 GOVERNMENT GRANTS

ACCOUNTING POLICY

Government grants are financial grants from governmental or supranational bodies received by the Volvo Group in exchange for fulfillment of certain conditions.

Governmental grants related to assets are presented in the balance sheet by deducting the grants in arriving at the carrying amount of the asset. Governmental grants related to income are reported as a deferred income and recognized in the income statement over the periods necessary to match the related costs. If the costs incur before the grants have been received, but there is an agreement that grants will be received, grants are recognized in the income statement to compensate the relevant costs.

In 2013, government grants of 400 (492) were received, and 467 (342) was recognized in the income statement. The amount includes tax credits of 245 (165) related to product development, which were primarily received in France and in the United States. Other grants were mainly received from Swedish, Chinese and US governmental organizations and from the European Commission.

NOTE 27 PERSONNEL

ACCOUNTING POLICY

Share-based payments

The Volvo Group applies IFRS 2, Share-based payments for share-based incentive programs. IFRS 2 distinguishes between cash-settled and equity-settled payments. The Volvo Group program includes both a cash-settled and an equity-settled part. The fair value of the equity-settled payments is determined at the grant date, recognized as an expense during the vesting period and off-set in equity. The fair value is based on the share price reduced by dividends connected with the share during the vesting period.

Additional social costs are reported as a liability, revalued at each balance sheet date in accordance with UFR 7, issued by the Swedish Financial Reporting Board. The cash-settled payment is revalued at each balance sheet date and is recognized as an expense during the vesting period and as a short term liability. An assessment whether the terms for allotment will be fulfilled is made continuously. Based on such assessment, expense might be adjusted.

Remuneration policy decided at the Annual General Meeting in 2013

The Annual General Meeting of 2013 decided upon a policy on remuneration and other employment terms for the members of the Volvo Group Executive Team. The decided principles can be summarized as follows:

The guiding principle is that remuneration and other employment terms for the Group Executive Team, shall be competitive to ensure that the Volvo Group can attract and retain skilled persons to the Group Executive Team. The fixed salary shall be competitive and shall reflect the individual's area of responsibility and performance. In addition to the fixed salary a variable salary may be paid. The variable salary may for the CEO amount to a maximum of 75% of the fixed salary and for the other members of the Group Executive Team, a maximum of 60% of the fixed salary.

The variable salary shall be based on the fulfillment of improvement targets or certain financial targets for the Volvo Group and/or the organizational unit where the member of Group Executive Team is employed. These targets are decided by the Board of AB Volvo and can be related, for example, to operating income, operating margin and/or cash flow. The Board may under certain conditions decide to reclaim variable salary already paid or to cancel or limit variable salary to be paid.

The Annual General Meeting can also decide on a share, or share-based, incentive program. At the Annual General Meeting 2011, as proposed by the Board of AB Volvo, it was decided to implement a long-term share-based incentive program for Group Executive Team members and other senior executives in the Volvo Group consisting of three annual programs covering each of the financial years 2011, 2012 and 2013.

In addition to fixed and variable salary, normally other customary benefits, such as company car and company healthcare are provided. In individual cases, accommodation benefits and other benefits may be provided.

In addition to pension benefits provided by law and collective bargain agreements, members of the Group Executive Team domiciled in Sweden can be offered two different defined-contribution plans with annual premiums whereby the amount of the individual's pensions comprises the premium paid and any return, without any guaranteed level of pension. No defined retirement date is set in the two plans but premiums will be paid for the employee until his or her 65th birthday. Members of the Group Executive Team resident outside Sweden, or resident in Sweden but having a material connection to or having been resident in a country other than Sweden, can be offered pension solutions that are competitive in the country where the members are, or have been, resident or to which the members have a material connection, however primarily defined-contribution pension solutions.

With regard to notice of termination of employment for Group Executive Team members domiciled in Sweden, the notification period is 12 months if the company terminates the employment and six months if the individual terminates the employment. In addition, the employee is entitled to a severance pay of 12 months' salary if the employment is terminated by the company. Group Executive Team members resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden can be offered notice periods for termination and severance payments that are competitive in the country where the Group Executive Team members are or have been resident or to which the member of Group Executives have a material connection, however primarily arrangements that are similar to what is valid for members domiciled in Sweden.

The Board of AB Volvo may deviate from the remuneration policy if there are specific reasons to do so in an individual case.

Fee paid to the Board of Directors

According to a resolution adopted at the Annual General Meeting 2013, the fee to the Board of Directors appointed at the Annual General Meeting for the period until the close of the Annual General Meeting 2014 shall be paid as follows: The Chairman of the Board should be awarded SEK 2,250,000 and each of the other members SEK 750,000 with exception of the President and Chief Executive Officer of AB Volvo. In addition, SEK 300,000 should be awarded to the chairman of the audit committee and SEK 150,000 to each of the other members of the audit committee, and SEK 125,000 to the chairman of the remuneration committee and SEK 100,000 to each of the members of the remuneration committee.

Terms of employment and remuneration to the CEO

The President and CEO is entitled to a remuneration consisting of a fixed annual salary and a variable salary. The variable salary is based on operating margin and six months moving cash flow. The variable salary amounts to a maximum of 75% of the fixed annual salary. For the financial year 2013, Olof Persson received a fixed salary of SEK 11,888,640 and a variable salary of SEK 1,188,640. The variable salary corresponded to 10% of the fixed salary. Other benefits, mainly pertaining to car and housing, amounted to SEK 884,848 in 2013.

Olof Persson is covered both by pension benefits provided under collective bargain agreements and by the Volvo Management Pension (VMP) and Volvo Executive Pension (VEP) plans. The retirement benefit under the Volvo executive pension plans is a defined-contribution plan. The disability pension is a defined-benefit plan. The pensionable salary consists of the annual salary and a calculated variable salary component. The premium for the VMP is SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts and the premium for VEP is 10% of pensionable salary. There are no commitments other than the payment of the premiums. The disability pension for Olof Persson amounts to 50% of pensionable salary. The right to disability pension is conditional to employment and will cease upon termination of duty.

The President and CEO of AB Volvo is also covered by Volvo Företagspension, a defined contribution plan for additional retirement benefit. The premium is negotiated each year. For 2013 the premium amounted to SEK 556 a month. Pension premiums 2013 for Olof Persson amounted to SEK 4,609,508. Olof Persson is also participating in the long-term share-based incentive program decided by the Annual General Meeting 2011. Based on ROE for 2013, Olof Persson will receive 18,815 shares during 2016/2017 related to 2013 if all program conditions are met (see further information under Long-term incentive program below). The amount of taxable benefit related to these shares is determined at the time of allotment. Olof Persson has a six-month notice of termination on his own initiative and twelve months' notice of termination from AB Volvo. If terminated by the company within three years from entering the position as President and CEO, Olof Persson is entitled to a severance payment equivalent to twelve months' salary. Thereafter, he is not entitled to severance payments.

Remuneration to the Group Executive Team

Fixed and variable salaries

Members of Group Executive Team receive variable salaries in addition to fixed salaries. Variable salaries are based on the fulfillment of certain improvement targets or financial targets. The targets are decided by the Board of Directors in AB Volvo and can, for example, relate to operating income, operating margin and/or cash flow for a six month rolling period. During 2013, a variable salary, for Group Executive Team members excluding CEO, could amount to a maximum of 60% of the fixed annual salary.

For the financial year 2013, fixed salaries amounted to SEK 51,902,260 and variable salaries amounted to SEK 4,077,616 for Group Executive Team members excluding the CEO. Group Executive Team comprised, in addition to the CEO, of 15 members at the beginning of the year and 15 members at the end of the year. Other benefits, mainly pertaining to car and housing, amounted to SEK 4,988,236 in 2013. Group Executive Team members, excluding the CEO, also participate in the long-term incentive program which was approved by the Annual General Meeting held in 2011 and is based on ROE outcome. For 2013, they will during 2016/2017 receive 77,031 shares related to 2013 if all program conditions are met (see further information under Long-term incentive program below). During the financial year 39,342 shares (0) corresponding to SEK 3,812,240 have been allotted to Group Executive Team members that are leaving the Volvo Group (i.e. to so called "good leavers") and 72,714 shares (0) have forfeited. The forfeited shares corresponds to SEK 2,062,788 and an amount of SEK 776,966 which refers to social security costs.

Severance payments

The employment contracts for Group Executive Team members contain rules governing severance payments when the company terminates the employment. For members domiciled in Sweden, the rules provide that, when the company terminates the employment, an employee is entitled to severance payment equivalent to twelve months' salary. In the event the employee gains employment during the severance period, severance pay is reduced with an amount equal to 100% of the income from the new employment.

Members having a material connection to a country other than Sweden can be offered notice periods for termination and severance payments that are competitive in the country to which the members have a material connection, preferably solutions corresponding to what is present for in Sweden.

Pensions

Group Executive Team members are covered by a defined-contribution plan, Volvo Executive Pension plan with pension premium payments at the longest to the age of 65 years. The premium constitutes 10% of the pensionable salary. As complement to the collective agreement regarding occupational pension employees born before 1979 are covered by a defined contribution pension plan, Volvo Management Pension. The premium constitutes of SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts. The pensionable salary consists of the twelve times the current monthly salary and the average of the variable salary for the previous five years. Pension premiums for the Group Executive Team excluding CEO amounted to SEK 33,461,634 in 2013.

Group Executive Team members are offered pensions that are competitive in the country in which the person is or have been domiciled or in the country to which the person is essentially connected.

Volvo Group's total costs for remuneration and benefits to the Group Executive Team

Costs for total remuneration and benefits to the Group Executive Team in 2013 are pertaining to the following: fixed salary SEK 85 million (87); variable salary SEK 7 million (10); other benefits SEK 13 million (10) and pensions SEK 44 million (38). The cost related to the long-term share-based incentive program is reflected over the vesting period and amounted to SEK 11 million (27) for 2013. Total costs for the Group Executive Team include social fees on salaries and benefits, special pension tax and additional costs for other benefits. The remuneration model of the Volvo Group is to a main part designed to follow changes in the profitability of the Group.

Long-term incentive program

The Annual General Meeting held in 2011 approved a long-term share-based incentive program for up to 300 Group and senior executives and comprising the years 2011 to 2013. The program consists of three annual programs for which the measurement periods are each of the respective financial years. A prerequisite for participation in the program is that the participants invest a portion of their salary in Volvo shares and retain these shares and continue to be employed by the Volvo Group for at least three years after the investment has been made. Under special circumstances, it is possible to make exceptions to the requirement of continued employment (so called "good leaver" situations). The AB Volvo Board is, in the event of exceptional conditions, entitled to limit or omit allotment of performance shares. In addition, if the Annual General meeting of AB Volvo resolves that no dividend shall be paid to the shareholders for a specific financial year, no matching shares are allotted for the year in question.

Shares are granted under the program during the respective financial year. At the end of the vesting period, the main rule is that the participants will be allotted one matching share per invested share and, assuming that the Volvo Group's ROE (return on equity) for the particular financial year amounts to at least 10%, a number of performance shares. Maximum allotment of performance shares corresponds to seven shares for the CEO, six shares for other members of Group Executive Team and five shares for other participants in the program for each invested share, subject to ROE reaching 25%. ROE for 2013 amounted to 5.0%, i.e. no performance shares will be allotted for 2013. For 2012 the number of performance shares reached 35% of the maximum grant. Allotment of shares will be made through Volvo owned, earlier re-purchased, Volvo shares. Participants in certain countries will be offered a cash-based version of the incentive program. For participants in these countries, no investment is required by the participant and the program does not comprise an element of matching shares. Allotment of shares in this version is replaced by a cash allotment at the end of the vesting period. Other program conditions are similar between the programs.

Long term incentive program (share settled plan version)	Shares granted conditional under the plan but not yet allotted (in thousand shares)						
	Vesting year	Beginning of the year	Granted 2013	Cancelled/ forfeited 2013	Allotments during 2013	End of the year	Cost 2013 (SEK M)[1]
Year 2011 incentive program	2014/2015	**2,208**	0	(67)	(294)	**1,847**	54.3
Year 2012 incentive program	2015/2016	**1,320**	0	(36)	(127)	**1,157**	32.7
Year 2013 incentive program	2016/2017	**0**	435	(17)	0	**418**	10.2
Total		**3,528**	**435**	**(120)**	**(421)**	**3,422**	**97.2**

1 The fair value of the payments is determined based on the share price at the grant date reduced by the discounted value of expected dividends connected with the share during the vesting period. The cost for the program is recognized over the vesting period. The cost includes social security cost.

The cost for the cash-based version of the incentive program amounted to SEK 5 million (12) including social security cost during 2013, and the total liability amounted to SEK 19 million (16) as of December 31, 2013.

A number of program participants that are leaving the company have been determined to be "good leavers" and are therefore entitled to accumulated allotment of shares. During 2013, including both the share settled plan and the cash-settled plan, a total of 462,474 shares (250,922) have been allotted to participants, and an additional 10,986 shares (246,917) will be allotted to participants when the employees leave the company. For the cash-settled plan, a total of SEK 4 million (1) has been allotted during 2013.

The total cost for the 2013 incentive program over the period 2013 to 2016 is estimated to SEK 45 million including social security cost. Actual cost will be impacted by changes in the share price.

Average number of employees	2013		2012	
	Number of employees	of which women, %	Number of employees	of which women, %
AB Volvo				
Sweden	262	45	236	44
Subsidiaries				
Sweden	21,834	20	22,212	20
Western Europe (excl. Sweden)	21,809	17	22,116	18
Eastern Europe	6,327	22	6,603	21
North America	16,175	18	16,481	18
South America	6,852	14	6,150	14
Asia	18,912	12	19,185	12
Other countries	2,661	15	2,670	17
Group total	**94,832**	**17**	**95,653**	**17**

Board members[1] and other senior executives	2013		2012	
	Number at year-end	of which women, %	Number at year-end	of which women, %
AB Volvo				
Board members[1]	12	17	12	17
CEO and other senior executives	16	19	16	19
Volvo Group				
Board members[1]	580	17	680	14
Presidents and other senior executives	695	19	878	20

1 Excluding deputy Board members.

Wages, salaries and other remunerations	2013			2012		
SEK M	Board and Presidents[1]	of which variable salaries	Other employees	Board and Presidents[1]	of which variable salaries	Other employees
AB Volvo	25.9	5.6	265.2	24.6	5.1	270.2
Subsidiaries	563.1	52.7	35,357.3	740.0	109.2	38,143.9
Group total	**589.1**	**58.3**	**35,622.4**	**764.6**	**114.3**	**38,414.1**

Wages, salaries and other remunerations and social costs	2013			2012		
SEK M	Wages, salaries remun	Social costs	Pension costs	Wages, salaries remun	Social costs	Pension costs
AB Volvo[2]	291.1	87.3	91.6	294.8	90.2	82.9
Subsidiaries	35,920.4	8,174.9	4,052.1	38,883.9	9,595.6	3,881.9
Group total[3]	**36,211.5**	**8,262.2**	**4,143.7**	**39,178.7**	**9,685.8**	**3,964.8**

1 Including current and former Board members, Presidents and Executive Vice Presidents.
2 The Parent Company's pension costs, pertaining to Board members and Presidents are disclosed in Note 3 in the Parent Company.
3 Of the Volvo Group's pension costs, SEK 97.7 million (92.4) pertain to Board members and Presidents, including current and former Board members, Presidents and Executive Vice Presidents. The Volvo Group's outstanding pension obligations to these individuals amount to SEK 418.1 million (368.4).

The cost for non-monetary benefits in the Volvo Group amounted to SEK 1,960.3 million (2,100.0) of which SEK 50.5 million (66.1) to Board members and Presidents.

The cost for non-monetary benefits in the Parent Company amounted to SEK 15.2 million (12.8) of which SEK 1.8 million (1.7) to Board members and Presidents.

NOTE 28 FEES TO THE AUDITORS

Fees to the auditors	2013	2012
PricewaterhouseCoopers AB		
– Audit fees	120	102
– Audit-related fees	5	6
– Tax advisory services	12	17
– Other fees	19	31
Total	**156**	**156**
Audit fees to others	3	2
Volvo Group Total	**159**	**158**

The audit assignment involves review of the Annual report and financial accounting and the administration by the Board and the President. Audit-related assignments mean quality assurance services required by enactment, articles of association, regulations or agreement. The amount includes the fee for reviewing the half-year report. Tax services include both tax consultancy and tax compliance services. All other tasks are defined as other.

NOTE 29 CASH-FLOW

ACCOUNTING POLICY

Cash-flow analysis

The cash-flow statement is prepared in accordance with IAS 7, Cash flow statement, indirect method. The cash-flow statements of foreign Group companies are translated at the average rate. Changes in Group structure, acquisitions and divestments, are recognized net, excluding cash and cash equivalents, in the item Acquisition and divestment of subsidiaries and other business units and are included in cash flow from Investing activities.

Cash and cash equivalents include cash, bank balances and parts of marketable securities, with date of maturity within three months at the time for investment. Marketable securities comprise interest-bearing securities, the majority of which with terms exceeding three months. However, these securities have high liquidity and can easily be converted to cash. In accordance with IAS 7, certain investment in marketable securities are excluded from the definition of cash and cash equivalents in the cash-flow statement if the date of maturity of such instruments is later than three months after the investment was made.

Other items not affecting cash amounted to:	2013	2012
Risk provisions and losses related to doubtful accounts receivable/customer-financing receivables	1,230	764
Capital gains/losses on the sale of subsidiaries and other business units	(141)	(596)
Unrealized exchange rate gains/losses on accounts receivable and payable	229	224
Provision for global profit sharing program	–	200
Fair value commercial derivatives	–	(316)
Provision for restructuring reserves	125	914
Provision for warranty reserve	745	–
Other changes	228	240
Total Other items not affecting cash flow	**2,416**	**1,430**

Acquired and divested shares and participations, net	2013	2012
New issue of shares	(1)	(6)
Capital contribution	(36)	(6)
Acquisitions	(112)	(1,212)
Divestments	135	39
Other	–	(1)
Total cash flow from acquired and divested shares and participations, net	**(14)**	**(1,186)**

During 2012 AB Volvo acquired additional shares in Deutz AG, which had a negative impact on cash-flow of SEK 1.1 billion.

Acquired and divested subsidiaries and other business units:	2013	2012
Acquired subsidiaries and other business units	(71)	(1,527)
Divested subsidiaries and other business units	1,003	4,917
Total cash flow from acquired and divested subsidiaries and other business units	**932**	**3,390**

Important increase/decrease in bond loans and other loans

In 2013, the Volvo Group increased its borrowings as a consequence of higher demands of funding from the Customer Finance Operations.

NOTE 30 FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Recognition of financial assets and liabilities
Purchases and sales of financial assets and liabilities are recognized on the transaction date. A financial asset is derecognized in the balance sheet when all significant risks and benefits linked to the asset have been transferred to a third party.

The fair value of assets is determined based on valid market prices, when available. If market prices are unavailable, the fair value is determined for each asset using various measurement techniques.

Refer to footnote 1 under the table "Information regarding carrying amounts and fair values" on page 161 in this note.

Transaction expenses are included in the asset's fair value, except in cases in which the change in value is recognized in the income statement. The transaction costs that arise in conjunction with the assumption of financial liabilities are amortized over the term of the loan as a financial cost.

Financial assets at fair value through the income statement
All of the Volvo Group's financial assets that are recognized at fair value through the income statement are classified as held for trading. This includes derivatives to which Volvo Group has decided not to apply hedge accounting as well as derivatives that are not part of an evidently effective hedge accounting policy pursuant to IAS 39. Gains and losses on these assets are recognized in the income statement. Short-term investments that are recognized at fair value mainly comprise interest-bearing financial instruments and these are disclosed in Note 18. Derivatives used for hedging interest rate exposure in the customer financing portfolio are included in this category. Unrealized gains and losses from fluctuations in the fair values of the financial instruments are recognized in net financial items, since it is not practically possible to apply hedge accounting in accordance with IAS 39 due to the large number of contracts that the customer financing portfolio comprises. In applicable cases, when the requirements for hedge accounting are considered to be fulfilled, the Volvo Group will hereafter consider the application of hedge accounting for these kinds of instruments. The Volvo Group intends to hold these derivatives to maturity, which is why, over time, the market valuation will be offset as a consequence of the interest-rate fixing on borrowing and lending for the customer-finance operations, and thus not affect operating income or cash flow.

Financial instruments used for hedging currency risks arising from future firm commercial cash flows are also recognized under this category. Unrealized and realized gains and losses are recognized in Other financial income and expenses to be able to enhance the possibility to net all internal flows before entering into external derivatives, except for gains and losses from derivatives hedging currency risks of future cash flows for specific orders. They are recognized in operating income.

Refer to note 9 regarding derivatives used for hedging interest rate exposure in the customer financing portfolio, and derivatives used to hedge currency risks from future firm cash flows recognized in Other financial income and expense.

Loan receivables and other receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivables are recognized initially at fair value, which normally corresponds to the nominal value. In the event that the payment terms exceed one year, the receivable is recognized at the discounted present value. After initial recognition, loans and receivables are measured at amortized cost in accordance with the effective interest method. Gains and losses are recognized in the income statement when the loans or receivables are divested or impaired, as well as in pace with recognition of accrued interest.

Assessment of impairment requirement – loan receivables and other receivables
Volvo Group performs routine controls to ensure that the carrying amount of assets valued at amortized cost has not decreased, which would result in recognition of an impairment loss in the income statement. Provisions for doubtful receivables are recognized on an ongoing basis following assessments of a possible change in the ability of customers to pay.

Impairment comprises the difference between the carrying amount and the current value of the estimated future payment flow attributable to the specific asset with consideration to the fair value of any collateral. Discounting of future cash flow is based on the effective interest rate used initially. Initially, the impairment requirement is evaluated for each respective asset. If, based on objective grounds, it cannot be determined that one or more assets are subject to an impairment loss, the assets are grouped in units based, for example, on similar credit risks to evaluate the impairment loss requirement collectively. Individually impaired assets or assets impaired during previous periods are not included when grouping assets for collective assessment. If the conditions that gave rise to the recognition of an impairment loss later prove to no longer be valid the impairment loss is reversed in the income statement as long as the carrying amount does not exceed the amortized cost at the time of the reversal.

Refer to note 15 and **16** for more information regarding Volvo Group's loan receivables and accounts receivables.

Assets available for sale
This category includes assets available for sale and assets that have not been classified in any of the other category. These assets are initially measured at fair value including transaction costs. Any change in value is recognized directly in other comprehensive income. The cumulative gain or loss recognized in other comprehensive income is reversed in the income statement on the sale of the asset. Unrealized declines in value are recognized in other comprehensive income, unless the decline is significant or prolonged. Then the impairment is recognized in the income statement. If the event that caused the impairment no longer exists, impairment can be reversed in the income statement if it does not involve an equity instrument.

Earned or paid interest attributable to these assets is recognized in the income statement as part of net financial items in accordance with the effective interest method. Dividends received attributable to these assets are recognized in the income statement as Income from other investments.

Volvo Group recognizes shares and participations in listed companies at market value on the balance-sheet date, with the exception of investments classified as associated companies and joint ventures. Holdings in unlisted companies for which a market value is unavailable are recognized at acquisition cost. Volvo Group classifies these types of investments as assets available for sale.

Assessment of impairment – assets available for sale
If assets available for sale are impaired, the impaired amount is the difference between the asset's cost (adjusted for any accrued interest if applicable) and its fair value. However, if equity instruments, such as shares, are involved, a completed impairment is not reversed in the income statement. On the other hand, impairments performed on debt instruments (interest-bearing instruments) are wholly or partly reversible in the income statement, in those instances where an event, proven to have occurred after the impairment was performed, is identified and impacts the valuation of that asset.

Refer to note 5 for Volvo Group's holdings of shares and participations in listed companies.

Hedge accounting

During 2013, the Volvo Group has applied hedge accounting for financial instruments used to hedge interest and currency risks on loans only when hedge accounting requirements are fulfilled. The changes in the fair value of the hedge instruments outstanding and the changes in the carrying amount of the loan are recognized in the income statement. When the requirements for hedge accounting are not considered to be fulfilled, unrealized gains and losses up until the maturity date of the financial instrument are recognized in net financial items in the income statement.

In accordance with IAS 39, derivatives used for the hedging of forecast electricity consumption have been recognized at fair value in the balance sheet. During 2013, the Volvo Group applied hedge accounting for these financial instruments.

In previous years, the Volvo Group has applied hedge accounting for certain net investments in foreign operations. The ongoing result of such hedges is recognized as a separate item in other comprehensive income. In the event of a divestment, the accumulated result from the hedge is recognized in the income statement.

» **Refer to page 163** for supplementary information on hedge accounting and to **Note 4** for information regarding Goals and policies in financial risk management.

Information regarding carrying amounts and fair values

In the table below, carrying amounts are compared with fair values for all of the Volvo Group's financial instruments.

SEK M		Dec 31, 2013 Carrying value	Dec 31, 2013 Fair value	Dec 31, 2012 Carrying value	Dec 31, 2012 Fair value
Assets					
Financial assets at fair value through the income statement[1]					
The Volvo Group's outstanding interest and currency risk derivatives (A)[5]	Note 16	2,542	2,542	3,671	3,671
The Volvo Group's outstanding raw materials derivatives	Note 16	5	5	23	23
B/S Marketable securities	Note 18	2,591	2,591	3,130	3,130
		5,138	5,138	6,824	6,824
Loans receivable and other receivables					
B/S Accounts receivable	Note 16	29,415	–	26,516	–
Customer financing receivables[2]	Note 15	83,861	–	80,989	–
Other interest-bearing receivables	Note 16	509	–	1,291	–
		113,785		108,796	–
Financial assets available for sale[1]					
Holding of shares in listed companies	Note 5	1,490	1,490	1,122	1,122
Holding of shares in non-listed companies	Note 5	460	–	498	–
		1,950	1,490	1,620	1,122
B/S **Cash and cash equivalents**	Note 18	26,968	26,968	25,207	25,207
Liabilities	Note 22				
Financial liabilities at fair value through the income statement[1]					
The Volvo Group's outstanding interest and currency risks derivatives[3]		2,324	2,324	2,832	2,832
The Volvo Group's outstanding raw materials derivatives		55	55	84	84
		2,379	2,379	2,916	2,916
Financial liabilities valued at amortized cost[4]					
Long term bond loans and other loans		83,309	86,888	79,592	85,060
Short term bank loans and other loans		49,811	49,937	50,274	49,455
		133,120	136,825	129,866	134,515
B/S **Trade Payables**		53,901	–	46,472	–

1 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 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 is used to calculate 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.

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

3 Includes a fair value of a loan related to hedge accounting negative SEK 1,157 M (negative 1,495), netted against derivatives used to hedge the risk positive SEK 1,171 M (1,477). For further information on hedging of currency and interest rate risks on loans see below.

4 In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives amounting to negative SEK 1,899 M (negative 1,976).

5 The Volvo Group's gross exposure from positive derivates amounts to SEK 3,713 M (5,148). The exposure is the sum of positive derivatives reported assets to an amount of SEK 2,542 (3,671) and positive derivatives of SEK 1,171 M (1,477) netted against fair value of a loan reported as liability. Refer to footnote 3 above. The gross exposure is reduced by 41% (43%) by netting agreements and cash deposits to SEK 2,203 M (2,948).

» **For further information** refer to **Note 4** Goals and policies in financial risk management.

Derecognition of financial assets

The Volvo Group is involved in cash enhancement activities such as factoring and discounting. Financial assets that have been transferred are included in full or in part in the reported assets of the Volvo Group dependent on the risk and rewards related to the asset have been transferred to the recipient. In accordance with IAS 39, Financial Instruments, Recognition and Measurement, an evaluation is performed to establish whether, substantially, all the risks and rewards have been transferred to an external party. Where the Volvo Group concludes this is not the case, the portion of the financial assets corresponding to the Volvo Group's continuous involvement is recognized. When all the risk and rewards are not considered to be transferred the amount is kept on the balance sheet. Transferred financial asset that does not fulfill the requirements for derecognition amount to SEK 0,4 billion (0,3).

Transferred financial assets for which substantially all risks and rewards have been transferred are derecognized. Continuing involvements in these assets are reflected in the Volvo Group's balance sheet. External credit guarantees relating to these financial assets are recognized to fair value as provisions in the balance sheet and amount to 79 (118).

The Volvo Group's maximum exposure to loss is considered being the total recourse relating to the transferred assets, i.e. the total amount Volvo Group would have to pay in case of default of the customers. This risk exposure is considered not to be material for the Volvo Group as it does not exceed SEK 0,6 billion (0,3). This is the total exposure for the Volvo Group but the likelihood for all customers being in default at the same time is considered to be unlikely.

See note 24 Contingent Liabilities for information regarding contingent liabilities for credit guarantees.

Gains, losses, interest income and expenses related to financial instruments

The table below shows how gains and losses as well as interest income and expenses have affected income after financial items in the Volvo Group divided on the different categories of financial instruments.

Reported in operating income[1]	2013			2012		
SEK M	Gains/ losses	Interest income	Interest expenses	Gains/ losses	Interest income	Interest expenses
Financial assets and liabilities at fair value through the income statement[2]						
Currency risk derivatives[3]	39	–	–	49	–	–
Loans receivable and other receivables						
Accounts receivables / trade payables	629	–	–	(125)	–	–
Customer financing receivables VFS	128	4,705	–	104	5,104	–
Financial assets available for sale						
Shares and participations for which a market value can be calculated	42	–	–	18	–	–
Shares and participations for which a market value cannot be calculated	20	–	–	18	–	–
Financial liabilities valued at amortized cost[4]	–	–	(1,704)	–	–	(2,373)
Effect on operating income	**858**	**4,705**	**(1,704)**	**64**	**5,104**	**(2,373)**

Reported in net financial items[5]						
Financial assets and liabilities at fair value through the income statement						
Marketable securities		94		–	154	–
Interest and currency rate risk derivatives[3, 6]	1,987	(5)	(56)	449	21	(188)
Loans receivable and other receivables						
Cash and Cash equivalents		292		–	278	–
Financial liabilities valued at amortized cost[6]	(1,678)		(2,171)	(227)	–	(2,150)
Effect on net financial items	**309**	**381**	**(2,227)**	**222**	**453**	**(2,338)**

1 Information is provided regarding changes in provisions for doubtful receivables and customer financing in Notes 15 and 16, Accounts receivable and customer financing receivables, as well as in Note 8, Other financial income and expenses.
2 Accrued and realized interest is included in gains and losses related to Financial assets and liabilities at fair value through the income statement.
3 Volvo uses forward contracts and currency options to hedge the value of future cash flows in foreign currency. Both unrealized and realized result on currency risk contracts are included in the table. Refer to Note 4, Goals and policies in financial risk management.
4 Interest expenses attributable to financial liabilities valued at amortized cost recognized in operating income include interest expenses for financing operational leasing activities, not classified as financial instruments.
5 In gains, losses, income and expenses related to financial instruments recognized in Net financial items, SEK 309 M (222) was recognized under other financial income and expenses. Refer to Note 9, Other financial income and expenses for further information. Interest expenses attributable to pensions, SEK 583 M (611) are not included in this table.
6 Refer to Note 9, Other financial income and expenses for further information.

Below is a presentation of derivative instruments and options of financial and commercial receivables and liabilities.

Outstanding derivative instruments for dealing with currency and interest-rate risks related to financial and commercial assets and liabilities	Dec 31, 2013		Dec 31, 2012	
SEK M	Nominal amount	Carrying value	Nominal amount	Carrying value
Interest-rate swaps				
– receivable position	71,495	1,833	64,825	2,507
– payable position	64,790	(1,045)	74,247	(1,169)
Forwards and futures				
– receivable position	–	–	–	10
– payable position	–	–	7,470	(34)
Foreign exchange derivative contracts				
– receivable position	47,077	704	25,425	1,144
– payable position	25,437	(118)	19,527	(131)
Options purchased				
– receivable position	1,157	5	719	10
– payable position	179	–	74	–
Options written				
– payable position	716	(4)	482	(3)
Subtotal		**1,375**		**2,334**
Raw materials derivative contracts				
– receivable position	182	5	(120)	23
– payable position	(190)	(55)	467	(84)
Total		**1,325**		**2,273**

Hedge accounting – supplementary information

Hedging of currency and interest rate risks on loans

Fair value of the hedge instruments outstanding amounts to SEK 1,405 M (1,697). Changes in fair value of the loan related to hedge accounting amounts to negative SEK 1,157 M (negative SEK 1,495). The changes in the fair value of the hedge instruments outstanding and the changes in the fair value of the loan are recognized in net financial positions in the income statement.

NOTE 31 CHANGES IN THE VOLVO GROUP'S FINANCIAL REPORTING 2013

As from January 1, 2013 Volvo applies IFRS 11 Joint Arrangements, amendments in IAS 28 Investments in Associates and Joint Ventures and the amendments in IAS 19 Employee Benefits. These standards are applied retrospectively and hence the income statement and balance sheet for 2012 are adjusted to reflect the changes in these new and amended accounting standards. None of the other new or amended accounting standards or interpretations effective from January 1, 2013 have had any material effect on the Volvo Group.

Read more about all new applied accounting principles in **Note 1**.

Restatement of Joint ventures

IFRS 11 Join Arrangements has replaced IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures. A joint operation is a joint arrangement whereby the parties to the arrangement have rights to the assets, and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties to the arrangement have rights to the net assets of the arrangement. The Volvo Group's joint arrangements are classified as joint ventures. The Volvo Group has previously accounted for joint ventures using the proportional method and consolidated the assignable part item by item in the income statement and balance sheet.

Under IFRS 11, the option of proportional consolidation of joint ventures included in IAS 31 has been removed, and joint ventures shall be accounted for using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures (revised 2011). Assets and liabilities relating to joint ventures have been derecognized from the balance sheet and the carrying amount as of January 1, 2012, corresponds to the net assets derecognized and goodwill. Goodwill has been allocated to each joint venture and any possible write-down requirement have been considered in accordance with the transition rules in IFRS 11. In accordance with the equity method, the Volvo Group's share of the joint venture's profit or loss is recognized as an one line item in the income statement, i.e. "Income from investments in joint ventures and associates". The corresponding amount is recognized in the balance sheet as "Investment in joint ventures and associates".

The Volvo Group's equity share in the joint venture VE Commercial Vehicles (VECV) amounts to 45.6 %. The 8.4 % share in the other joint partner, the listed company Eicher Motors Ltd, is recognized as Other shares and participations and is revalued over other comprehensive income.

Read more about Volvo Group's Joint Ventures in **Note 5**.

Restatement of Employee benefits

As from January 1, 2013 the amendments to IAS 19 Employee benefits are effective. The revised standard is applied retrospectively, and hence the opening balance for 2012 is adjusted in accordance with the revised IAS 19, and the reported numbers for 2012 are restated accordingly for comparison purposes.

The revised standard removes the option to use the corridor method which is used by the Volvo Group up to and including the financial year 2012. According to the revised IAS 19, discount rate is used when calculating the net interest income or expense on the net defined benefit liability (asset), hence the expected return is no longer used. All changes in the net defined liability (asset) are recognized when they occur. Service cost and net interest are recognized in the income statement, while remeasurements such as actuarial gains and losses are recognized in other comprehensive income. Special payroll tax is included in the pension liability, special payroll tax is applicable for pension plans in Sweden and Belgium. Amortization of actuarial gains and losses will cease with the removal of the corridor method.

Read more about provision for post-employment benefit in **Note 20**.

Restatement of Hedging of commercial flows

As from January 1, 2013 there is a change in the presentation of financial instruments relating to hedging effects on commercial flows, from Operating income to Other financial income and expenses except for gains and losses from derivatives hedging currency risks of future cash flows for specific orders. Financial instruments related to hedging of commercial flows are presented in the finance net to be able to enhance the possibility to net all internal flows before entering into external hedging contracts. The new accounting princple has been applied retrospectively and the income statement for 2012 has been adjusted.

Read more about hedging of commercial flows in **Note 30**.

The effect on the Volvo Group's balance sheets as of January 1, 2012 and as of December 31, 2012 and the the income statement 2012 due to the restatements of joint ventures, employee benefits and hedging of commercial flows are presented below.

Balance sheet January 1, 2012

SEK M	Volvo Group: Previously reported as of Jan 1, 2012	Restatement Joint Ventures	After restatement Joint Ventures	Restatement post-employment benefits	After post-employment benefit restatement
Assets					
Non-current assets					
Intangible assets	39,507	(1,729)	37,778	–	37,778
Tangible assets					
Property, plant and equipment	54,540	(636)	53,904	–	53,904
Assets under operating leases	23,922	–	23,922	–	23,922
Financial assets					
Investments in Joint Venturs and associated companies	684	2,612	3,296	–	3,296
Other shares and participations	1,190	419	1,609	–	1,609
Non-current customer-financing receivables	40,618	–	40,618	–	40,618
Deferred tax assets	12,838	(19)	12,819	3,980	16,799
Prepaid pensions	2,277	–	2,277	(2,277)	0
Non-current interest-bearing receivables	694	(51)	643	–	643
Other non-current receivables	4,315	(11)	4,304	–	4,304
Total non-current assets	**180,585**	**585**	**181,170**	**1,703**	**182,873**
Current assets					
Inventories	44,599	(363)	44,236	–	44,236
Current receivables					
Customer-financing receivables	38,081	–	38,081	–	38,081
Tax assets	1,200	(180)	1,020	–	1,020
Interest-bearing receivables	667	–	667	–	667
Internal funding	–	–	–	–	–
Accounts receivable	27,699	(768)	26,931	–	26,931
Other receivables	13,825	(114)	13,711	–	13,711
Non interest-bearing assets held for sale	9,344	–	9,344	117	9,461
Interest-bearing assets held for sale	4	–	4	–	4
Marketable securities	6,862	–	6,862	–	6,862
Cash and cash equivalents	30,379	(822)	29,557	–	29,557
Total current assets	**172,659**	**(2,248)**	**170,411**	**117**	**170,528**
Total assets	**353,244**	**(1,663)**	**351,581**	**1,820**	**353,401**
Shareholders' equity and liabilities					
Equity attributable to the equity holders of the parent company	84,581	(5)	84,576	(8,821)	75,755
Minority interests	1,100	–	1,100	–	1,100
Total shareholders' equity	**85,681**	**(5)**	**85,676**	**(8,821)**	**76,855**
Non-current provisions					
Provisions for post-employment benefits	6,665	(10)	6,655	10,078	16,733
Provisions for deferred taxes	5,636	(175)	5,461	–	5,461
Other provisions	5,648	(89)	5,559	–	5,559
Non-current liabilities					
Bond loans	38,192	–	38,192	–	38,192
Other loans	47,765	(5)	47,760	–	47,760
Other liabilities	10,447	(1)	10,446	–	10,446
Current provisions	9,531	–	9,531	–	9,531
Current liabilities					
Loans	44,522	(236)	44,286	–	44,286
Non interest-bearing liabilities held for sale	4,710	–	4,710	–	4,710
Interest-bearing liabilities held for sale	6	–	6	532	538
Trade payables	56,788	(688)	56,100	–	56,100
Tax liabilities	2,391	–	2,391	–	2,391
Other liabilities	35,262	(453)	34,809	31	34,840
Total shareholders' equity and liabilities	**353,244**	**(1,663)**	**351,581**	**1,820**	**353,401**

Balance sheet December 31, 2012

SEK M	Previously reported 2012	Restatement joint ventures	After joint venture restatement	Restatement post-employment benefits	After post-employment benefit restatement	Restatement hedging of firm flows	After restatements
	Volvo Group						
Assets							
Non-current assets							
Intangible assets	40,373	(1,675)	38,698	–	38,698	–	38,698
Tangible assets							
Property, plant and equipment	55,004	(815)	54,189	–	54,189	–	54,189
Assets under operating leases	29,022	–	29,022	–	29,022	–	29,022
Financial assets							
Investments in Joint Ventures and associated companies	2,045	2,478	4,523	–	4,523	–	4,523
Other shares and participations	845	775	1,620	–	1,620	–	1,620
Non-current customer-financing receivables	41,156	–	41,156	–	41,156	–	41,156
Deferred tax assets	11,166	–	11,166	4,710	15,876	–	15,876
Prepaid pensions	2,724	–	2,724	(2,724)	–	–	–
Non-current interest-bearing receivables	337	–	337	–	337	–	337
Other non-current receivables	3,319	(231)	3,088	–	3,088	–	3,088
Total non-current assets	**185,991**	**533**	**186,524**	**1,986**	**188,510**	**–**	**188,510**
Current assets							
Inventories	40,409	(316)	40,093	–	40,093	–	40,093
Current receivables							
Customer-financing receivables	39,833	–	39,833	–	39,833	–	39,833
Tax assets	1,208	(195)	1,013	–	1,013	–	1,013
Interest-bearing receivables	2,574	–	2,574	–	2,574	–	2,574
Internal funding	–	–	–	–	–	–	–
Accounts receivable	27,349	(833)	26,516	–	26,516	–	26,516
Other receivables	12,489	(199)	12,290	–	12,290	–	12,290
Non interest-bearing assets held for sale	–	–	–	–	–	–	–
Interest-bearing assets held for sale	–	–	–	–	–	–	–
Marketable securities	3,130	–	3,130	–	3,130	–	3,130
Cash and cash equivalents	25,759	(552)	25,207	–	25,207	–	25,207
Total current assets	**152,751**	**(2,095)**	**150,656**	**–**	**150,656**	**–**	**150,656**
Total assets	**338,742**	**(1,562)**	**337,180**	**1,986**	**339,166**	**–**	**339,166**
Shareholders' equity and liabilities							
Equity attributable to the equity holder of the Parent Company	85,648	334	85,982	(10,197)	75,785	–	75,785
Minority interests	1,266	–	1,266	–	1,266	–	1,266
Total shareholders' equity	**86,914**	**334**	**87,248**	**(10,197)**	**77,051**	**–**	**77,051**
Non-current provisions							
Provisions for post-employment benefits	6,697	(14)	6,683	12,152	18,835	–	18,835
Provisions for deferred taxes	5,028	(178)	4,850	–	4,850	–	4,850
Other provisions	5,783	(43)	5,740	–	5,740	–	5,740
Non-current liabilities							
Bond loans	43,092	–	43,092	–	43,092	–	43,092
Other loans	38,433	(5)	38,428	–	38,428	–	38,428
Other liabilities	10,714	–	10,714	–	10,714	–	10,714
Current provisions	10,976	–	10,976	–	10,976	–	10,976
Current liabilities						–	
Loans	50,317	(304)	50,013	–	50,013	–	50,013
Non interest-bearing liabilities held for sale	–	–	–	–	–	–	–
Interest-bearing liabilities held for sale	–	–	–	–	–	–	–
Trade payables	47,364	(892)	46,472	–	46,472	–	46,472
Tax liabilities	653	(193)	460	–	460	–	460
Other liabilities	32,771	(267)	32,504	31	32,535	–	32,535
Total shareholders' equity and liabilities	**338,742**	**(1,562)**	**337,180**	**1,986**	**339,166**	**–**	**339,166**

Income statement full year, 2012

SEK M	Volvo Group Previously reported 2012	Restatement joint ventures	After joint venture restatement	Restatement post-employment benefits	After post-employment benefit restatement	Restatement hedging of firm flows	After restatements
Net sales	**303,647**	**(3,833)**	**299,814**	**–**	**299,814**	**–**	**299,814**
Cost of sales	(235,085)	3,281	(231,804)	412	(231,392)	(223)	(231,615)
Gross income	**68,562**	**(552)**	**68,010**	**412**	**68,422**	**(223)**	**68,199**
Research and development expenses	(14,794)	81	(14,713)	78	(14,635)	–	(14,635)
Selling expenses	(28,248)	180	(28,068)	174	(27,894)	–	(27,894)
Administrative expenses	(5,669)	88	(5,581)	18	(5,563)	–	(5,563)
Other operating income and expenses	(2,160)	60	(2,100)	4	(2,096)	–	(2,096)
Income from investments in Joint Ventures and associated companies	(23)	122	99	–	99	–	99
Income from other investments	(47)	5	(42)	–	(42)	–	(42)
Operating income	**17,622**	**(17)**	**17,604**	**686**	**18,290**	**(223)**	**18,067**
Interest income and similar credits	510	(57)	453	–	453	–	453
Interest expenses and similar charges	(2,476)	20	(2,456)	(493)	(2,949)	–	(2,949)
Other financial income and expenses	(301)	0	(301)	–	(301)	223	(78)
Income after financial items	**15,355**	**(54)**	**15,301**	**193**	**15,494**	**0**	**15,494**
Income taxes	(4,097)	45	(4,052)	(64)	(4,116)	–	(4,116)
Income for the period	**11,258**	**(9)**	**11,249**	**129**	**11,378**	**0**	**11,378**

Consolidated other comprehensive income

Income for the period	**11,258**	**(9)**	**11,249**	**129**	**11,378**	**0**	**11,378**
Exchange differences on translation of foreign operations	(3,916)	208	(3,708)	313	(3,395)	–	(3,395)
Share of OCI related to Joint Ventures and associated companies	–	(191)	(191)	–	(191)	–	(191)
Exchange differences on hedge instruments of net investment in foreign operations	0	–	0	–	0	–	0
Accumulated translation difference reversed to income	(118)	–	(118)	–	(118)	–	(118)
Available for sale investments	(4)	347	343	–	343	–	343
Cash flow hedges	8	–	8	–	8	–	8
Remeasurements of defined benefit plan	–	–	–	(2,234)	(2,234)	–	(2,234)
Other comprehensive income, net of income taxes	**(4,030)**	**364**	**(3,666)**	**(1,921)**	**(5,587)**	**0**	**(5,587)**
Total comprehensive income for the period	**7,228**	**355**	**7,583**	**(1,792)**	**5,791**	**0**	**5,791**
Attributable to							
Equity holders of the parent company	7,092	–	–	–	–	–	5,655
Minority interests	136	–	–	–	–	–	136
	7,228	–	–	–	–	–	5,791

Parent Company AB Volvo

Corporate registration number 556012-5790.

Amounts in SEK M unless otherwise specified. Amounts within parentheses refer to the preceding year, 2012.

Board of Directors' report

AB Volvo is the Parent Company of the Volvo Group and its operations comprise of the Group's head office with staff together with some corporate functions.

Income from investments in Group companies include dividends amounting to 1,689 (920) and transfer price adjustments and royalties amounting to an expense of 1,128 (524). Dividend received from Volvo Financial Services AB amounted to 1,080 and dividend received from Volvo China Investment Co Ltd amounted to 312.

During the year subscription in Volvo Group Japan Co has been made by 3,392 after which the holding was written down by 843. Shareholders' contribution has been given to Volvo Information Technology AB by 600 and to VNA Holding Inc by 787, the latter in form of total shares in Prévost Car (US) Inc.

The carrying value of shares and participations in Group companies amounted to 60,763 (56,832), of which 59,870 (55,940) pertained to shares in wholly owned subsidiaries. The corresponding shareholders' equity in the subsidiaries (including equity in untaxed reserves but excluding minority interests) amounted to 101,937 (100,326).

Investments in joint ventures and associated companies included 2,819 (1,752) in joint ventures and associated companies that are recognized in accordance with the equity method in the consolidated accounts. The portion of shareholders' equity in joint ventures and associated companies pertaining to AB Volvo amounted to 3,038 (1,419).

Financial net debt amounted to 33,685 (27,042).

AB Volvo's risk capital (shareholders' equity plus untaxed reserves) amounted to 34,589 (41,241) corresponding to 45% (54%) of total assets.

INCOME STATEMENT

SEK M		2013	2012
Net sales	Note 2	**659**	**670**
Cost of sales	Note 2	(659)	(670)
Gross income		**0**	**0**
Administrative expenses	Note 2, 3	(974)	(1,026)
Other operating income and expenses	Note 4	(83)	48
Income from investments in Group companies	Note 5	(541)	3,151
Income from investments in joint ventures and associated companies	Note 6	0	4
Income from other investments	Note 7	1	9
Operating income		**(1,597)**	**2,186**
Interest income and similar credits	Note 8	8	0
Interest expenses and similar charges	Note 8	(1,139)	(1,509)
Other financial income and expenses	Note 9	(57)	(112)
Income after financial items		**(2,785)**	**565**
Allocations	Note 10	831	5,628
Income taxes	Note 11	333	(1,092)
Income for the period		**(1,621)**	**5,101**

OTHER COMPREHENSIVE INCOME

Income for the period	**(1,621)**	**5,101**
Items that may be reclassified subsequently to income statement:		
Available-for-sale investments	415	313
Other comprehensive income, net of income taxes	**415**	**313**
Total comprehensive income for the period	**(1,206)**	**5,414**

BALANCE SHEET

SEK M		**December 31, 2013**	December 31, 2012
Assets			
Non-current assets			
Intangible assets	Note 12	38	52
Tangible assets	Note 12	72	74
Financial assets			
Shares and participations in Group companies	Note 13	60,763	56,832
Receivables from Group companies		59	83
Investments in joint ventures and associated companies	Note 13	3,343	3,374
Other shares and participations	Note 13	1,203	791
Deferred tax assets	Note 11	2,550	1,964
Other non-current receivables		27	0
Total non-current assets		**68,055**	**63,170**
Current assets			
Current receivables			
Receivables Group companies		8,951	12,406
Other receivables	Note 14	311	1,078
Cash and bank accounts		0	0
Total current assets		**9,262**	**13,484**
Total assets		**77,317**	**76,654**
Shareholders' equity and liabilities			
Shareholders' equity			
Restricted equity			
Share capital (2,128,420,220 shares, quota value SEK 1.20)		2,554	2,554
Statutory reserve		7,337	7,337
Unrestricted equity			
Non-restricted reserves		1,172	747
Retained earnings		25,142	26,041
Income for the period		(1,621)	5,101
Total shareholders' equity		**34,584**	**41,780**
Untaxed reserves	Note 15	**5**	**4**
Provisions			
Provisions for post-employment benefits	Note 16	133	135
Other provisions	Note 17	31	40
Total provisions		**164**	**175**
Non-current liabilities	Note 18		
Liabilities to Group companies		7	7
Total non-current liabilities		**7**	**7**
Current liabilities			
Trade payables		183	254
Other liabilities to Group companies		42,032	34,164
Other liabilities	Note 19	342	270
Total current liabilities		**42,557**	**34,688**
Total shareholders' equity and liabilities		**77,317**	**76,654**
Assets pledged		–	–
Contingent liabilities	Note 20	**232,308**	**243,887**

CASH-FLOW STATEMENT

SEK M		**2013**	2012
Operating activities			
Operating income		(1,597)	2,186
Depreciation and amortization		16	16
Other non-cash items	Note 21	1,764	(2,788)
Total change in working capital whereof		739	127
Change in accounts receivable		*29*	*134*
Change in trade payables		*(65)*	*(61)*
Other changes in working capital		*775*	*54*
Interest and similar items received		8	0
Interest and similar items paid		(1,136)	(1,504)
Other financial items		(61)	(105)
Group contributions received/paid, net		5,628	7,085
Income taxes paid/received		(254)	5
Cash-flow from operating activities		**5,107**	**5,022**
Investing activities			
Investments in fixed assets		(37)	(74)
Disposals of fixed assets		37	100
Investments and divestments of shares in group companies, net	Note 21	(5,033)	5,097
Investments and divestments of shares in non-group companies, net	Note 21	(1)	(1,098)
Interest-bearing receivables		(26)	–
Cash-flow after net investments		**47**	**9,047**
Financing activities			
Change in loans, net	Note 21	6,021	(2,964)
Dividend to AB Volvo's shareholders		(6,084)	(6,083)
Other		16	–
Change in liquid funds		**0**	**0**
Liquid funds, beginning of year		**0**	**0**
Liquid funds, end of year		**0**	**0**

CHANGES IN SHAREHOLDERS' EQUITY

	Restricted equity		Unrestricted equity				
SEK M	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Total	Total shareholders' equity
Balance at December 31, 2011	**2,554**	**7,337**	**190**	**34**	**32,044**	**32,268**	**42,159**
Effect of change of accounting principle	–	–	–	196	–	196	196
Adjusted opening balance at January 1, 2012	**2,554**	**7,337**	**190**	**230**	**32,044**	**32,464**	**42,355**
Income for the period	–	–	–	–	5,101	5,101	5,101
Other comprehensive income							
Available-for-sale investments:							
Gains/losses at valuation to fair value	–	–	–	313	–	313	313
Other comprehensive income for the period	–	–	–	313	–	313	313
Total income for the period	–	–	–	**313**	**5,101**	**5,414**	**5,414**
Transactions with shareholders							
Dividend to AB Volvo's shareholders	–	–	–	–	(6,083)	(6,083)	(6,083)
Share based payments	–	–	14	–	80	94	94
Transactions with shareholders	–	–	14	–	(6,003)	(5,989)	(5,989)
Balance at December 31, 2012	**2,554**	**7,337**	**204**	**543**	**31,142**	**31,889**	**41,780**
Income for the period	–	–	–	–	(1,621)	(1,621)	(1,621)
Other comprehensive income							
Available-for-sale investments:							
Gains/losses at valuation to fair value	–	–	–	415	–	415	415
Other comprehensive income for the period	–	–	–	415	(1,621)	(1,206)	(1,206)
Total income for the period	–	–	–	**415**	**(1,621)**	**(1,206)**	**(1,206)**
Transactions with shareholders							
Dividend to AB Volvo's shareholders	–	–	–	–	(6,084)	(6,084)	(6,084)
Share based payments	–	–	10	–	84	94	94
Transactions with shareholders	–	–	10	–	(6,000)	(5,990)	(5,990)
Balance at December 31, 2013	**2,554**	**7,337**	**214**	**958**	**23,521**	**24,693**	**34,584**

Further information regarding the share capital of the Parent Company is shown in **Note 19** to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the preceding year, 2012.

NOTE 1 ACCOUNTING PRINCIPLES

The Parent Company has prepared its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2, Accounting for Legal entities. According to RFR 2, the Parent Company shall apply all the International Financial Reporting Standards endorsed by the EU as far as this is possible within the framework of the Swedish Annual Accounts Act. The changes in RFR 2 applicable to the fiscal year beginning January 1, 2013, have had no material impact on the financial statements of the Parent Company.

The accounting principles applied by the Volvo Group are described in note 1 Accounting principles to the consolidated financial statements. The main deviations between the accounting principles applied by the Volvo Group and the Parent Company are described below.

Shares and participations in Group companies and investments in joint ventures and associated companies are recognized at cost in the Parent Company and test for impairment is performed annually. Dividends is recognized in the income statement.

The Parent Company applies the exception in the application of IAS 39 which concerns accounting and measurement of financial contracts of guarantee in favour of subsidiaries and associated companies. The Parent Company recognizes the financial contracts of guarantee as contingent liabilities.

The Volvo Group applies IAS 19 Employee Benefits in the consolidated financial statements. The Parent Company is applying the principles of FAR's Recommendation RedR4 "Accounting of pension liabilities and pension costs". Consequently there are differences between the Volvo Group and the Parent Company in the accounting of defined benefit pension plans as well as in the measurement of plan assets invested in the Volvo Pension Foundation.

The Parent Company recognizes the difference between depreciation according to plan and tax depreciation as accumulated additional depreciation, included in untaxed reserves.

Reporting of Group contributions is recognized in accordance with the alternative rule in RFR 2. Group contributions are reported as Allocations.

As from January 1, 2013, the holding in the listed company Eicher Motors Ltd is recognized at fair value. The holding is classified as "Financial assets available for sale" and changes in fair value are recognized in Other comprehensive income. Comparative figures for 2012 have been restated.

Change in accounting principle have had the following impact on the financial statements of the Parent Company:

Other shares and participations	Jan 1, 2012	Dec 31, 2012
Carrying value according to previous Annual Report	552	248
Change in value of financial assets available for sale	196	543
Carrying value after change of accounting principle	748	791

Shareholders's equity	Jan 1, 2012	Dec 31, 2012
Carrying value according to previous Annual Report	42,159	41,237
Change in value of financial assets available for sale	196	543
Carrying value after change of accounting principle	42,355	41,780

Other comprehensive income	Dec 31, 2012
Carrying value according to previous Annual Report	5,067
Items that may be reclassified subsequently to income statement:	
Change in value of financial assets available for sales	347
Carrying value after change of accounting principle	5,414

NOTE 2 INTRA-GROUP TRANSACTIONS

The Parent Company's net sales amounted to 659 (670), of which 514 (559) pertained to Group companies. Purchases from Group companies amounted to 351 (353).

NOTE 3 ADMINISTRATIVE EXPENSES

Depreciation

Administrative expenses include depreciation of 16 (16) of which 1 (1) pertains to machinery and equipment, 1 (1) to buildings and 14 (14) to other intangible assets.

Fees to the auditors	2013	2012
PricewaterhouseCoopers AB		
– Audit fees	18	23
– Audit-related fees	2	2
– Tax advisory services	1	3
– Other fees	5	23
Total	**26**	**51**

See Note 28 to the consolidated financial statements for a description of the different categories of fees to the auditors.

Personnel

Wages, salaries and other remunerations amounted to 289 (295), social costs to 87 (90) and pension costs to 100 (90). Pension cost of 6 (6) pertained to Board members and the President. The Parent Company has outstanding pension obligations of 1 (0) to these individuals.

The number of employees at year-end was 279 (258).

Read more about the average number of employees, wages, salaries and other remunerations including incentive program as well as Board members and senior executives by gender in **Note 27** to the consolidated finacial statements.

NOTE 4 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include costs for legal processes, donations and grants.

NOTE 5 INCOME FROM INVESTMENTS IN GROUP COMPANIES

Dividends from Group companies amounted to 1,689 (920). Of dividends, 1,080 (–) pertain to dividend from Volvo Financial Services AB, 312 (55) from Volvo China Investment Co Ltd, 105 (–) from Volvo East Asia (Pte) Ltd, 85 (–) from Volvo Group UK Ltd, 59 (–) from Volvo Malaysia Sdn Bhd, 37 (258) from Volvo Construction Equipment NV, 11 (–) from Volvo UK Holding Ltd and – (572) from Volvo Aero AB.

Shares in subsidiaries were written down by 996 (110). 843 (–) pertain to shares in Volvo Group Japan Co, 63 (110) pertain to shares in Volvo Italia Spa, 50 (–) pertain to shares in Volvo Parts AB and 40 (–) pertains to shares in Volvo Business Services AB.

Income 2012 included 2,865 referring to the gain on sale of shares in Volvo Aero AB. An adjustment of the gain has been made by an expense of 106 during 2013.

Transfer price adjustments and royalties amount to an expense of 1,128 (524).

NOTE 6 INCOME FROM INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

Dividend of 31 (35) was received from VE Commercial Vehicles Ltd.

Income include write-down of participation in Blue Chip Jet HB with 5 (–) and in Blue Chip Jet II HB with 26 (19).

NOTE 7 INCOME FROM OTHER INVESTMENTS

Income from other investments includes a dividend of 5 (5) from Eicher Motors Ltd. The shares in Johanneberg Science Park AB and Lindholmen Science Park AB were written down by 4 (–).

NOTE 8 INTEREST INCOME AND EXPENSES

Interest income and similar credits amounting to 8 (0) included interest in the amount of 0 (0) from subsidiaries. Interest expenses and similar charges totalling 1,139 (1,509) included interest of 1,136 (1,504) to subsidiaries.

NOTE 9 OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses include exchange rate gains and losses, cost for credit facilities, costs for credit rating, financial costs pertaining to changed taxable income previous years and costs for registration of AB Volvo shares.

NOTE 10 ALLOCATIONS

Group contributions amounted to a net of 832 (5,628). Allocation to additional depreciation has been made during the year with 1 (0).

NOTE 11 INCOME TAXES

	2013	2012
Current taxes	(254)	4
Deferred taxes	587	(1,096)
I/S **Total income taxes**	**333**	**(1,092)**

Current taxes consist of an expense of 1 (2) related to this year and an expense of 253 (income 6) related to prior years.

Deferred taxes relate to estimated tax on the change in tax-loss carryforwards and temporary differences. Deferred tax assets are recognized to the extent that it is probable that the amount can be utilized against future taxable income.

Deferred taxes related to change in tax-loss carryforwards amount to an income of 590 (expense 1,081) and to changes in other temporary differences to an expense of 3 (15).

The table below discloses the principal reasons for the difference between the corporate income tax of 22% and the tax for the period.

	2013	2012
Income before taxes	(1,954)	6,193
Income tax according to applicable tax rate	430	(1,629)
Capital gains/losses	(23)	754
Non-taxable dividends	380	253
Non-taxable revaluations of shareholdings	(227)	(37)
Other non-deductible expenses	(15)	(71)
Other non-taxable income	42	18
Adjustment of current taxes for prior periods	(253)	6
Withholding tax	(1)	(2)
Recognition and derecognition of deferred tax assets due to change in tax rate	–	(384)
I/S **Income taxes for the period**	**333**	**(1,092)**

Specification of deferred tax assets	Dec 31, 2013	Dec 31, 2012
Tax-loss carryforwards	2,394	1,804
Provision for post-employment benefits	149	141
Provision for restructuring measures	7	9
Other deductible temporary differences	–	10
B/S **Deferred tax assets**	**2,550**	**1,964**

NOTE 12 INTANGIBLE AND TANGIBLE ASSETS

Acquisition cost	Dec 31, 2012 Acquisition cost	Investments	Sales/scrapping	Reclassifications	Dec 31, 2013 Acquisition cost
Rights	52	–	–	–	52
Other intangible assets	116	–	–	–	116
Total intangible assets	**168**	**–**	**–**	**–**	**168**
Buildings	27	–	–	–	27
Land and land improvements	14	–	–	–	14
Machinery and equipment	42	–	0	5	47
Construction in progress	26	**37**	**(37)**	**(5)**	**21**
Total tangible assets	**109**	**37**	**(37)**	**0**	**109**

Accumulated depreciation and net value in balance sheet	Dec 31, 2012 Accumulated depreciation[1]	Depreciation[2]	Sales/scrapping	Dec 31, 2013 Accumulated depreciation	Dec 31, 2013 Net value in balance sheet[3]
Rights	52	–	–	52	0
Other intangible assets	64	14	–	78	38
B/S **Total intangible assets**	**116**	**14**	**–**	**130**	**38**
Buildings	4	1	–	5	22
Land and land improvements	0	0	–	0	14
Machinery and equipment	31	1	0	32	15
Construction in progress	–	–	–	–	21
B/S **Total tangible assets**	**35**	**2**	**0**	**37**	**72**

1 Including accumulated write-downs.
2 Including write-downs.
3 Acquisition value, less accumulated depreciation, amortization and write-downs.

Capital expenditures in tangible assets amounted to 37 (74). Capital expenditures approved but not yet implemented at year-end 2013 amounted to 0 (1).

NOTE 13 INVESTMENTS IN SHARES AND PARTICIPATIONS

Changes in AB Volvo's holding of shares and participations are disclosed below:

	Group companies		Joint ventures and associated companies		Non-Group companies	
	2013	2012	2013	2012	2013	2012
Adjusted opening balance at January 1	56,832	59,460	3,374	2,401	791	748
Changes in accounting principles	–	–	–	–	–	347
Acquisitions/New issue of shares	4,203	–	–	1,107	–	–
Divestments	(787)	(2,885)	–	–	–	(6)
Shareholder's contribution	1,511	–	–	–	1	–
Write-downs/participations in partnerships	(996)	(110)	(31)	(31)	(4)	–
Revaluation of shares in listed companies	–	–	–	–	415	(34)
Reclassifications	–	367	–	(103)	–	(264)
B/S **Balance sheet, December 31**	**60,763**	**56,832**	**3,343**	**3,374**	**1,203**	**791**

AB Volvo's holding of shares in subsidiaries	Registration number	Dec 31, 2013 Percentage holding[1]	Dec 31, 2013 Carrying value[2]	Dec 31, 2012 Carrying value[2]
Volvo Lastvagnar Sverige AB, Sweden	556013-9700	100	8,711	8,711
Volvo Holding Sverige AB, Sweden	556539-9853	100	7,634	7,634
Volvo Group Japan Co, Japan	–	100	8,928	6,379
Volvo Bussar AB, Sweden	556197-3826	100	1,917	1,917
Volvo Construction Equipment NV, The Netherlands	–	100	2,582	2,582
AB Volvo Penta, Sweden	556034-1330	100	438	438
VNA Holding Inc., USA	–	100	3,278	2,491
Volvo Financial Services AB, Sweden	556000-5406	100	1,945	1,945
Volvo Treasury AB, Sweden	556135-4449	100	13,044	13,044
Sotrof AB, Sweden	556519-4494	100	1,388	1,388
Volvo Korea Holding AB, Sweden	556531-8572	100	2,655	2,655
Volvo China Investment Co Ltd., China	–	100	1,096	1,096
Volvo Automotive Finance (China) Ltd., China	–	100	491	491
Volvo Group UK Ltd., Great Britain[3]	–	39	413	413
Volvo Holding Mexico, Mexico	–	100	531	531
Volvo Group Venture Capital AB, Sweden	556542-4370	100	361	361
Volvo Powertrain AB, Sweden	556000-0753	100	498	498
Volvo Information Technology AB, Sweden	556103-2698	100	1,263	663
Volvo Parts AB, Sweden	556365-9746	100	150	200
Volvo Group Insurance Försäkrings AB, Sweden	516401-8037	100	182	182
Volvo Business Services AB, Sweden	556029-5197	100	67	107
Volvo Danmark A/S, Denmark	–	100	128	104
VFS Servizi Financiari Spa, Italy[4]	–	25	79	79
Kommersiella Fordon Europa AB, Sweden	556049-3388	100	1,890	1,890
Volvo Norge A/S, Norway	–	100	56	56
Volvo Malaysia Sdn, Malaysia	–	100	48	48
ZAO Volvo Vostok, Russia[5]	–	75	34	34
Volvo Italia Spa, Italy	–	100	447	386
CPAC Systems AB, Sweden[6]	556566-2870	49	367	367
Volvo Logistics AB, Sweden	556197-9732	100	85	85
Rossareds Fastighets AB, Sweden	556009-1190	100	26	26
Alviva AB, Sweden	556622-8820	100	5	5
Volvo East Asia (Pte) Ltd., Singapore	–	100	9	9
Volvo Information Technology GB Ltd., Great Britain	–	100	3	3
VFS Latvia SIA, Latvia	–	100	9	9
Other holdings	–	100	5	5
Total carrying value Group companies[7]			**60,763**	**56,832**

AB Volvo's holding of shares in joint ventures, associated companies and non-Group companies	Registration number	Dec 31, 2013 Percentage holding[1]	Dec 31, 2013 Carrying value Mkr[2]	Dec 31, 2012 Carrying value Mkr[2]
VE Commercial Vehicles Ltd., India[8]	–	45.6	1,616	1,616
Eicher Motors Ltd., India	–	8.43	1,191	775
Deutz AG, Germany	–	25.03	1,359	1,359
Blue Chip Jet HB, Sweden	969639-1011	50	3	8
Blue Chip Jet II HB, Sweden	969717-2105	50	359	386
Other investments	–	–	18	21
Total carrying value, joint ventures, associated companies and non-Group companies			**4,546**	**4,165**

1 The percentage holding refers to the Parent Company AB Volvo's holding.
2 Refers to AB Volvo's carrying value of its holding.
3 Total holding by Volvo Lastvagnar AB and AB Volvo is 100%.
4 Total holding by Volvo Italia Spa and AB Volvo is 100%.
5 Total holding by AB Volvo and Volvo Trucks Region Central Europe GmbH is 100%.
6 Total holding by AB Volvo and AB Volvo Penta is 100%.
7 AB Volvo's share of shareholders' equity is subsidiaries (including equity in untaxed reserves) was 101,937 (100,326).
8 In Volvo Group the company is reported as a joint venture, consolidated according to equity method.

Shares and participations in Group companies

During 2013 a subscription in Volvo Group Japan Co has been made by 3,392. Acquisition of shares in Prévost Car (US) Inc has been disposed by shareholder's contribution to VNA Holding Inc. by 787. Shareholder's contribution has been given to Volvo Information Technology AB by 600 and to Volvo Italia Spa by 124. Acquisition of shares in Renault Trucks Danmark A/S has been made by 24. Renault Trucks Danmark A/S has later on been merged into Volvo Danmark A/S.

Write-down of shares in Volvo Group Japan Co has been made by 843 (–), in Volvo Italia Spa by 63 (110), in Volvo Parts AB by 50 (–) and in Volvo Business Services AB by 40 (–).

During 2012 AB Volvo divested the total shares in Volvo Aero AB with a carrying values of 2,885.

AB Volvo owns, directly or indirectly, 310 legal entities. The legal structure is designed to effectively manage legal requirements, administration and taxes, as well as the operations conducted by the Group in each country it operates. Legal entities may have different characters and include different types of operations, such as production, development and sales. The character of a legal entity may change over time. Furthermore legal entities could include different type of the Group's operations and this could also change over time. In some countries there are legal restrictions which limit the Group's ability to transfer assets between the Group's legal entities. Read more in the note 18 to the consolidated financial statements for a description of restrictions related to cash and cash equivalents.

Volvo Group's operational structure gives a better overview of how the Volvo Group has chosen to organize its business. Read more about Volvo Group's operational structure in note 6 to the consolidated financial statements.

AB Volvo's wholly owned subsidiaries are presented in adjoining table.

Investments in associated companies and joint ventures

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.

Write-down of the participations in Blue Chip Jet HB was recognized by 5 (–) and in Blue Chip Jet II HB by 26 (19).

During 2012 AB Volvo acquired additional shares in the listed company Deutz AG amounting to 1,107. The previous holding is reclassified to investments in associated companies. Total holding as of December 31, 2013 amounts to 25% (25).

Shares and participations in non-Group companies

As from January 1, 2013 the holding in the listed company Eicher Motors Ltd was revaluated to fair value. Revaluation during the year has increased the value by 415, 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 347. 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 shareholder's equity by 543. The holding in Deutz AG was reclassified to an associated company in 2012. In connection with the reclassification the previously recognized revaluations were reversed by 34, recognized in other comprehensive income.

NOTE 14 OTHER RECEIVABLES

	Dec 31, 2013	Dec 31, 2012
Accounts receivable	31	45
Prepaid expenses and accrued income	248	339
Other receivables	32	694
B/S **Total other receivables**	**311**	**1,078**

The valuation allowance for doubtful receivables amounted to 2 (3) at the end of the year.

NOTE 15 UNTAXED RESERVES

	Dec 31, 2013	Dec 31, 2012
Accumulated additional depreciation		
Land	3	3
Machinery and equipment	2	1
B/S **Total untaxed reserves**	**5**	**4**

NOTE 16 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

Provisions for pensions and similar benefits correspond to the actuarially calculated value of obligations not insured with third parties or secured through transfers of funds to pension foundations. The amount of pensions due within one year is included. AB Volvo has insured the pension obligations with third parties. 0 (0) of the amount pertains to contractual obligations within the framework of the PRI (Pension Registration Institute) system.

The Volvo Pension Foundation was formed in 1996. Plan assets amounting to 224 were contributed to the foundation at its formation, corresponding to the value of the pension obligations at that time. Since its formation, net contributions of 25 have been made to the foundation.

AB Volvo's pension costs amounted to 100 (90).

The accumulated benefit obligation of all AB Volvo's pension obligations as of December 31, 2013 amounted to 688 (670). The benefit obligation has been secured partly through provisions in the balance sheet and partly through transfer of funds to pension foundations. Net asset value in the Pension Foundation, market to market, accrued to AB Volvo was 36 higher than the corresponding pension obligations.

NOTE 17 OTHER PROVISIONS

Other provisions include provisions for restructuring measures of 31 (39).

NOTE 18 NON-CURRENT LIABILITIES

Non-current debt matures as follows:

2020 or later	7
B/S **Total non-current liabilities**	**7**

NOTE 19 OTHER LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Wages, salaries and withholding taxes	119	121
VAT liabilities	22	–
Accrued expenses and prepaid income	183	116
Other liabilities	18	33
B/S **Total other liabilities**	**342**	**270**

No collateral is provided for current liabilities.

NOTE 20 CONTINGENT LIABILITIES

Contingent liabilities amounted to 232,308 (243,887) of which 232,297 (243,877) pertaining to Group companies.

Guarantees for various credit programs are included in amounts corresponding to the credit limits. These guarantees amount to 223,669 (235,806), of which guarantees on behalf of Group companies totalled 223,669 (235,806).

At the end of each year, the utilized portion amounted to 126,364 (127,076), including 126,353 (127,065) pertaining to Group companies.

NOTE 21 | CASH-FLOW

Other items not affecting cash amounted to:	2013	2012
Revaluation of shareholdings	1,031	141
Gains/(losses) on sale of shares	106	(2,869)
Transfer price adjustments, net	558	(140)
Other changes	69	80
Total Other items not affecting cash flow	**1,764**	**(2,788)**

Further information is provided in Notes 5, 6 and 7.

Investments and divestments of shares in Group companies, net	2013	2012
Investments	(4,927)	–
Divestments	(106)	5,097
Total cash flow from investments and divestments of shares in Group companies, net	**(5,033)**	**5,097**

Investments and divestments of participations in Group companies are shown in Note 13.

Investmens and divestments of shares in non-Group companies, net	2013	2012
Investments	(1)	(1,108)
Divestments	–	10
Total cash flow from investments and divestments of shares in non-Group companies, net	**(1)**	**(1,098)**

Investments and divestments of participations in non-Group companies are presented in Note 13.

Change in loans, net

Increase in loans is related to the company's liability in the group account at Volvo Treasury AB. The liability has increased by 6,021 (decreased by 2,964).

Proposed Remuneration Policy

The proposal by the Board of Directors of AB Volvo to be adopted by the Annual General Meeting April 2, 2014.
This Policy concerns the remuneration and other terms of employment for the Volvo Group Executive Team. The members of the Volvo Group Executive Team, including the President and any possible Deputy President, are in the following referred to as the "Executives".

This Policy will be valid for employment agreements entered into after the approval of the Policy by the Annual General Meeting and for changes made to existing employment agreements thereafter.

1. Guiding principles for remuneration and other terms of employment
The guiding principle is that the remuneration and the other terms of employment for the Executives shall be competitive in order to ensure that the Volvo Group can attract and retain competent Executives.

The annual report 2013 sets out details on the total remuneration and benefits awarded to the Executives during 2013.

2. The principles for fixed salaries
The Executive's fixed salary shall be competitive and based on the individual Executive's responsibilities and performance.

3. The principal terms of variable salary and incentive schemes, including the relation between fixed and variable components of the remuneration and the linkage between performance and remuneration
The Executives may receive variable salaries in addition to fixed salaries. The variable salary may, as regards the President, amount to a maximum of 75% of the fixed annual salary and, as regards the other Executives, a maximum of 60% of the fixed annual salary.

The variable salary may be based on inter alia the performance of the entire Volvo Group or the performance of a certain part of the Group where the Executive is employed. The performance will be related to the fulfilment of various improvement targets or the attainment of certain financial objectives. Such targets will be set by the Board and may relate to inter alia operating income, operating margin or cash flow. The Board may under certain conditions decide to reclaim variable salary already paid or to cancel or limit variable salary to be paid to the Executives.

The Annual General Meeting 2011 decided to adopt a share-based incentive program for senior executives in the Volvo Group relating to the financial years 2011, 2012 and 2013. Since the program adopted in 2011 has expired, the Board has decided to propose to the Annual General Meeting to be held in April 2014 to approve the adoption of a share-based incentive program for senior executives in Volvo relating to the financial years 2014, 2015 and 2016, based on the same principles as the program adopted in 2011.

4. The principal terms of non-monetary benefits, pension, notice of termination and severance pay

4.1 Non-monetary benefits
The Executives will be entitled to customary non-monetary benefits such as company cars and company health care. In addition thereto in individual cases company housing and other benefits may also be offered.

4.2 Pension
In addition to pension benefits which the Executives are entitled to according to law and collective bargaining agreements, Executives resident in Sweden may be offered two different defined-contribution plans with annual premiums. For the first plan the annual premiums amount to SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts and for the second plan the annual premiums amount to 10% of pensionable salary. In the two defined-contribution plans, the pension earned will correspond to the sum of paid-in premiums and possible return without any guaranteed level of pension received by the employee. Further no definite retirement date is set in the two plans but premiums will be paid for the employee until his or her 65th birthday.

Executives resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden may be offered pension benefits that are competitive in the country where the Executives are or have been resident or to which the Executives have a material connection, preferably defined-contribution plans.

4.3 Notice of termination and severance pay
For Executives resident in Sweden, the termination period from the Company will be 12 months and 6 months from the Executive. In addition thereto, the Executive, provided that termination has been made by the Company, will be entitled to 12 months' severance pay.

Executives resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden may be offered notice periods for termination and severance payment that are competitive in the country where the Executives are or have been resident or to which the Executives have a material connection, preferably solutions comparable to the solutions applied to Executives resident in Sweden.

5. The Board's preparation and decision-making on issues concerning remuneration and other terms of employment for the Volvo Group Executive Team
The Remuneration Committee is responsible for (i) preparing the Board's decisions on issues concerning principles for remuneration, remunerations and other terms of employment for Executives, (ii) monitoring and evaluating programs for variable remuneration, both ongoing and those that have ended during the year, for Executives, (iii) monitoring and evaluating the application of this Policy, and (iv) monitoring and evaluating current remuneration structures and levels in the Company.

The Remuneration Committee prepares and the Board decides on (i) terms of employment and remuneration of the President and the Deputy President, if any, and (ii) principles for remuneration (incl. pension and severance pay) for the Executives. The Remuneration Committee shall approve proposals on remuneration of the members of the Volvo Group Executive Team.

The Remuneration Committee is further responsible for the review and recommendation to the Board of share and share-price related incentive programs to be decided upon by the Annual General Meeting.

6. Authority to decide on deviations from this Policy
The Board of Directors may deviate from this Policy if there are specific reasons to do so in an individual case.

7. Information on earlier decisions on remuneration that has not become due for payment at the time of the Annual General Meeting's consideration of this Policy
The decisions already taken on remuneration to the Executives that has not become due for payment at the time of the Annual General Meeting 2014 fall within the frames of this policy.

Proposed Disposition of Unappropriated Earnings

AB Volvo	SEK
Retained earnings	26,314,018,628.55
Income for the period 2013	(1,621,392,123.95)
Total retained earnings	**24,692,626,504.60**

The Board of Directors and the President propose that the above sum be disposed of as follows:

	SEK
To the shareholders, a dividend of SEK 3.00 per share	6,084,299,196.00[1]
To be carried forward	18,608,327,308.60
Total	**24,692,626,504.60**

The record date for determining who is entitled to receive dividends is proposed to be Monday April 7, 2014.

In view of the Board of Directors' proposal to the Annual General Meeting to be held April 2, 2014 to decide on the distribution of a dividend of SEK 3.00 per share, the Board hereby makes the following statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act.

The Board of Directors concludes that the Company's restricted equity is fully covered after the proposed dividend. The Board further concludes that the proposed dividend is justifiable in view of the parameters set out in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act. In connection herewith, the Board wishes to point out the following.

The proposed dividend reduces the Company's solvency from 44.7 per cent to 40.0 per cent and the Group's solvency from 22.4 per cent to 21.0 per cent, calculated as per year end 2013. The Board of Directors considers this solvency to be satisfactory with regard to the business in which the Group is active.

According to the Board of Directors' opinion, the proposed dividend will not affect the Company's or the Group's ability to fulfil their payment obligations and the Company and the Group are well prepared to handle both changes in the liquidity and unexpected events.

The Board of Directors is of the opinion that the Company and the Group have capacity to assume future business risks as well as to bear contingent losses. The proposed dividend is not expected to adversely affect the Company's and the Group's ability to make further commercially justified investments in accordance with the Board of Directors' plans.

In addition to what has been stated above, the Board of Directors has considered other known circumstances which may be of importance for the Company's and the Group's financial position. In doing so, no circumstance has appeared that does not justify the proposed dividend.

If the Annual General Meeting resolves in accordance with the Board of Directors' proposal, SEK 18,608,327,308.60 will remain of the Company's non-restricted equity, calculated as per year end 2013.

The Board of Directors has the view that the Company's and the Group's shareholders' equity will, after the proposed dividend, be sufficient in relation to the nature, scope and risks of the business.

Had the assets and liabilities not been estimated at their market value pursuant to Chapter 4, Section 14 a of the Swedish Annual Accounts Act, the company's shareholders' equity would have been SEK 958,188,903.00 less.

1 The total dividend amount is based on the number of outstanding shares as of February 21, 2014, i.e. 2,028,099,732 shares. The total dividend amount may change before the record date for determining who is entitled to receive dividends due to transfer of treasury shares to participants in the company's long-term, share-based incentive program.

The Board of Directors and the President certify that the annual financial report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and give a true and fair view of the position and profit or loss of the Company and the Group, and that the management report for the Company and for the Group gives a fair review of the development and performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Göteborg, February 21, 2014

Carl-Henric Svanberg
Board Chairman

Peter Bijur
Board member

Jean-Baptiste Duzan
Board member

Hanne de Mora
Board member

Anders Nyrén
Board member

Olof Persson
President, CEO and
Board member

Ravi Venkatesan
Board member

Lars Westerberg
Board member

Ying Yeh
Board member

Peteris Lauberts
Board member

Mikael Sällström
Board member

Berth Thulin
Board member

Our audit report was issued on February 21, 2014

PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Lead Auditor

Johan Rippe
Authorized Public Accountant

Audit Report for AB Volvo (publ)

To the annual meeting of the shareholders of AB Volvo (publ), corporate identity number 556012-5790

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of AB Volvo (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 68–89 and 107–179.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 90–106. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of AB Volvo (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg February 21, 2014

PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Lead Partner

Johan Rippe
Authorized Public Accountant
Partner

Eleven-year Summary

The eleven-year summary presents each year in accordance with the Generally Accepted Accounting Practice (GAAP) for that year. Earlier years are not restated when new accounting standards are applied. The years 2001–2003 are accounted for in accordance with Swedish GAAP for the respective year. As from 2004 the reporting is based on IFRS. The transition to IFRS is described in Note 3 in the 2005 and 2006 Annual Reports. As from January 1, 2007, the benefits from the synergies created in the business units are transferred back to the product areas. Also, as from January 1, 2007, the responsibility for the Group's treasury operations and real estate has been transferred from Volvo Financial Services, which, as from January 1, 2007, only are consolidated in accordance with the purchase method. Comparison figures for 2006 have been recalculated.

Consolidated income statements

SEK M	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net sales	**272,622**	**303,647**	**310,367**	**264,749**	**218,361**	**303,667**	**285,405**	**258,835**	**240,559**	**211,076**	**183,291**
Cost of sales	(212,504)	(235,085)	(235,104)	(201,797)	(186,167)	(237,578)	(219,600)	(199,054)	(186,662)	(164,170)	(146,879)
Gross income	**60,118**	**68,562**	**75,263**	**62,952**	**32,194**	**66,089**	**65,805**	**59,781**	**53,897**	**46,906**	**36,412**
Research and development expenses	(15,124)	(14,794)	(13,276)	(12,970)	(13,193)	(14,348)	(11,059)	(8,354)	(7,557)	(7,614)	(6,829)
Selling expenses	(28,506)	(28,248)	(26,001)	(24,149)	(25,334)	(27,129)	(26,068)	(21,213)	(20,778)	(19,369)	(16,866)
Administrative expenses	(5,862)	(5,669)	(7,132)	(5,666)	(5,863)	(6,940)	(7,133)	(6,551)	(6,301)	(5,483)	(5,467)
Other operating income and expenses	(3,554)	(2,160)	(1,649)	(2,023)	(4,798)	(1,915)	163	(3,466)	(588)	(618)	(1,367)
Income from investments in joint ventures and associated companies	96	(23)	(81)	(86)	(14)	25	430	61	(557)	27	200
Income from other investments	(30)	(47)	(225)	(58)	(6)	69	93	141	37	830	(3,579)
Operating income	**7,138**	**17,622**	**26,899**	**18,000**	**(17,013)**	**15,851**	**22,231**	**20,399**	**18,153**	**14,679**	**2,504**
Interest income and similar credits	381	510	608	442	390	1,171	952	666	654	821	1,096
Interest expenses and similar charges	(2,810)	(2,476)	(2,875)	(3,142)	(3,559)	(1,935)	(1,122)	(585)	(972)	(1,254)	(1,888)
Other financial income and expenses	11	(301)	297	213	(392)	(1,077)	(504)	(181)	181	(1,210)	(55)
Income after financial items	**4,721**	**15,355**	**24,929**	**15,514**	**(20,573)**	**14,010**	**21,557**	**20,299**	**18,016**	**13,036**	**1,657**
Income taxes	(919)	(4,097)	(6,814)	(4,302)	5,889	(3,994)	(6,529)	(3,981)	(4,908)	(3,129)	(1,334)
Income for the period	**3,802**	**11,258**	**18,115**	**11,212**	**(14,685)**	**10,016**	**15,028**	**16,318**	**13,108**	**9,907**	**323**
Attributable to:											
Equity holders of the Parent Company	3,583	11,039	17,751	10,866	(14,718)	9,942	14,932	16,268	13,054	9,867	298
Minority interest	219	219	364	346	33	74	96	50	54	40	25
	3,802	**11,258**	**18,115**	**11,212**	**(14,685)**	**10,016**	**15,028**	**16,318**	**13,108**	**9,907**	**323**

Consolidated income statements Industrial Operations

SEK M	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net sales	**265,420**	**296,031**	**303,589**	**257,375**	**208,487**	**294,932**	**276,795**	**249,020**	**231,191**	**202,171**	**174,768**
Cost of sales	(209,307)	(231,216)	(233,097)	(197,480)	(179,578)	(232,247)	(214,160)	(192,400)	(180,823)	(158,453)	(141,256)
Gross income	**56,113**	**64,815**	**70,492**	**59,895**	**28,909**	**62,685**	**62,635**	**56,620**	**50,368**	**43,718**	**33,512**
Research and development expenses	(15,124)	(14,794)	(13,276)	(12,970)	(13,193)	(14,348)	(11,059)	(8,354)	(7,557)	(7,614)	(6,829)
Selling expenses	(26,904)	(26,582)	(25,181)	(22,649)	(23,752)	(25,597)	(24,671)	(19,999)	(19,616)	(18,317)	(15,891)
Administrative expenses	(5,824)	(5,639)	(4,753)	(5,640)	(5,838)	(6,921)	(7,092)	(6,481)	(6,147)	(5,310)	(5,259)
Other operating income and expenses	(2,710)	(1,600)	(1,045)	(659)	(2,432)	(1,457)	249	(3,275)	(397)	7	(540)
Income from Volvo Financial Services	–	–	–	–	–	–	–	–	2,033	1,365	926
Income from investments in joint ventures and associated companies	96	(23)	(82)	(86)	(15)	23	428	61	(568)	2	166
Income from other investments	(31)	(46)	(225)	(57)	(13)	69	93	141	37	828	(3,581)
Operating income	**5,616**	**16,130**	**25,930**	**17,834**	**(16,333)**	**14,454**	**20,583**	**18,713**	**18,153**	**14,679**	**2,504**

Consolidated balance sheets

SEK M	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Intangible assets	36,588	40,373	39,507	40,714	41,628	43,958	36,508	19,117	20,421	17,612	16,756
Property, plant and equipment	52,233	55,004	54,540	54,242	55,280	57,270	47,210	34,379	35,068	31,151	30,640
Assets under operating leases	25,672	29,022	23,922	19,647	20,388	25,429	22,502	20,501	20,839	19,534	21,201
Shares and participations	6,327	2,890	1,874	2,098	2,044	1,953	2,219	6,890	751	2,003	22,206
Inventories	41,153	40,409	44,599	39,837	37,727	55,045	43,645	34,211	33,937	28,598	26,459
Customer-financing receivables	83,861	80,989	78,699	72,688	81,977	98,489	78,847	64,742	64,466	51,193	46,002
Interest-bearing receivables	1,389	5,635	3,638	2,757	3,044	5,101	4,530	4,116	1,897	3,384	6,632
Other receivables	59,943	55,531	59,877	53,154	50,575	61,560	55,152	42,567	42,881	35,747	32,621
Non-current assets held for sale	8,104	–	9,348	136	1,692	–	–	805	–	–	–
Cash and cash equivalents	29,559	28,889	37,241	32,733	37,910	23,614	31,034	31,099	36,947	34,746	28,735
Assets	**344,829**	**338,742**	**353,244**	**318,007**	**332,265**	**372,419**	**321,647**	**258,427**	**257,207**	**223,968**	**231,252**
Shareholders' equity[1]	77,365	86,914	85,681	74,121	67,034	84,640	82,781	87,188	78,760	70,155	72,636
Provision for post-employment benefits	12,322	6,697	6,665	7,510	8,051	11,705	9,774	8,692	11,986	14,703	15,288
Other provisions	19,900	21,787	20,815	18,992	19,485	29,076	27,084	20,970	18,556	14,993	15,048
Interest-bearing liabilities	135,001	131,842	130,479	123,695	156,852	145,727	108,318	66,957	74,885	61,807	74,092
Liabilities associated with assets held for sale	350	–	4,716	135	272	–	–	280	–	–	–
Other liabilities	99,891	91,502	104,888	93,554	80,571	101,271	93,690	74,340	73,020	62,310	54,188
Shareholders' equity and liabilities	**344,829**	**338,742**	**353,244**	**318,007**	**332,265**	**372,419**	**321,647**	**258,427**	**257,207**	**223,968**	**231,252**
[1]of which minority interests	1,333	1,266	1,100	1,011	629	630	579	284	260	229	216
Assets pledged	5,078	4,099	1,832	3,339	958	1,380	1,556	1,960	3,255	3,046	3,809
Contingent liabilities	17,290	17,763	17,154	11,003	9,607	9,427	8,153	7,726	7,850	9,189	9,611

Consolidated balance sheets, Industrial Operations

SEK M	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Intangible assets	36,479	40,267	39,385	40,613	41,532	43,909	36,441	19,054	20,348	17,570	16,662
Property, plant and equipment	52,146	54,899	54,446	54,169	55,208	57,185	47,132	30,493	31,330	27,260	27,248
Assets under operating leases	17,013	21,263	16,749	13,217	13,539	16,967	13,850	11,822	10,260	8,477	8,976
Shares and participations	6,321	2,884	1,871	2,080	2,025	1,935	2,189	16,565	10,357	10,116	30,022
Inventories	40,964	40,057	43,828	38,956	35,765	54,084	43,264	33,893	33,583	28,291	25,848
Customer-financing receivables	1,406	1,397	1,702	1,428	1,367	975	1,233	1,193	1,377	230	118
Interest-bearing receivables	2,195	11,011	6,734	11,153	8,010	6,056	13,701	13,214	7,691	12,127	9,413
Other receivables	60,679	54,324	59,062	52,358	49,008	60,586	55,970	43,335	43,992	36,535	33,079
Non-current assets held for sale	8,104	–	9,348	136	1,692	–	–	805	–	–	–
Cash and cash equivalents	28,230	27,146	35,951	31,491	37,404	22,575	30,026	29,907	36,047	34,628	28,102
Assets	**253,537**	**253,248**	**269,076**	**245,602**	**245,550**	**264,272**	**243,806**	**200,281**	**194,985**	**175,234**	**179,468**
Shareholders' equity	68,467	78,321	76,682	66,101	58,485	75,046	75,129	87,188	78,760	70,155	72,636
Provision for post-employment benefits	12,249	6,663	6,635	7,478	8,021	11,677	9,746	8,661	11,966	14,677	15,264
Other provisions	17,575	19,653	19,101	17,240	17,456	27,015	25,372	19,385	17,164	14,115	12,792
Interest-bearing liabilities	124,610	54,472	55,394	59,857	78,890	46,749	38,286	9,779	13,097	13,968	24,677
Liabilities associated with assets held for sale	350	–	4,716	135	272	–	–	280	–	–	–
Other liabilities	30,286	94,139	106,548	94,791	82,426	103,785	95,273	74,988	73,998	62,319	54,099
Shareholders' equity and liabilities	**253,537**	**253,248**	**269,076**	**245,602**	**245,550**	**264,272**	**243,806**	**200,281**	**194,985**	**175,234**	**179,468**

Consolidated cash-flow statements

SEK bn	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating income (loss)	7.1	17.6	26.9	18.0	(17.0)	15.9	22.2	20.4	18.2	14.7	2.5
Depreciation and amortization	17.4	14.7	13.9	13.8	15.2	13.5	12.5	12.4	9.9	10.0	10.2
Other non-cash items	2.4	1.4	1.3	1.6	4.4	(0.2)	(0.5)	0.7	0.4	(0.1)	4.9
Change in working capital	(10.8)	(21.9)	(15.1)	4.8	16.9	(23.3)	(9.9)	(7.7)	(4.7)	(1.4)	0.4
Customer financing receivables, net	–	–	–	–	–	–	–	–	(7.8)	(7.4)	(4.3)
Financial items and income tax	(5.1)	(8.0)	(7.3)	(5.5)	(4.6)	(5.2)	(5.9)	(4.3)	(2.0)	(0.5)	(0.9)
Cash-flow from operating activities	**11.0**	**3.8**	**19.7**	**32.7**	**14.9**	**0.7**	**18.4**	**21.5**	**14.0**	**15.3**	**12.8**
Investments in fixed assets	(12.2)	(14.6)	(12.6)	(10.4)	(10.5)	(12.7)	(10.1)	(10.0)	(10.3)	(7.4)	(6.0)
Investments in leasing assets	(8.2)	(10.0)	(7.4)	(4.8)	(4.2)	(5.4)	(4.8)	(4.6)	(4.5)	(4.4)	(5.3)
Disposals of fixed assets and leasing assets	3.4	3.1	3.3	3.1	3.8	2.9	2.9	3.2	2.6	2.4	2.9
Shares and participations, net	0.0	(1.2)	(0.1)	(0.1)	0.0	0.0	0.4	(5.8)	0.3	15.1	(0.1)
Acquired and divested subsidiaries and other business units, net	0.9	3.4	(1.6)	0.6	0.2	(1.3)	(15.0)	0.5	0.7	(0.1)	0.0
Interest-bearing receivables including marketable securities	0.5	3.7	2.6	6.8	(8.9)	10.9	3.6	7.7	(1.3)	(6.4)	(2.0)
Cash-flow after net investments	**(4.6)**	**(11.8)**	**3.9**	**27.9**	**(4.7)**	**(4.9)**	**(4.6)**	**12.5**	**1.5**	**14.5**	**2.3**
Change in loans, net	13.0	14.1	8.7	(25.7)	12.6	18.2	28.7	(2.6)	3.6	(8.8)	1.9
Repurchase of own shares	–	–	–	–	0.0	–	–	–	(1.8)	(2.5)	–
Dividend to AB Volvo's shareholders	(6.1)	(6.1)	(5.1)	0.0	(4.1)	(11.1)	(20.3)	(6.8)	(5.1)	(3.4)	(3.4)
Cash payment to minority	(0.2)	0.0	0.0	(0.1)	–	–	–	–	–	–	–
Other	0.1	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.1
Change in cash and cash equivalents excluding translation differences	**2.2**	**(3.8)**	**7.5**	**2.1**	**3.7**	**2.2**	**3.8**	**3.1**	**(1.8)**	**(0.2)**	**0.9**
Translation differences on cash and cash equivalents	(0.5)	(0.8)	(0.1)	(0.4)	(0.2)	1.0	0.0	(0.5)	1.1	(0.2)	(0.6)
Change in cash and cash equivalents	**1.7**	**(4.6)**	**7.4**	**1.7**	**3.5**	**3.2**	**3.8**	**2.6**	**(0.7)**	**(0.4)**	**0.3**

Operating cash-flow Industrial Operations

SEK bn	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating income	5.6	16.1	26.0	17.8	(16.3)	14.5	20.6	18.7	16.1	13.3	1.6
Depreciation and amortization	14.5	12.0	11.4	11.4	12.4	11.8	10.3	9.8	7.3	7.1	7.2
Other items not affecting cash	1.5	0.8	0.6	0.1	2.3	(0.7)	(0.4)	0.2	0.2	(0.6)	4.1
Change in working capital	(2.0)	(9.2)	(4.2)	4.6	4.7	(10.9)	(0.1)	(3.1)	(5.6)	(1.4)	0.7
Financial items and income taxes	(4.9)	(7.3)	(6.9)	(5.1)	(4.7)	(5.0)	(6.0)	(3.7)	(1.9)	(0.2)	(0.7)
Cash-flow from operating activities	**14.7**	**12.4**	**26.9**	**28.8**	**(1.6)**	**9.7**	**24.4**	**21.9**	**16.1**	**18.2**	**12.9**
Investments in fixed assets	(12.2)	(14.6)	(12.6)	(10.3)	(10.3)	(12.6)	(10.1)	(9.7)	(9.9)	(7.2)	(5.8)
Investments in leasing assets	(1.5)	(3.6)	(1.4)	(0.3)	(0.2)	(0.4)	(0.2)	(0.5)	(0.3)	(0.3)	(0.1)
Disposals of fixed assets and leasing assets	0.5	0.9	1.2	0.8	0.7	0.6	1.1	0.9	0.9	0.7	0.6
Operating cash-flow	**1.5**	**(4.9)**	**14.1**	**19.0**	**(11.4)**	**(2.7)**	**15.2**	**12.6**	**6.8**	**11.4**	**7.6**

Exports from Sweden

SEK M	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Volvo Group, total	88,560	84,314	91,065	72,688	41,829	96,571	88,606	80,517	71,133	62,653	49,300

Key ratios

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross margin, %[1]	21.1	21.9	23.7	23.3	13.9	21.3	22.6	22.7	21.8	21.6	19.2
Research and development expenses as percentage of net sales[1]	5.7	5.0	4.4	5.0	6.3	4.9	4.0	3.4	3.3	3.8	3.9
Selling expenses as percentage of net sales[1]	10.1	9.0	8.0	8.8	11.4	8.7	8.9	8.0	8.5	9.1	9.1
Administration expenses as percentage of net sales[1]	2.2	1.9	2.3	2.2	2.8	2.3	2.6	2.6	2.7	2.6	3.0
Return on shareholders' equity, %	5.0	12.9	23.1	16.0	(19.7)	12.1	18.1	19.6	17.8	13.9	0.4
Interest coverage, times[1]	2.1	6.7	9.6	5.9	(4.7)	8.8	20.7	26.1	16.7	11.0	1.9
Self-financing ratio, %	84	18	118	270	137	5	153	189	116	163	152
Self-financing ratio Industrial Operations, %	112	72	210	294	(16)	78	265	235	173	268	243
Financial position, Industrial Operations, SEK M	(19,828)	(22,978)	(19,346)	(24,691)	(41,489)	(29,795)	(4,305)	23,076	18,675	18,110	(2,426)
Net financial position as percentage of shareholders' equity[1]	(46.8)	(29.3)	(25.2)	(37.4)	(70.9)	(39.7)	(5.7)	29.2	23.7	25.8	(3.3)
Shareholders' equity as percentage of total assets	22.4	25.7	24.3	23.3	20.2	22.7	25.7	33.7	30.6	31.3	31.4
Shareholders' equity as percentage of total assets, Industrial Operations	27.0	30.9	28.5	26.9	23.8	28.4	30.8	40.6	40.4	40.0	40.5
Shareholders' equity excluding minority interest as percentage of total assets	22.0	25.2	23.9	23.0	20.0	22.6	25.6	33.6	30.5	31.2	31.3

1 Pertains to the Industrial Operations. For periods up to and including 2006, Volvo Financial Services is included and consolidated according to the equity method.

Volvo share statistics

Data per share (adjusted for issues and splits)[1]	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Basic earnings, SEK[1]	1.77	5.44	8.75	5.36	(7.26)	4.90	7.37	8.03	6.44	4.72	0.14
Cash dividend, SEK	3.00[10]	3.00	3.00	2.50	0	2.00	5.50	10.00[9]	3.35	2.50	1.60
Share price at year-end, SEK (B share)	84.45	88.80	75.30	118.50	61.45	42.90	108.50	90.70	74.90	52.70	43.70
Direct return, % (B share)[2]	3.6	3.4	4.0	2.1	–	4.7	5.1	11.0	4.5	4.7	10.5[8]
Effective return, % (B share)[3]	(2)	22	(34)	97	43	(59)	25.7	39.8	48.5	25.5	71.2
Price/earnings ratio (B share)[4]	47.7	16.3	8.6	22.1	neg	8.8	14.7	11.3	11.6	11.2	310
EBIT multiple[5]	19.6	9.0	5.1	12.0	neg	3.6	9.7	10.3	9.3	9.2	14
Payout ratio, %[6]	169	55	34	47	–	41	75	62	52	53	1,143
Shareholders' equity, SEK[7]	38	43	42	36	33	41	41	43	38.80	34	34.60
Return on shareholders' equity	5.0	12.9	23.1	16.0	neg	12.1	18.1	19.6	17.8	13.9	0.4

1 Basic earnings per share is calculated as income for the period divided by average number of shares outstanding. Reporting according to IFRS from 2004.
2 Proposed dividend in SEK per share divided by share price at year-end.
3 Share price at year-end, including proposed dividend during the year, divided by share price at beginning of the year, (2000 includes premium in connection with repurchase, 2003 includes distribution of shares in Ainax, 2006 includes a share split 6:1 in which the sixth share was redeemed by AB Volvo for an amount of SEK 5.00 per share).
4 Share price at year-end divided by basic earnings per share.
5 Market value at year-end minus net financial position and minority interests divided by operating income excluding restructuring costs and revaluation of shares.
6 Cash dividend divided by basic earnings per share.
7 Shareholders' equity for shareholders in AB Volvo divided by number of shares outstanding at year-end.
8 Including distribution of shares in Ainax equal to SEK 3.01 (share-split adjusted) per Volvo share in 2004.
9 Including extra payment of SEK 5 through redemption of shares.
10 Proposed by the Board of Directors.

Other share data	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Number of shareholders at year-end	246,265	242,482	251,715	240,043	233,311	220,192	197,519	183,735	195,442	202,300	208,500
Number of Series A shares outstanding at year-end, million	499	526	643	657	657	657	657	131.4	131.4	131.5	131.7
Number of Series B shares outstanding at year-end, million	1,530	1,502	1,385	1,371	1,371	1,371	1,369	273.4	273.1	278.6	287.8
Average number of shares outstanding, million	2,028	2,028	2,027	2,027	2,027	2,027	2,025	404.7	405.2	418.5	419.4
Number of Series A shares traded in Stockholm during the year, million	53.0	45.4	130.5	203.2	147.0	308.0	172.3	56.4	39.3	42.0	31.4
Number of Series B shares traded in Stockholm during the year, million	1,878.5	2,081.2	2,944.1	2,272.4	2,713.9	3,130.0	2,712.4	617.0	518.7	498.0	404.8
Number of shares traded in ADR, NASDAQ during the year, million	–	–	–	–	–	–	113.5	14.1	19.8	24.0	10.4

The largest shareholders in AB Volvo, December 31, 2013[1]	Number of shares	% of total votes	Share capital, %
Industrivärden	132,766,449	20.2	6.5
Cevian Capital	98,502,263	11.0	4.9
Norges Bank Investment Management	128,345,193	6.3	6.3
SHB[2]	40,468,049	5.8	2.0
Alecta (pension funds)	78,885,000	4.4	3.9
AMF Insurance & Funds	65,450,366	4.4	3.2
AFA Insurance	24,810,466	3.7	1.2
AP4 Fund	23,350,966	1.9	1.2
Swedbank Robur Funds	93,989,054	1.8	4.6
Skandia Liv	15,831,160	1.8	0.8
Total	**702,398,966**	**61.2**	**34.6**

1 Based on the number of outstanding shares.
2 Comprises shares held by SHB, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

Distribution of shares, December 31, 2013[1]	Number of shareholders	% of total votes[1]	Share of capital, %[1]
1–1,000 shares	184,533	2.8	2.8
1,001–10,000 shares	56,254	7.7	6.4
10,001–100,000 shares	4,748	5.5	3.8
100,001–	730	84.0	87.0
Total	**246,265**	**100.0**	**100.0**

1 Based on all registered shares.

AB Volvo held 4.7% of the Company's shares on December 31, 2013.

Business area statistics

Net sales[1]												
SEK M		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Trucks	Europe	73,640	76,365	83,451	69,606	65,874	109,914	108,651	93,282	79,706	77,431	70,101
	North America	40,314	42,650	37,042	26,901	21,563	26,588	27,255	50,605	46,129	35,154	28,151
	South America	23,318	21,172	26,847	21,680	12,490	14,680	11,483	9,213	7,657	5,223	3,464
	Asia	26,740	36,531	37,840	35,231	26,943	37,515	26,593	8,975	13,551	12,378	9,206
	Other markets	14,462	15,565	13,741	13,887	12,069	14,538	13,910	9,190	8,353	6,693	6,047
	Total	**178,474**	**192,283**	**198,920**	**167,305**	**138,940**	**203,235**	**187,892**	**171,265**	**155,396**	**136,879**	**116,969**
Buses	Europe	5,429	6,200	6,631	6,242	7,707	7,321	7,767	7,924	7,142	6,948	6,534
	North America	5,929	6,675	7,532	7,200	5,673	5,355	4,630	4,910	4,247	2,960	2,984
	South America	1,836	2,794	2,715	1,737	1,235	1,571	1,623	1,537	2,641	521	329
	Asia	2,055	2,853	2,953	3,299	2,749	2,094	1,802	2,003	1,612	1,632	1,447
	Other markets	1,457	1,774	1,992	2,038	1,101	971	786	897	947	661	684
	Total	**16,707**	**20,295**	**21,823**	**20,516**	**18,465**	**17,312**	**16,608**	**17,271**	**16,589**	**12,722**	**11,978**
Construction Equipment	Europe	16,356	16,518	17,765	16,138	12,987	25,192	25,294	20,326	15,524	13,453	12,348
	North America	8,319	12,027	7,829	6,267	5,475	10,159	11,170	11,280	10,337	8,601	5,428
	South America	3,314	3,788	4,163	4,130	2,578	2,913	2,155	1,358	1,238	922	636
	Asia	21,911	27,033	29,999	24,352	12,957	13,738	12,179	6,903	5,717	4,961	3,707
	Other markets	3,539	4,192	3,745	2,923	1,661	4,077	2,835	2,264	2,000	1,423	1,035
	Total	**53,437**	**63,558**	**63,500**	**53,810**	**35,658**	**56,079**	**53,633**	**42,131**	**34,816**	**29,360**	**23,154**
Volvo Penta	Europe	3,714	3,620	4,274	4,507	4,390	6,554	6,798	6,111	5,102	4,907	4,189
	North America	1,491	1,486	1,379	1,500	1,100	1,947	2,674	2,815	2,832	2,500	2,109
	South America	297	306	335	335	284	364	274	221	208	142	146
	Asia	1,692	1,867	2,130	2,008	2,054	2,082	1,624	1,359	1,427	1,324	947
	Other markets	356	352	341	366	331	486	349	268	207	184	205
	Total	**7,550**	**7,631**	**8,458**	**8,716**	**8,159**	**11,433**	**11,719**	**10,774**	**9,776**	**9,057**	**7,596**
Volvo Aero	Europe	–	2,404	2,893	3,768	3,942	3,497	3,462	3,798	3,406	3,179	4,000
	North America	–	2,657	3,300	3,599	3,508	3,534	3,723	3,815	3,612	3,127	3,301
	South America	–	0	7	27	34	58	127	173	168	138	152
	Asia	–	109	104	233	205	234	234	356	284	400	428
	Other markets	–	49	52	81	114	125	100	91	68	81	149
	Total	**–**	**5,219**	**6,356**	**7,708**	**7,803**	**7,448**	**7,646**	**8,233**	**7,538**	**6,925**	**8,030**
	Other and eliminations	9,252	7,044	4,532	(680)	(538)	(575)	(703)	(654)	7,076	7,228	7,041
Net sales Industrial Operations		**265,420**	**296,031**	**303,589**	**257,375**	**208,487**	**294,932**	**276,795**	**249,020**	**231,191**	**202,171**	**174,768**
Customer Finance	Europe	4,686	4,703	4,663	4,733	7,127	7,099	4,484	4,388	4,797	6,613	6,078
	North America	2,900	2,833	2,326	2,605	3,004	369	2,467	2,569	2,036	2,432	2,542
	South America	1,009	1,195	1,131	1,156	1,070	791	620	608	570	396	358
	Asia	707	795	571	435	435	158	87	45	101	90	65
	Other markets	237	257	192	101	75	68	47	38	45	67	110
	Total	**9,539**	**9,783**	**8,883**	**9,031**	**11,711**	**8,485**	**7,705**	**7,648**	**7,549**	**9,598**	**9,153**
	Eliminations	(2,336)	(2,167)	(2,104)	(1,658)	(1,836)	250	905	2,167	1,819	(693)	(630)
Volvo Group total		**272,622**	**303,647**	**310,367**	**264,749**	**218,361**	**303,667**	**285,405**	**258,835**	**240,559**	**211,076**	**183,291**

1 As of January 1, 2007, the results from the synergies created in the business units are transferred back to the various business areas. Comparison figures for 2006 have been restated.

Volvo Aero was divested in October 1, 2012.

Operating income

SEK M	2013[5]	2012[4]	2011	2010	2009	2008	2007	2006[1]	2005	2004[2]	2003[3]
Trucks	6,145	10,216	18,227	10,112	(10,805)	12,167	15,193	13,116	11,717	8,992	3,951
Buses	(190)	51	1,114	780	(350)	(76)	231	745	470	158	(790)
Construction Equipment	2,592	5,773	6,812	6,180	(4,005)	1,808	4,218	4,072	2,752	1,898	908
Volvo Penta	626	541	825	578	(230)	928	1,173	1,105	943	940	695
Volvo Aero	–	767	360	286	50	359	529	359	836	403	(44)
Customer Finance	1,522	1,492	969	167	(680)	1,397	1,649	1,686	2,033	1,365	926
Other	(3,557)	(1,217)	(1,408)	(102)	(994)	(731)	(762)	(684)	(598)	923	(3,142)
Operating income (loss) Volvo Group	**7,138**	**17,622**	**26,899**	**18,000**	**(17,013)**	**15,851**	**22,231**	**20,399**	**18,153**	**14,679**	**2,504**

As of January 1, 2007, the benefits from the synergies created in the business units are transferred back to the various business areas. Comparison figures for 2006 have been restated.

1 Operating income in 2006 includes adjustment of goodwill of neg 1,712, reported in Trucks.

2 Operating income in 2004 included reversal of write-down of shares in Scania AB of 915, reported in Other, and write-down of shares in Henlys Group Plc of 95, reported in Buses.

3 Operating income in 2003 included write-down of shares in Scania AB and Henlys Group Plc amounting to 4,030, of which 429 was reported in Buses (Henlys Group) and 3,601 was reported in Other (Scania AB).

4 Volvo Aero was divested October 1, 2012.

5 Operating income in 2013 includes a revaluation of neg 1,500 related to Volvo Rents, reported in Other.

Operating margin

%	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Trucks	3.4	5.3	9.2	6.0	(7.8)	6.0	8.1	7.7	7.5	6.6	3.4
Buses	(1.1)	0.3	5.1	3.8	(1.9)	(0.4)	1.4	4.3	2.8	1.2	(6.6)
Construction Equipment	4.9	9.1	10.7	11.5	(11.2)	3.2	7.9	9.7	7.9	6.5	3.9
Volvo Penta	8.3	7.1	9.8	6.6	(2.8)	8.1	10.0	10.3	9.6	10.4	9.1
Volvo Aero	–	14.7	5.7	3.7	0.6	4.8	6.9	4.4	11.1	5.8	(0.5)
Volvo Group Industrial Operations	**2.1**	**5.4**	**8.5**	**6.9**	**(7.8)**	**5.2**	**7.8**	**7.9**	**7.9**	**7.3**	**1.4**
Customer Finance	16.0	15.3	10.9	1.8	(5.8)	16.5	21.4	22.0	26.9	14.2	10.1
Volvo Group	**2.6**	**5.8**	**8.7**	**6.8**	**(7.8)**	**5.2**	**7.8**	**7.9**	**7.5**	**7.0**	**1.4**

Number of employees at year-end

Number[1, 2, 3]	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Trucks	58,542	61,256	62,315	57,796	56,505	64,280	64,390	49,900	50,240	49,450	46,900
Buses	6,648	7,514	8,529	8,685	9,541	8,930	9,290	7,760	7,710	7,700	6,680
Construction Equipment	14,663	14,788	18,422	16,648	16,126	19,810	19,710	11,050	10,290	9,930	9,280
Volvo Penta	1,412	1,361	2,549	2,353	2,928	2,940	3,000	1,650	1,560	1,580	1,440
Volvo Aero	–	–	3,179	3,120	3,278	3,510	3,550	3,510	3,460	3,350	3,440
Financial Services	1,355	1,362	1,323	1,235	1,234	1,290	1,150	1,010	1,070	1,100	1,060
Other	12,913	12,436	1,845	572	596	620	610	8,310	7,530	7,970	6,940
Volvo Group, total	**95,533**	**98,717**	**98,162**	**90,409**	**90,208**	**101,380**	**101,700**	**83,190**	**81,860**	**81,080**	**75,740**

1 As of 2007, employees in business units are allocated to the business areas.
2 As of 2009 regular employees are shown, previously temporary employees were also included.
3 As of 2012, employees in business units are not allocated to the business areas.

Environmental performance of Volvo production plants, Industrial operations

Absolute values related to net sales	2013	2012[1]	2011	2010
Energy consumption (GWh; MWh/SEK M)	2,536; 9.6	2,518; 8.6	2,471; 8.1	2,315; 9.0
CO_2 emissions (1,000 tons; tons/SEK M)	280; 1.1	235; 0.8	255; 0.8	279; 1.1
Water consumption (1,000 m^3; m^3/SEK M)	5,815; 21.9	7,372; 25.2	7,970; 26.2	7,519; 29.2
NO_x emissions (tons; kilos/SEK M)	347; 1.3	413; 1.4	474; 1.6	719; 2.8
Solvent emissions (tons; kilos/SEK M)	2,221; 8.4	2,358; 8.1	2,554; 8.4	2,294; 8.9
Sulphur dioxide emissions (tons; kilos/SEK M)	23.4; 0.1	26; 0.1	34; 0.1	33; 0.1
Hazardous waste (tons; kg/SEK M)	28,395; 107.0	32,547; 111.4	25,943; 85.5	22,730; 88
Net sales, SEK bn	265.4	292.2	303.6	257.4

1 Restated according to new accounting rules.
2 Excluding UD Trucks and Ingersoll Rand Road Development.

Employees

Number[1]	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Sweden	22,588	23,052	24,663	23,073	22,763	28,190	28,660	27,830	27,070	28,530	26,380
Europe, excluding Sweden	29,746	30,382	30,458	29,239	29,793	32,940	32,780	30,070	29,650	28,930	29,120
North America	16,397	16,569	15,427	12,844	12,640	14,200	15,750	14,820	15,140	14,620	12,270
South America	6,275	5,977	5,234	4,322	4,257	4,380	4,640	3,890	3,690	3,110	2,640
Asia	17,953	20,222	19,924	18,535	18,416	19,090	17,150	4,420	4,210	4,130	3,710
Other markets	2,574	2,515	2,456	2,396	2,339	2,580	2,720	2,160	2,100	1,760	1,620
Volvo Group total	**95,533**	**98,717**	**98,162**	**90,409**	**90,208**	**101,380**	**101,700**	**83,190**	**81,860**	**81,080**	**75,740**

1 As of 2009 regular employees are shown, previously temporary employees were also included.

Delivered units

Number	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Heavy-duty trucks (>16 tons)	170,307	172,798	179,779	123,522	82,675	179,962	172,322	179,089	172,242	152,300	120,920
Medium-duty trucks (7–15.9 tons)	16,779	32,935	34,631	30,657	21,653	30,817	27,933	14,695	18,643	18,800	15,870
Light trucks (<7 tons)	13,188	18,284	23,982	25,811	23,354	40,372	36,101	26,147	23,494	22,120	19,200
Total trucks	**200,274**	**224,017**	**238,391**	**179,989**	**127,681**	**251,151**	**236,356**	**219,931**	**214,379**	**193,220**	**155,990**

Number		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Trucks	Total Europe	82,088	84,355	95,113	65,503	49,145	121,847	128,070	114,417	103,622	102,670	92,080
	Western Europe	64,275	63,730	75,728	56,215	43,919	95,969	100,106	97,074	91,087	90,750	82,670
	Eastern Europe	17,813	20,625	19,385	9,288	5,226	25,878	27,964	17,343	12,535	11,920	9,410
	North America	44,755	47,806	42,613	24,282	17,574	30,146	33,280	70,499	64,974	49,270	34,760
	South America	29,137	23,443	29,274	21,483	12,587	18,092	15,264	11,646	11,248	9,190	5,980
	Asia	28,692	51,514	56,165	53,833	34,800	60,725	39,916	12,817	25,706	24,880	16,290
	Other markets	15,602	16,899	15,226	14,888	13,575	20,341	19,826	10,552	8,829	7,210	6,880
	Total	**200,274**	**224,017**	**238,391**	**179,989**	**127,681**	**251,151**	**236,356**	**219,931**	**214,379**	**193,220**	**155,990**
Buses	Total Europe	2,146	2,491	2,695	2,395	3,164	3,313	3,748	3,570	3,723	3,417	3,087
	Western Europe	2,073	2,427	2,601	2,336	2,896	3,140	3,377	3,081	3,385	3,073	2,782
	Eastern Europe	73	64	94	59	268	173	371	489	338	344	305
	North America	1,752	1,826	3,014	2,092	1,539	1,884	1,547	1,741	1,546	1,388	1,553
	South America	2,434	2,560	2,620	1,174	690	995	1,318	1,236	2,297	624	369
	Asia	1,822	2,945	3,417	3,477	3,839	3,033	2,757	3,349	2,554	2,341	2,227
	Other markets	756	856	1,040	1,091	625	712	546	464	555	462	581
	Total	**8,910**	**10,678**	**12,786**	**10,229**	**9,857**	**9,937**	**9,916**	**10,360**	**10,675**	**8,232**	**7,817**

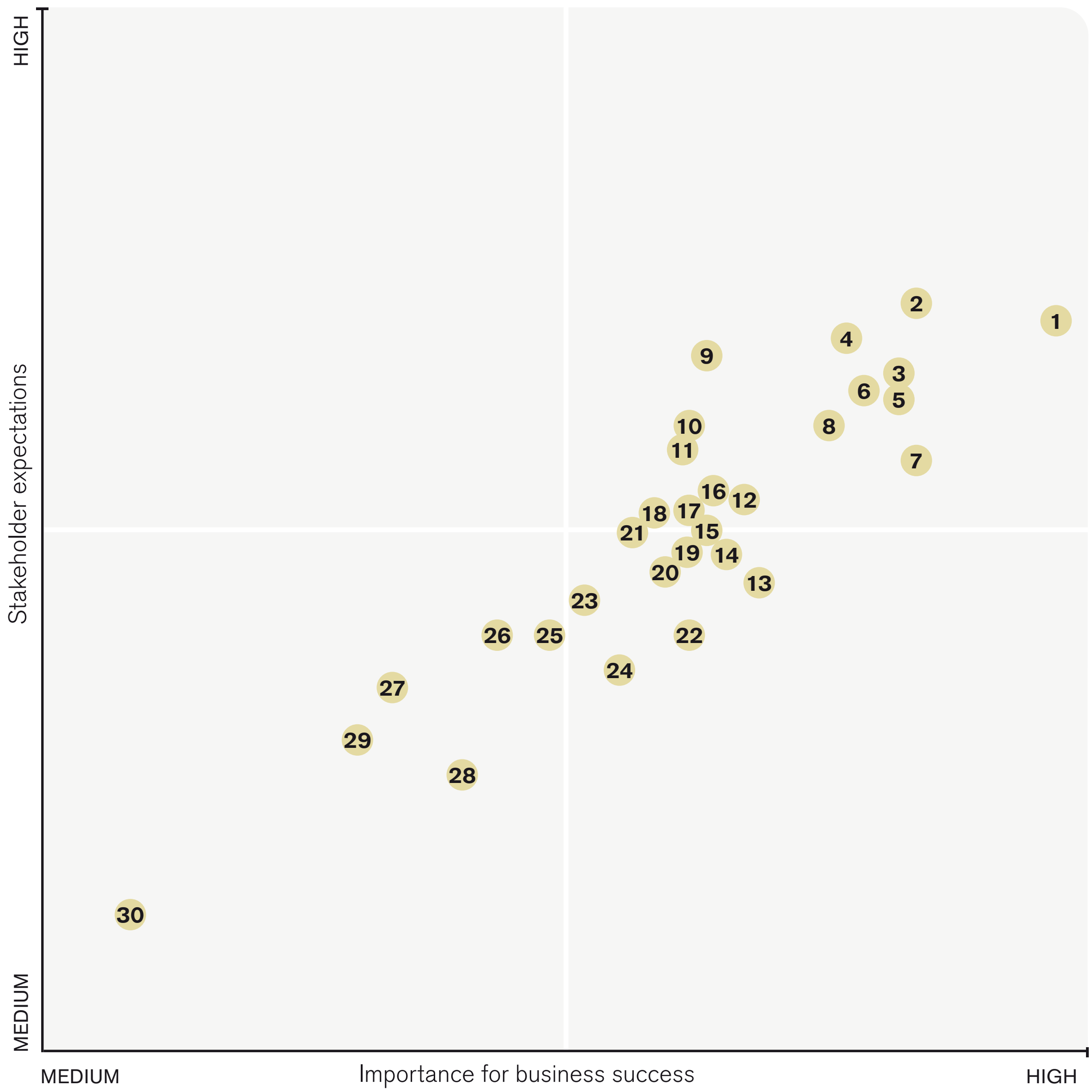
2009	2008	2007[2]	2006	2005	2004	2003
1,888; 9.1	2,530; 8.6	2,426; 9.6	2,612; 10.5	2,683; 11.6	2,695; 13.3	2,607; 14.9
213; 1.0	291; 1.0	242; 1.0	282; 11.4	292; 1.3	293; 1.5	298; 1.7
6,637; 31.8	8,205; 27.8	7,067; 27.9	7,596; 30.6	7,419; 32.1	8,495; 42.2	8,687; 49.1
322; 1.5	800; 2.7	542; 2.1	606; 2.4	672; 2.9	645; 3.2	570; 3.3
1,435; 6.9	1,945; 6.6	1,979; 7.8	2,048; 8.3	1,960; 8.5	2,085; 10.3	1,965; 11.2
38; 0.2	64; 0.2	58; 0.2	69; 0.3	209; 0.9	184; 0.9	200; 1.1
17,558; 84	27,675; 94	27,120; 107	26,987; 108.8	23,590; 102	24,675; 122.1	21,613; 124
208.5	294.9	253.2	248.1	231.2	202.1	174.8

Our material issues

During 2013, we strengthened our approach to CSR and sustainability by conducting a wider and more formal analysis of the Volvo Group's material issues. This has enabled us to rank the issues that the Volvo Group and external stakeholders consider of highest importance, with customer satisfaction, energy-efficient products, and product safety as key priorities.

Our materiality approach
As a first step, we completed the process internally this year. Colleagues from the Group's CSR committee, business intelligence, business strategy and management teams assessed and ranked a long list of issues relevant to the Volvo Group's business success. Employees with close contact and detailed knowledge of eight stakeholder groups completed the assessment from the point of view of customers, employees, potential employees, suppliers, capital market, decision makers, universities and NGOs.

Conclusions
We regard the resulting matrix as a useful tool to guide and inform our CSR and sustainability strategies, actions and communications. We know not all issues will be relevant for all stakeholders, and that priorities will vary by region – such as human rights in emerging markets. We will continue to evaluate issues, and their rankings, as we expand the stakeholder input in our materiality process.



1 Customer satisfaction
2 Energy-efficient products
3 Product safety
4 Business ethics
5 Research and innovation
6 Alternative fuels and drivelines
7 Financial performance
8 Transition to sustainable transport solutions
9 Environmental impact of product in use
10 Human rights
11 Production related environmental issues
12 Volvo Group values and culture
13 Availability of skilled workforce
14 Transport system efficiency
15 Employee training and development
16 Traffic safety
17 Responsible sourcing
18 Occupational health and safety
19 Emerging markets products
20 Stakeholder dialogue
21 Climate change
22 Mobility in urban areas
23 Diversity and equal opportunity
24 Corporate governance
25 Local economic growth
26 Product end-of-life management
27 Local community engagement
28 Goods security
29 Water consumption
30 Donations and charity

DEFINITIONS

Basic earnings per share
Income for the period attributable to shareholders of the Parent Company divided by the weighted average number of shares outstanding during the period.

Capital expenditures
Capital expenditures include investments in property, plant and equipment, intangible assets and assets under operating leases. Investments in fixed assets included in the Group's cash-flow statement include only capital expenditures that have reduced the Group's liquid funds during the year.

Cash-flow
Combined changes in the Group's liquid funds during the fiscal year. Changes in liquid funds are specified with reference to changes in operations, operating activities, changes depending on investments in equipment, fixed assets etc. and financing activities such as changes in loans and investments.

Diluted earnings per share
Diluted earnings per share is calculated as income for the period attributable to the Parent Company's shareholders divided by the average number of shares outstanding plus the average number of shares that would be issued as an effect of ongoing share-based incentive programs and employee stock option programs.

EBITDA
EBITDA is the operating income before depreciation and amortization of tangible and intangible assets. This key figure is calculated by adding back depreciation and amortization on the operating income of the Industrial operations.

Equity ratio
Shareholders' equity divided by total assets.

Financial targets
Information on how the comparison with competitors is made is available under the heading Investors on www.volvogroup.com.

Interest coverage
Operating income plus interest income and similar credits divided by interest expense and similar charges.

Joint ventures
Companies over which the Company has joint control together with one or more external parties.

Net financial position
Cash and cash equivalents, marketable securities and interest-bearing short- and long-term receivables reduced by short- and long-term interest-bearing liabilities and provisions for post-employment benefits.

Operating margin
Operating income divided by net sales.

Penetration rate
Share of unit sales financed by Volvo Financial Services in relation to total number units sold by the Volvo Group in markets where financial services are offered.

Return on shareholders' equity
Income for the period divided by average shareholders' equity.

Self-financing ratio
Cash-flow from operating activities (see Cash-flow statement) divided by net investments in fixed assets and leasing assets as defined in the cash-flow statement.

ANNUAL GENERAL MEETING, APRIL 2, 2014

The Annual General Meeting of AB Volvo will be held in Göteborg in Lisebergshallen (entrance from Örgrytevägen) Wednesday, April 2, 2014, at 3:00 p.m. Doors to meeting hall open at 1.30 p.m.

Notice

Those who wish to participate must be recorded as shareholders in the share register maintained by Euroclear Sweden AB on March 27, 2014 and give notice of intention to attend the meeting, beginning March 4 and not later than March 27, 2014:

- by telephone, +46 8 402 90 76, notice of intention to attend the meeting could be given by telephone no later than 4.00 p.m. on March 27, 2014
- by mail addressed to AB Volvo (publ), "AGM", P.O. Box 7841, SE-103 98 Stockholm, Sweden
- on AB Volvo's website www.volvogroup.com

When giving notice, shareholders should state their:

- name
- personal registration number (corporate registration number)
- address and telephone number
- name and personal number (registration number) of the proxy, if any
- number of any accompanying assistant(s)

Shareholders who have trustee-registered shares should, in good time prior to March 27, 2014, request owner-registration, which could be temporary, at the bank or broker holding the shares.

VOLVO'S ELECTION COMMITTEE

The following persons are members of Volvo's Election Committee:

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

Among other duties, the Election Committee is responsible for submitting to the Annual General Meeting proposals for candidates to serve as members of the Board of Directors and Chairman of the Board and proposal for auditors if applicable. The Committee also proposes the amount of the fees to be paid to the holders of these positions.

PRELIMINARY PUBLICATION DATES

Report for the first three months 2014	April 25, 2014
Report for the first six months 2014	July 18, 2014
Report for the first nine months 2014	October 24, 2014
Report on 2014 operations	February, 2015
Annual Report 2014	March, 2015

The reports are available on www.volvogroup.com on date of publication and are also sent electronically to shareholders who have advised Volvo that they wish to receive financial information.

Historical and current time series reflecting the Volvo Group's market information and share data are published regularly on www.volvogroup.com.

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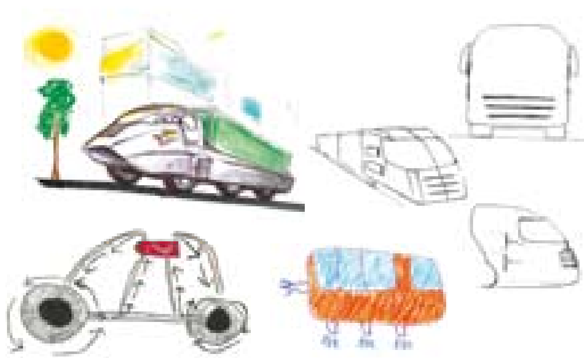
SHAPING ANOTHER FUTURE

The future is full of challenges. That is why creating new solutions and innovations is an important part of our work at Volvo Group. So, we decided to ask a group of children, the engineers of tomorrow, to help us, and they came up with some great ideas! Then we invited technology students to take the ideas further and transform the ideas into designs. Find out more at techworld.volvogroup.com



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