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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91207836
Party	Plaintiff Volvo Trademark Holding AB
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NOTES TO FINANCIAL STATEMENTS

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 15,906 (14,349) at December 31, 2012. Residual value risks are reflected in different ways in the the Volvo Group 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 for 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 commitments 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 consideration 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 overhead costs in the used product division are more. Additional depreciations and estimated impairment losses are immediately recognized in the Income Statement.

The total risk exposure for assets under operating lease is regognized as current and non-current residual value liabilities.

» **Read more** about residual value risks for 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 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 Volvo Group's warranty costs, are recognized to the extent these are considered to be certain. As of December 31, 2012 warranty cost provisions amounted to 8,889 (8,652).

Legal proceedings

The Volvo Group recognizes obligations as provisions or other liabilities only in cases where Volvo Group has a present obligation from a past event, where a financial responsibility is probable and Volvo Group can make a reliable estimate of the size 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 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 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 results of operation, financial position and liquidity.

» **Read more** about the Volvo Group's gross exposure for contingent liabilities in **Note 24.**

	Carrying value as of Dec 31, 2011	Provisions	Reversals	Utilizations	Acquired and divested companies	Translation differences	Other reclassifications	Carrying value as of Dec 31, 2012	Of which due within 12 months	Of which due after 12 months
Warranties	8,652	7,687	(738)	(6,036)	(3)	(326)	(347)	8,889	5,530	3,359
Provisions in insurance operations	488	160	(17)	(232)	0	(22)	0	377	377	0
Restructuring measures	199	1,300	(60)	(305)	0	(38)	10	1,106	718	388
Provisions for residual value risks	741	220	(67)	(157)	0	(19)	14	732	308	424
Provisions for service contracts	380	321	(64)	(217)	0	(9)	(22)	389	213	176
Dealer bonus	2,033	3,359	(105)	(2,893)	0	(63)	(60)	2,271	2,189	82
Other provisions	2,686	3,400	(733)	(2,609)	97	(166)	320	2,995	1,641	1,354
B/S **Total**	**15,179**	**16,447**	**(1,784)**	**(12,449)**	**94**	**(643)**	**(85)**	**16,759**	**10,976**	**5,783**

Long-term provisions as above is expected to be settled within 2 to 3 years.

» **Read more** in **Note 8** regarding restructuring.

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, 2012. 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, 2012, %	Effective interest rate Dec 31, 2012, %	Dec 31, 2012	Dec 31, 2011
EUR 2007–2012/2014–2024	0.74–9.89	0.74–9.89	20,725	16,591
SEK 2007–2012/2014–2017	1.90–5.71	1.91–5.71	15,131	15,904
USD 2009/2015	5.98	5.98	4,861	5,165
GBP 2009/2014	6.04	6.18	523	532
CNY 2012/2015	3.80–5.93	3.80–6.06	1,852	–
B/S Bond loans as of December 31[1]			**43,092**	**38,192**

1 Of which loans raised to finance the credit portfolio of the customer financing operations totalled 29,044 (24,501).

Other loans	Actual interest rate Dec 31, 2012, %	Effective interest rate Dec 31, 2012, %	Dec 31, 2012	Dec 31, 2011
USD 2008–2012/2015–2018	0.56–7.50	0.56–7.76	7,902	8,883
EUR 2005–2012/2014–2027	1.49–6.50	1.50–6.50	2,127	2,409
GBP 2011/2014	1.98	1.99	902	925
SEK 2007–2011/2015–2017	1.52–3.22	1.53–3.22	4,270	5,457
CAD 2012/2015	3.06	3.10	675	1,439
MXN 2009–2012/2014–2016	5.74–8.99	5.89–9.37	1,673	1,470
JPY 2007–2012/2014–2017	0.60–1.40	0.60–1.41	7,837	13,132
CHF 2011/2013	1.07	1.07	–	736
BRL 2007/2020	4.15	4.28	5,807	5,081
AUD 2012/2015	4.81	6.05	690	1,054
Other loans			4,617	5,509
Revaluation of outstanding derivatives to SEK			1,933	1,670
B/S Other loans as of December 31[1]			**38,433**	**47,765**
Bond loans and other loans as of December 31			**81,525**	**85,957**
Deferred leasing income			2,247	2,000
Residual value liabilities			4,439	3,608
Accrued expenses service contracts			2,548	1,996
Other non-current financial liabilities			609	701
Other non-current liabilities			871	2,142
B/S Other liabilities as of December 31			**10,714**	**10,447**
Non-current liabilities as of December 31			**92,239**	**96,404**

1 Of which loans raised to finance the credit portfolio of the customer financing operations 16,874 (24,517). 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 on page 95 presents Industrial operations financial net position, including pensions, listed by currency. Of non-current liabilities, 82,153 (87,923) pertains to financial instruments. » **Refer also to Note 30** Financial instruments.

Of the above loans, 3.723 (516) was secured.

» **Refer to Note 23** for an explanation of changes to assets pledged.

	Non-current loans mature as follows:
2014	27,617
2015	17,518
2016	16,071
2017	14,856
2018	450
2019 or later	5,013
Total	**81,525**

» **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. At year-end 2012, credit facilities granted but not utilized and which can be used without restrictions amounted to approximately SEK 33,1 billion (33.6). These facilities consisted of stand-by facilities for loans with varying maturities through 2013 to 2017. A fee is normally charged for the unused portion of credit facilities and is recognized in profit or loss under other financial income and expenses.

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NOTES TO FINANCIAL STATEMENTS

» *Current liabilities*

Current liabilities	Dec 31, 2012	Dec 31, 2011
Bank loans	9,172	12,639
Other loans	41,145	31,883
B/S Current liabilities as of December 31[1]	**50,317**	**44,522**

1 Of which loans raised to finance the credit portfolio of the customer financing operations amount to 39,259 (31,844) and financial derivatives at fair value 43 (1,362).

Bank loans include current maturities of non-current loans 2,586 (5,803). Other loans include current maturities of non-current loans, 22,173 (17,681), and commercial paper, 13,535 (8,393). Non-interest-bearing current liabilities accounted for 80,788 (99,152), or 62% (69) of the Volvo Group's total current liabilities.

Other current liabilities	Dec 31, 2012	Dec 31, 2011
Advances from customers	3,959	3,642
Wages, salaries and withholding taxes	7,901	8,041
VAT liabilities	1,785	2,099
Accrued expenses and prepaid income	10,925	12,528
Deferred leasing income	1,793	1,683
Residual value liability	1,705	1,783
Other financial liabilities	254	367
Other liabilities	4,449	5,120
B/S Other current liabilities as of December 31	**32,771**	**35,263**

Current liabilities also include trade payables of 47,364 (56,788), current tax liabilities of 653 (2,391) and non interest-bearing and interest-bearing liabilities held for sale, as disclosed in Note 3. Secured bank loans at year-end 2012 totalled 113 (127). The corresponding amount for other current liabilities amounted to 1,581 (584). Of current liabilities including trade payables, 97,992 (102,331) pertains to financial instruments.

» **Refer to Note 23** for an explanation of changes to assets pledged.

NOTE 23 | ASSETS PLEDGED

	Dec 31, 2012	Dec 31, 2011
Property, plant and equipment – mortgages	97	128
Assets under operating leases	150	265
Receivables	3,781	1,333
Cash, loans and marketable securities	32	78
Other assets pledged	39	28
Total	**4,099**	**1,832**

At year-end, liabilities for which the above assets were pledged totalled 3,722 (1,227).

In 2012 an asset-backed securitization was completed. Under the terms of the transaction, 4,361 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, 2012	Dec 31, 2011
Credit guarantees issued for customers and others	9,540	8,970
Tax claims	861	521
Residual value guarantees	3,317	2,969
Other contingent liabilities	4,045	4,694
Contingent liabilities as of December 31	**17,763**	**17,154**

Tax claims amounting to 861 (521) 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 reflect the Volvo Group's risk exposure on a gross basis. The recognized amounts have thus 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, 2012, the estimated value of counter guarantees received and other collaterals, for example the estimated net selling price of used products, amounted to 4,216 (3,726) 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 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 approximatley USD 72 M. Volvo Powertrain has appealed the decision. As of December 31, 2012, an amount of SEK 65 M has been set as a provision and SEK 404 M has been retained as a contingent liability.

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

In September 2010, Volvo Trucks' and Renault Trucks' UK subsidiaries have, together with a number of other international truck companies, become the subject of an investigation initiated by the Office of Fair Trading (OFT), the British competition authority. In June 2012, OFT decided to close its investigation on the grounds that it considers the European Commission to be best placed to act in the matter. The OFT has reserved its right to reopen the investigation.

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.

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.

Given the nature of the ongoing investigations initiated by competition authorities, the Volvo Group cannot exclude that they may affect the Group's result and cash flow with an amount that may be material. However, as regards the investigation initiated in Europe, it is too early to assess whether and when such effect may occur and hence if 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. Concerning the investigation initiated in Korea, a contingent liability has however been recongnized.

In May 2011 Volvo Penta became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. In June 2012, the European Commission closed the investigation without further actions.

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.

Volvo Group is also involved in a number of other legal proceedings. Volvo Group does not believe that any liabilities related to such proceedings are likely to entail any risk, in the aggregate, of having a material effect on the financial position of the Volvo Group.

NOTE 25 | TRANSACTIONS WITH RELATED PARTIES

Transactions between AB Volvo and its subsidiaries and joint ventures, 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.

	2012	2011
Sales to associated companies	1,670	1,296
Purchase from associated companies	702	60
Receivables from associated companies, Dec 31	242	186
Liabilities to associated companies, Dec 31	632	129

The increase in purchases and liabilities 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.

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 amounted to 29 (53) and 1,719 (2,321). Receivables from and liabilities to Renault s.a.s. is not included for 2012 and totalled 11 and 372, respectively, as of December 31, 2011. Sales were mainly from Renault Trucks to Renault s.a.s. and comprised components and spare parts. Purchases were mainly made by Renault Trucks from Renault s.a.s. and primarily comprised light trucks. Renault Trucks has a license from Renault s.a.s. for the use of the trademark Renault.

During the year AB Volvo divested an apartment to a former member of Group management to market value for 10.

» **Refer to Note 5** regarding the Volvo Group's share in associated companies.

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

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.

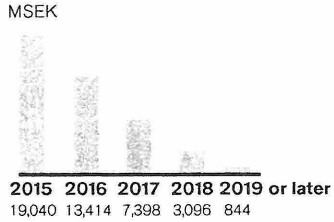
Volvo Group Non-current customer-financing receivables

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.

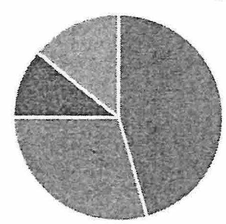
Concentration by geographical market

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

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, healthcare 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).

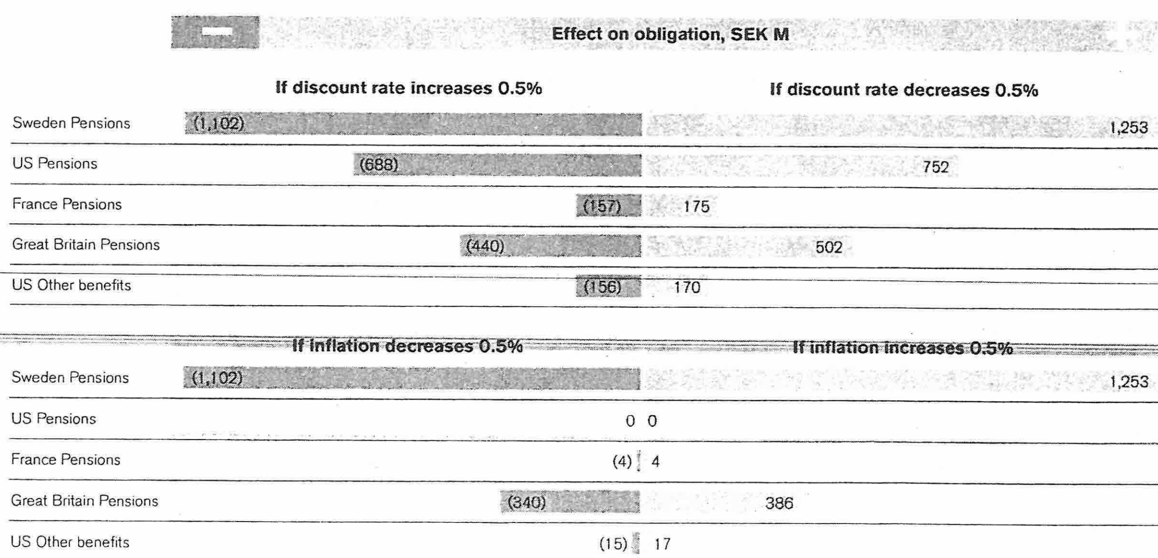
Pension costs	2013	2012
Current year service costs	1,297	1,071
Interest expense	1,319	1,415
Interest income	(842)	(944)
Past service costs	144	32
Gain (loss) on settlements	0	35
Pension costs for the period, defined-benefit plans	**1,918**	**1,609**
Pension costs for defined-contribution plans	2,226	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**

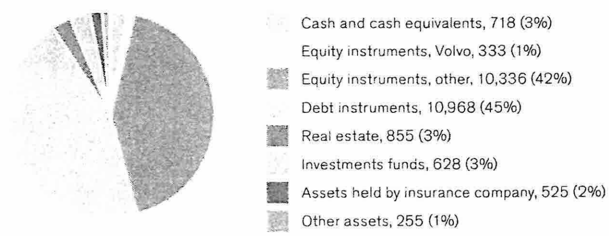
Fair value of plan assets in funded plans

	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**

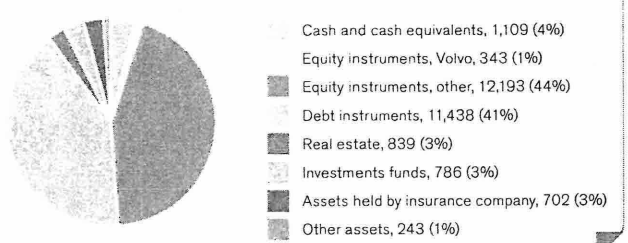
Net provisions for post-employment benefits

	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)	Vesting year	Beginning of the year	Granted 2013	Cancelled/ forfeited 2013	Allotments during 2013	End of the year	Cost 2013 (SEK M)[1]
		Shares granted conditional under the plan but not yet allotted (in thousand shares)					
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 Number of employees	2013 of which women, %	2012 Number of employees	2012 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 Number at year-end	2013 of which women, %	2012 Number at year-end	2012 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

SEK M	2013 Board and Presidents[1]	2013 of which variable salaries	2013 Other employees	2012 Board and Presidents[1]	2012 of which variable salaries	2012 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

SEK M	2013 Wages, salaries remun	2013 Social costs	2013 Pension costs	2012 Wages, salaries remun	2012 Social costs	2012 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

SEK M	Dec 31, 2013 Nominal amount	Dec 31, 2013 Carrying value	Dec 31, 2012 Nominal amount	Dec 31, 2012 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	Previously reported as of Jan 1, 2012	Restatement Joint Ventures	After restatement Joint Ventures	Restatement post-employment benefits	After post-employment benefit restatement
	Volvo Group				
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	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
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	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						
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

	2013	2012
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**