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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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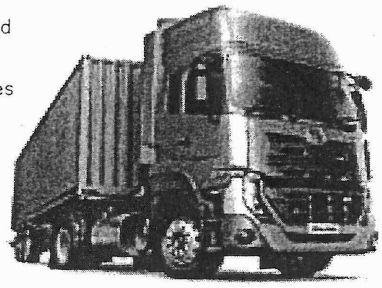
Q3 2013

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



Beginning of 2014

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

2014

Q4 2013

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

Targets to secure improved Group profitability

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

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

+3 percentage points

Financial targets

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

INDUSTRIAL OPERATIONS

TRUCKS AND BUSES

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

CONSTRUCTION EQUIPMENT AND VOLVO PENTA

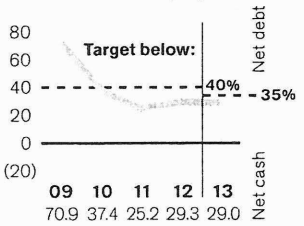
Target	Comparison group	Preliminary outcome*
The annual organic **sales growth** for the construction equipment operations and Volvo Penta, shall be equal to or exceed a weighted-average for comparable competitors.	Brunswick, Caterpillar, CNH, Cummins, Deere, Hitachi, Komatsu and Terex.*	The organic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

INDUSTRIAL OPERATIONS

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

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

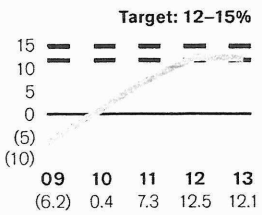
Net financial debt as a percentage of shareholders' equity, %



CUSTOMER FINANCE OPERATIONS

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

Return on shareholders' equity, %



Creating value in every stage of the value chain

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

VALUE CREATION

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

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

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

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

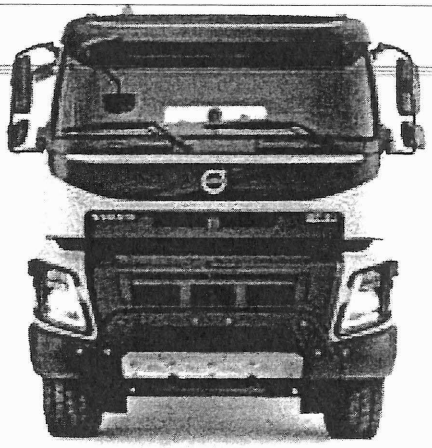
SUSTAINABILITY PERSPECTIVE

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

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

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

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



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

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

4 DISTRIBUTION AND SERVICE

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

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

5 PRODUCTS IN USE

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

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

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

6 RE-USE

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

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

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

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

VALUE BY STAKEHOLDER GROUP

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

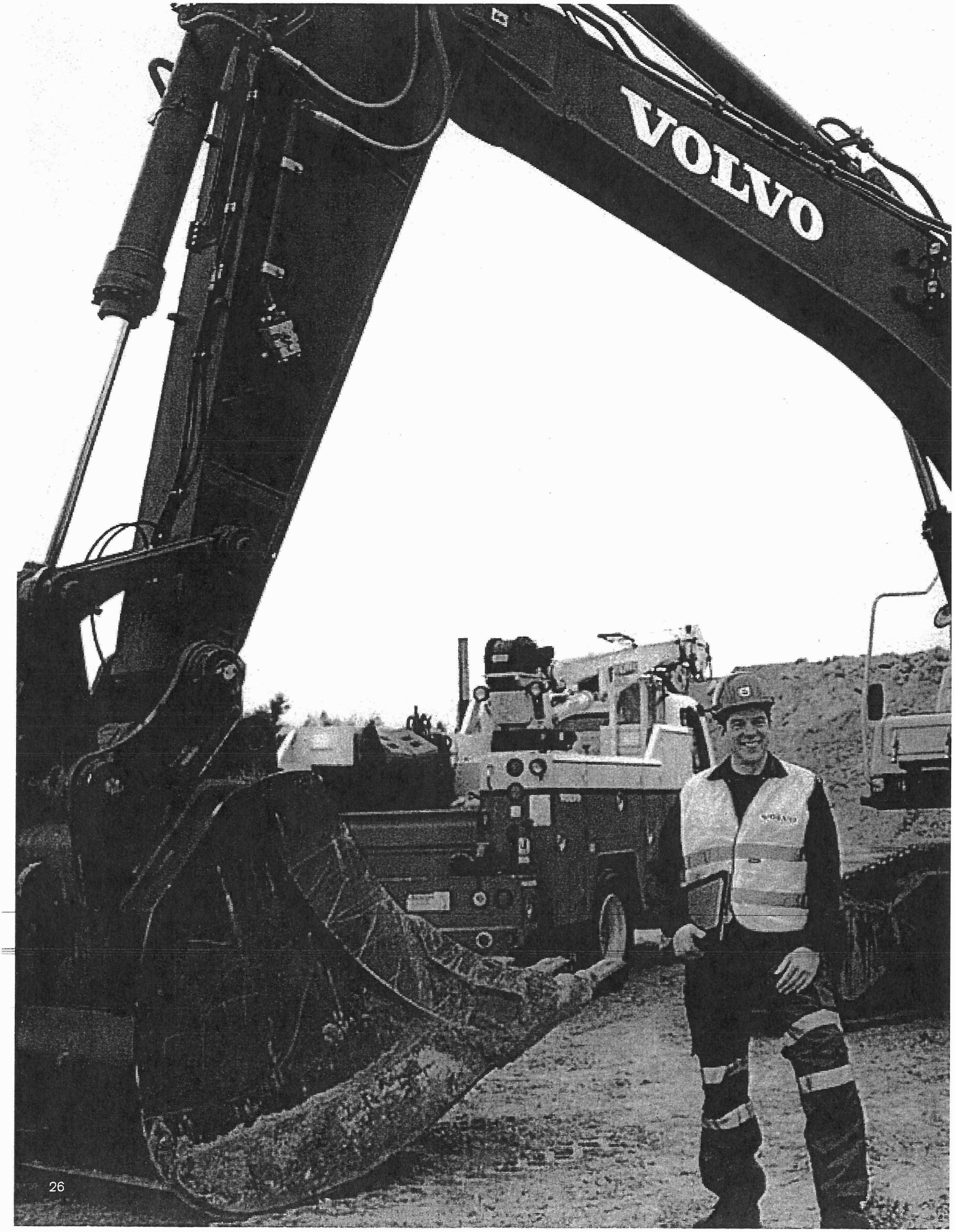
1 For further information, please see note 27 to the consolidated financial statements.

2 According to the Board's proposal.

Taxes

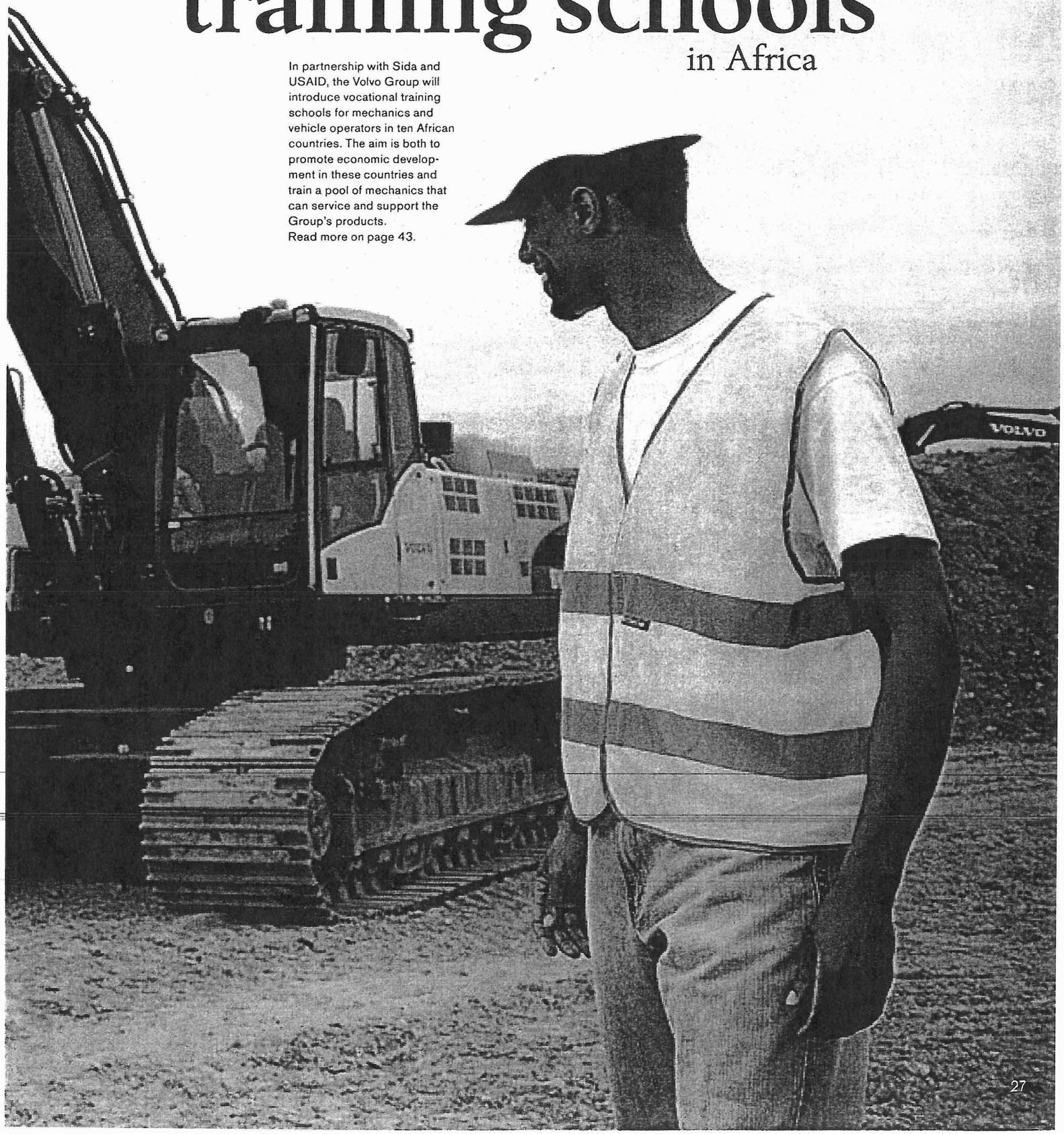
The Group's Code of Conduct states that "The Volvo Group shall comply with the tax laws and regulations of each country in which it operates. Where tax laws do not give clear guidance, prudence and transparency shall be the guiding principles."

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


VOLVO

The Volvo Group introduces vocational training schools in Africa

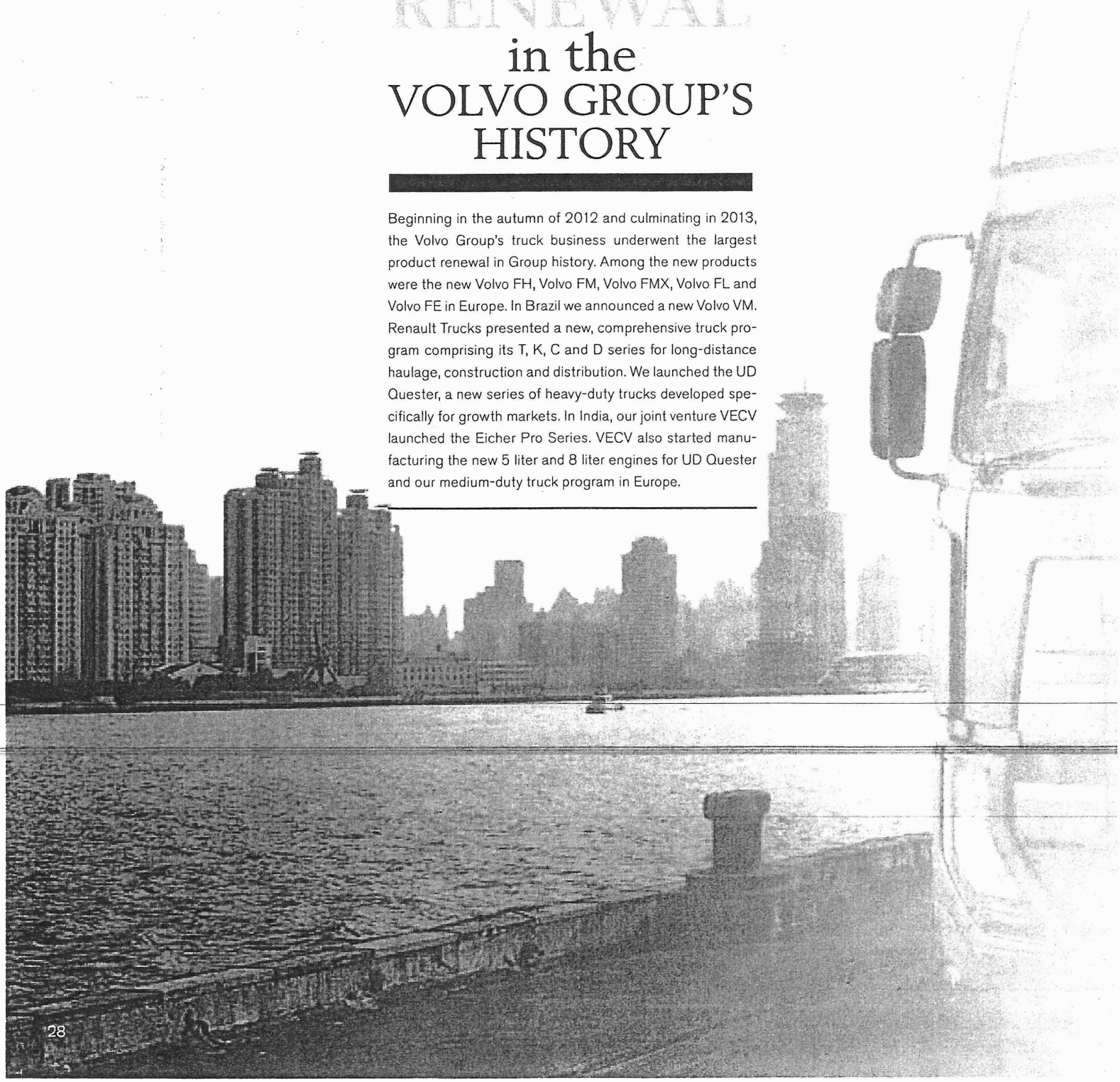
In partnership with Sida and USAID, the Volvo Group will introduce vocational training schools for mechanics and vehicle operators in ten African countries. The aim is both to promote economic development in these countries and train a pool of mechanics that can service and support the Group's products.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

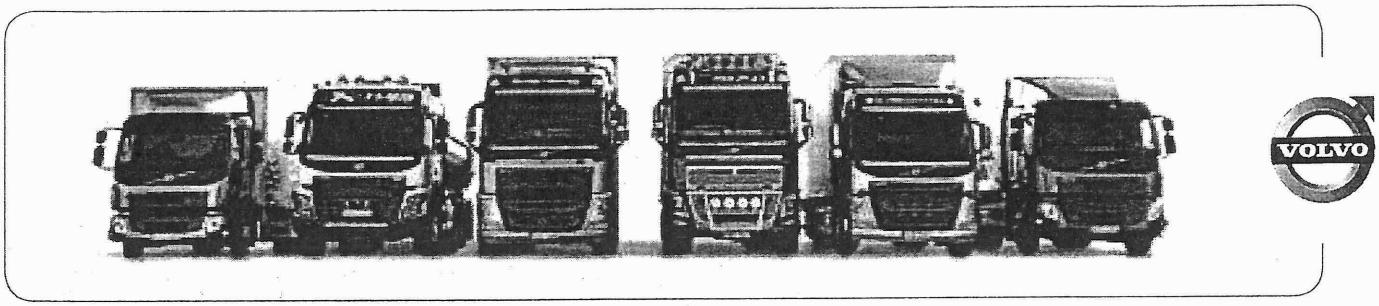


NEW PRODUCTS

THE LARGEST PRODUCT RENEWAL in the VOLVO GROUP'S HISTORY

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

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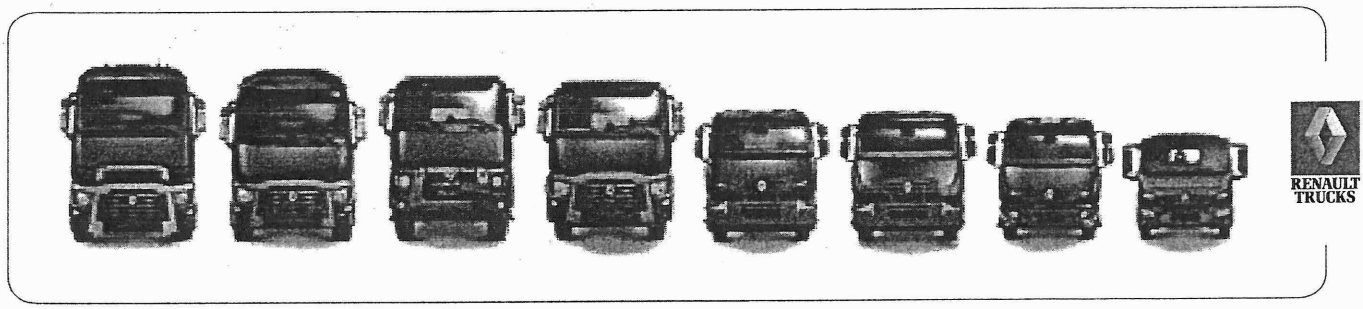
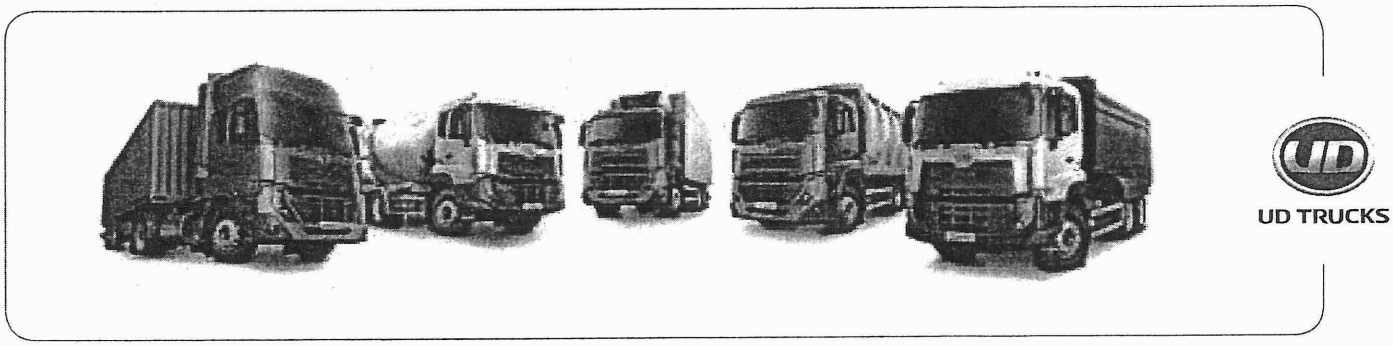

RENAULT
TRUCKS


UD
UD TRUCKS

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BRANDS

Strong brands are important assets

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

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

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

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

Portfolio structure unlocks hidden potential

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

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

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

Specific segments and customers

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

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

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

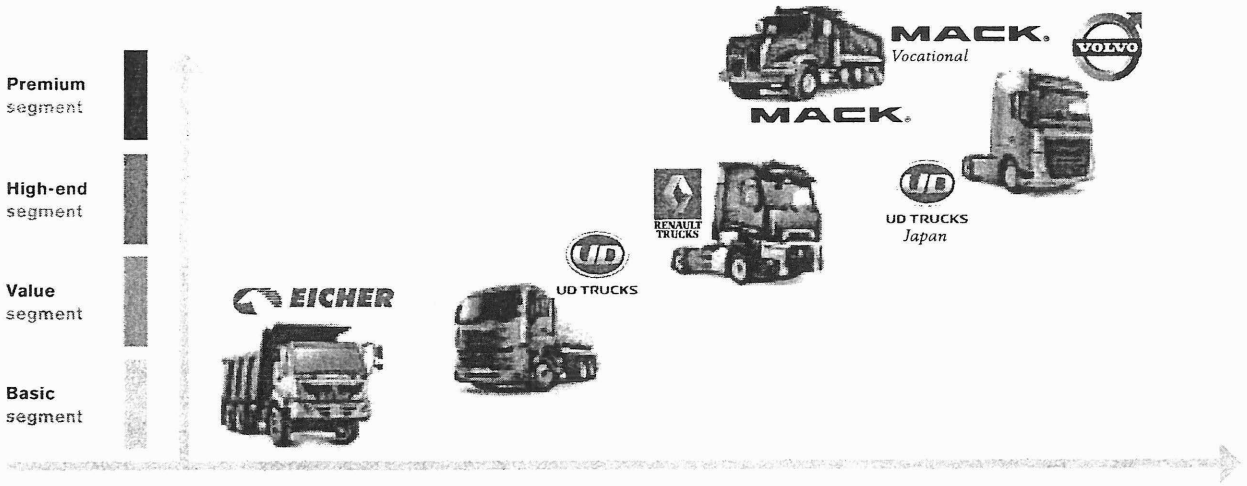
New segments - new potential

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

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

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

TRUCK BRANDS – addressing the entire market



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

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

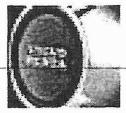
Renault Trucks Since 1894, building on the legacy of French truck industry know-how, Renault Trucks supplies transport professionals with robust tools and robust relationships. The vehicles (from 2.8 tons to 120 tons) and services offering is adapted to different transport applications. Renault Trucks'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

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

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

BRANDS IN OTHER AREAS

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



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

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

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

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

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

PRODUCT DEVELOPMENT

Development focusing on more efficient products

PRINCIPLES

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

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

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

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

Three areas of focus

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

THREE AREAS OF FOCUS

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

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

Energy-efficient drivelines

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

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

Electromobility

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

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

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

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

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

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

What will follow US 10 and Euro 6?

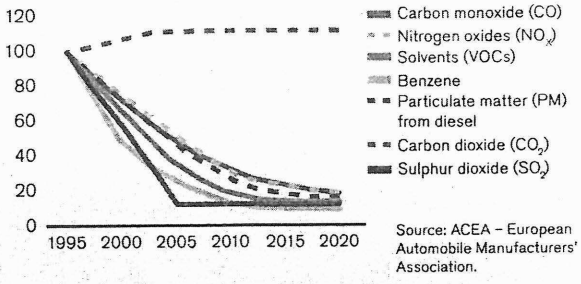
The introduction of increasingly strict emission regulations, primarily focusing on nitrogen oxides and particulates, has meant that the emissions caused by vehicles sold in the market today are at very low levels. For example, the Euro 6 legislation, that came into effect in the EU at the end of 2013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

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

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

Significantly reduced emissions

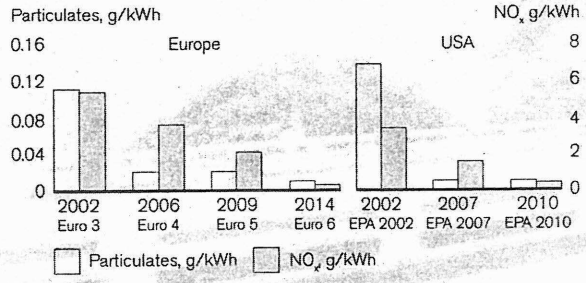
Within the EU all road transport emissions except for carbon dioxide are expected to decrease in the future. This is the result of stringent emission regulations..



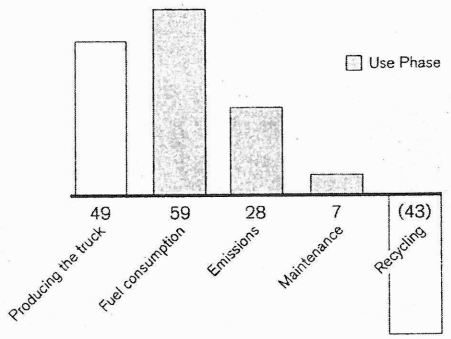
Source: ACEA – European Automobile Manufacturers' Association.

Emissions regulations for trucks and buses

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



Life Cycle Assessments broaden the perspective



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

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

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

WWF Climate Savers

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

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

In the agreement Volvo Group is committed to reducing:

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

Our agreement also states that:

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

Interim results

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

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

Extended cooperation

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

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

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

Renewable and alternative fuels

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

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

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

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

Safety

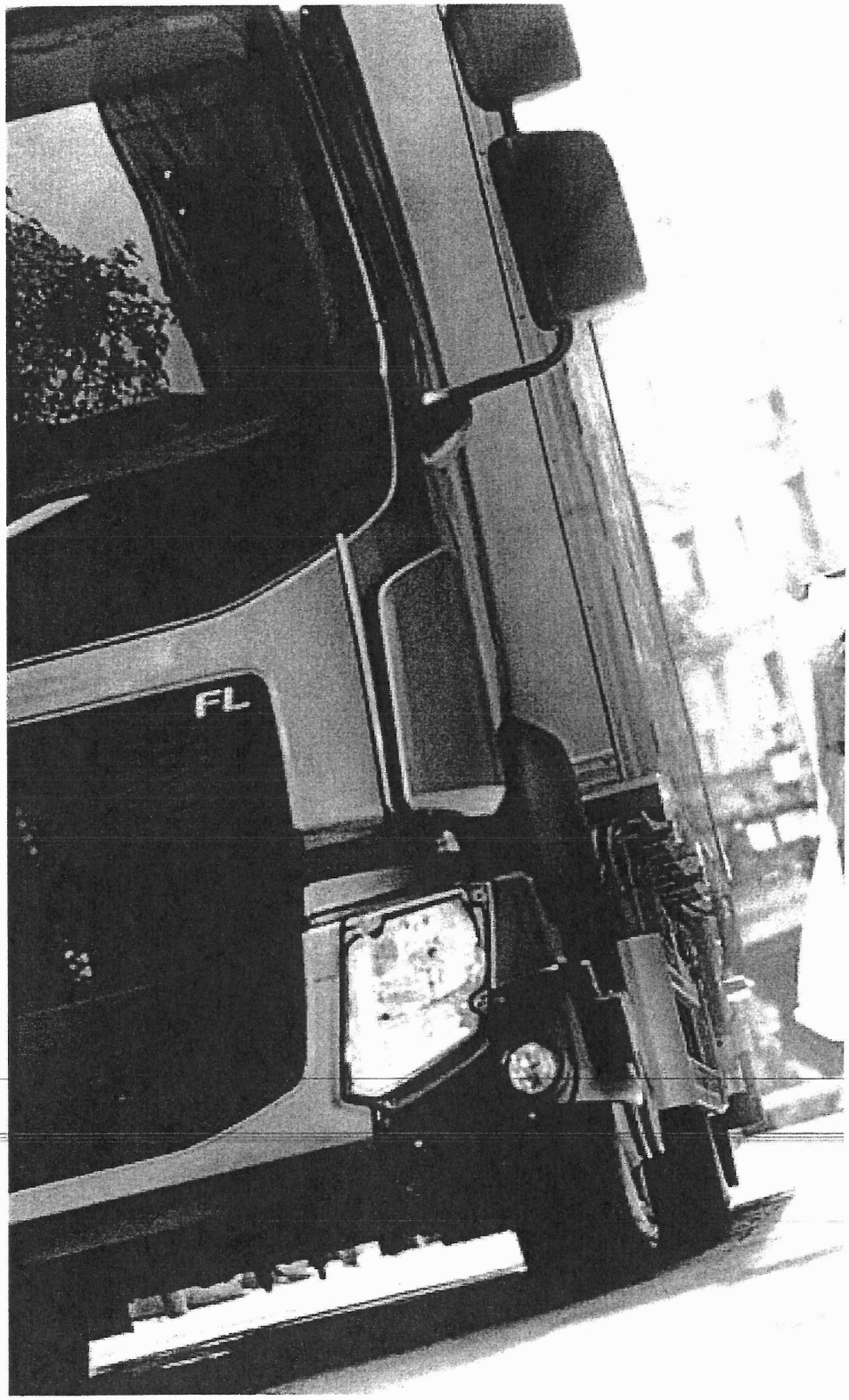
Safety has been a guiding star for the Volvo Group since 1927. The ultimate goal is zero accidents with the Group's products. To work towards this goal, systems that prevent accidents from happening in the first place and reducing the consequences if an accident does occur, are continuously developed.

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

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

City Mobility Program

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



More efficient goods transport reduces emissions in cities

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

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

30% lower emissions

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

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

Success requires coordination

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

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

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

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

Facts about the Climate-Smart City Distribution project

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

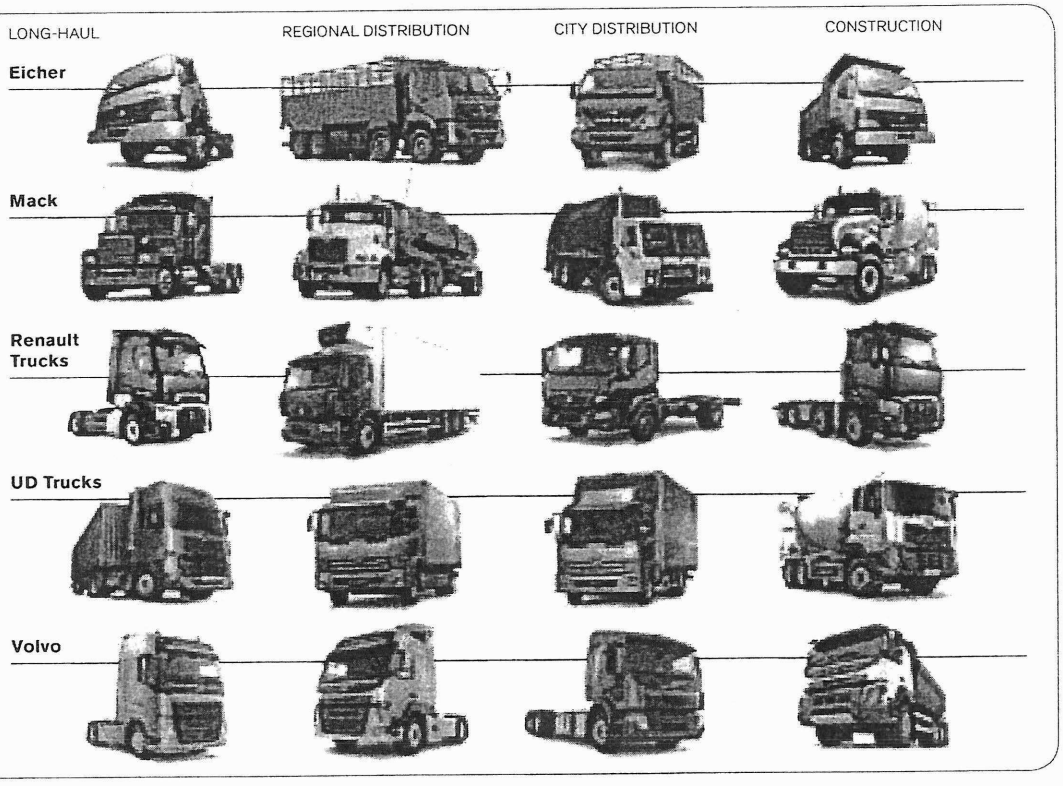
EFFICIENT PRODUCTS

Contribute to customer profitability

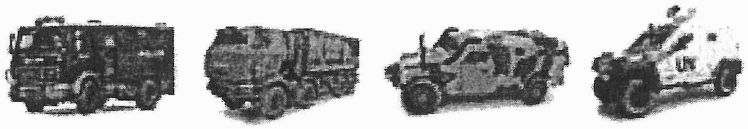
All of the Volvo Group's products have been developed to contribute to efficient transport and infrastructure solutions in all parts of society.

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

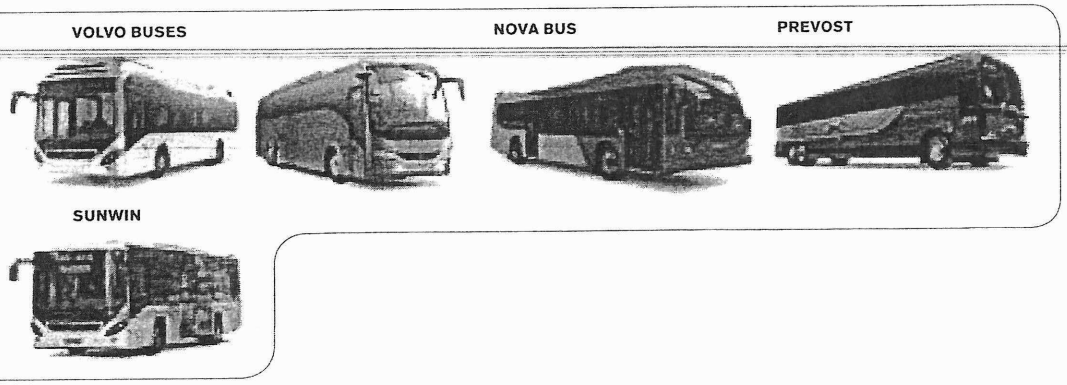
The trucks are sold and marketed under the brands Eicher, Mack, Renault Trucks, UD Trucks and Volvo, which all offer customers a broad range of products and services for efficient and economic transports.



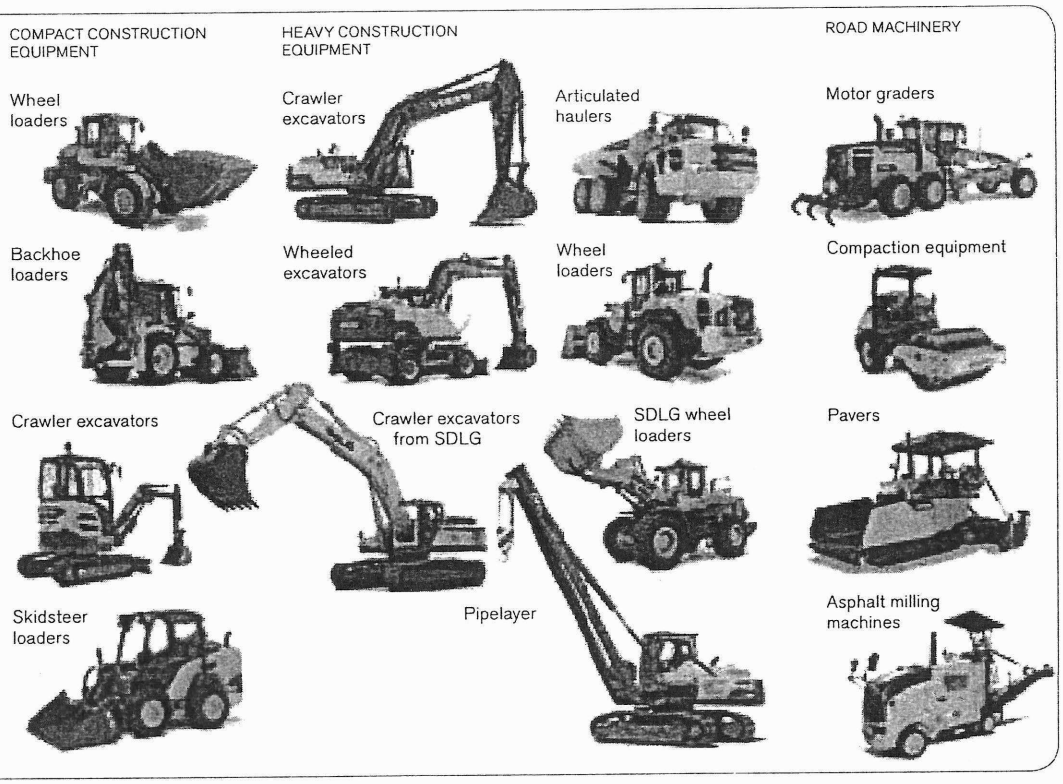
Special-purpose vehicles | The Volvo Group manufactures special-purpose vehicles for use by for instance government, defense, peace-keeping and relief organizations. The Volvo Group's sales of defense material, as defined in the Swedish Military Equipment Ordinance (1992:1303) section A, amounted to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



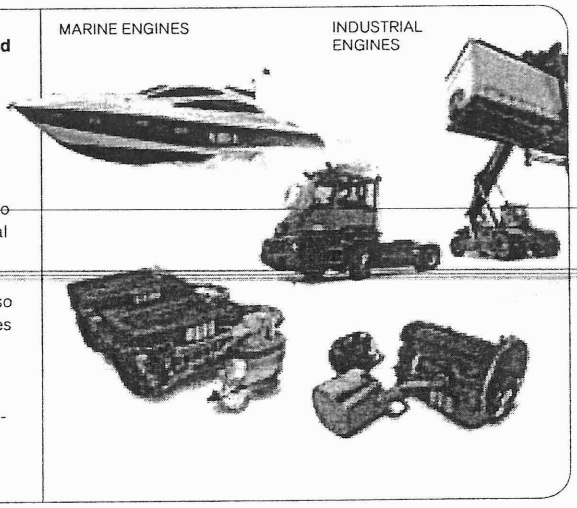
Buses | Volvo Buses' product range includes complete buses and bus chassis for city, intercity and coach traffic. The company has a total offering that, in addition to buses, includes a global service network, efficient spare parts handling, service and repair contracts, financial services and traffic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



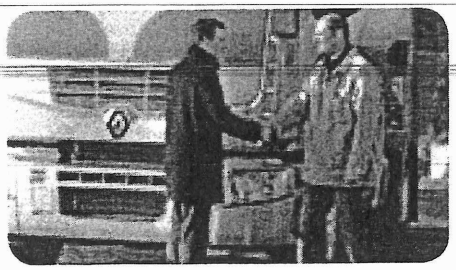
Construction Equipment | Volvo Construction Equipment develops, manufactures and markets equipment for construction and related industries under the brands Volvo and SDLG. Its products are leaders in many world markets, and include a comprehensive range of wheel loaders, hydraulic wheeled and crawler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



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



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

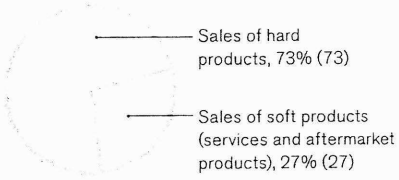


WORLD-CLASS SERVICES AND DISTRIBUTION

Strengthen customer relationships

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

Distribution of net sales 2013



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

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

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

Strong market channels

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

Develop and increase interface with customers

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

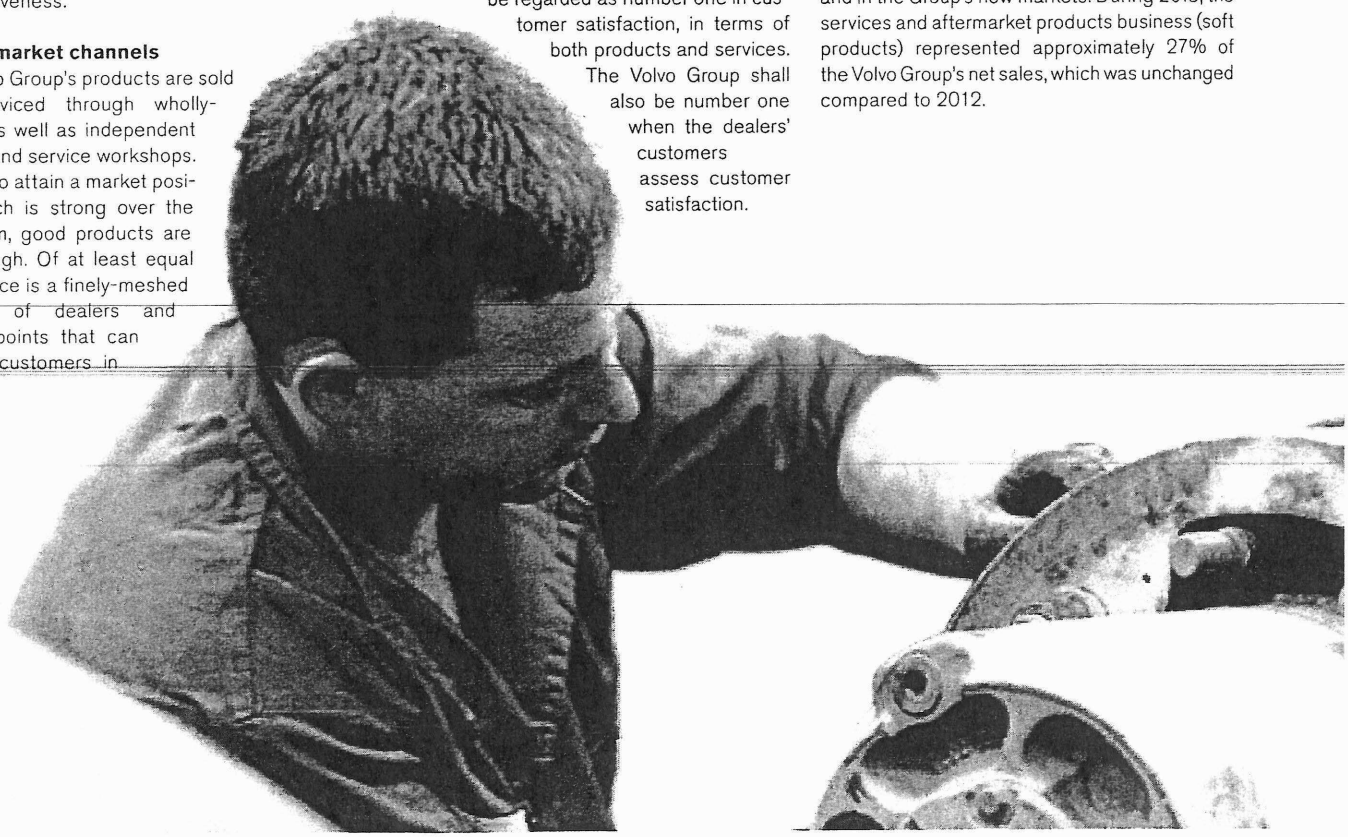
The goal is that Volvo Group companies shall be regarded as number one in customer satisfaction, in terms of both products and services. The Volvo Group shall also be number one when the dealers' customers assess customer satisfaction.

Growing aftermarket business

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

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

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



Training and advice to save even more fuel

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

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

Volvo Trucks Fuel Advice

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

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

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

Renault Trucks Optifuel

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

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

Eco Operator from Volvo CE

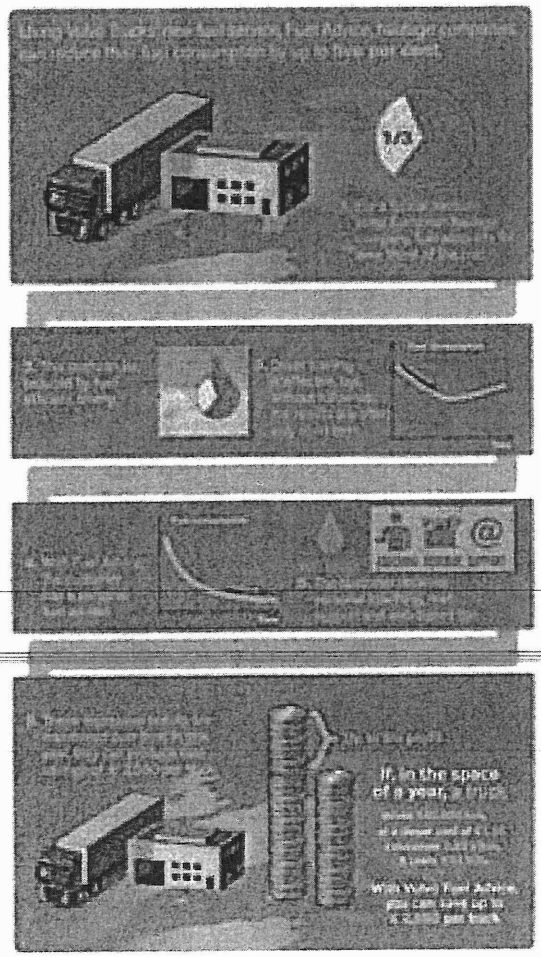
EcoOperator is a training program from Volvo Construction Equipment that gives operators the practical and theoretical knowledge they need to become safer, more efficient and extra environmentally conscious while operating equipment. No matter how fuel efficient a piece of equipment is, the operator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

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

Efficient driving with Volvo Buses

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

Volvo Fuel Advice



A HIGH-PERFORMING ORGANIZATION

Committed employees

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

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

Attracting and retaining competence

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

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

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

A qualified talent pool

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

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

Academic Partner Program

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

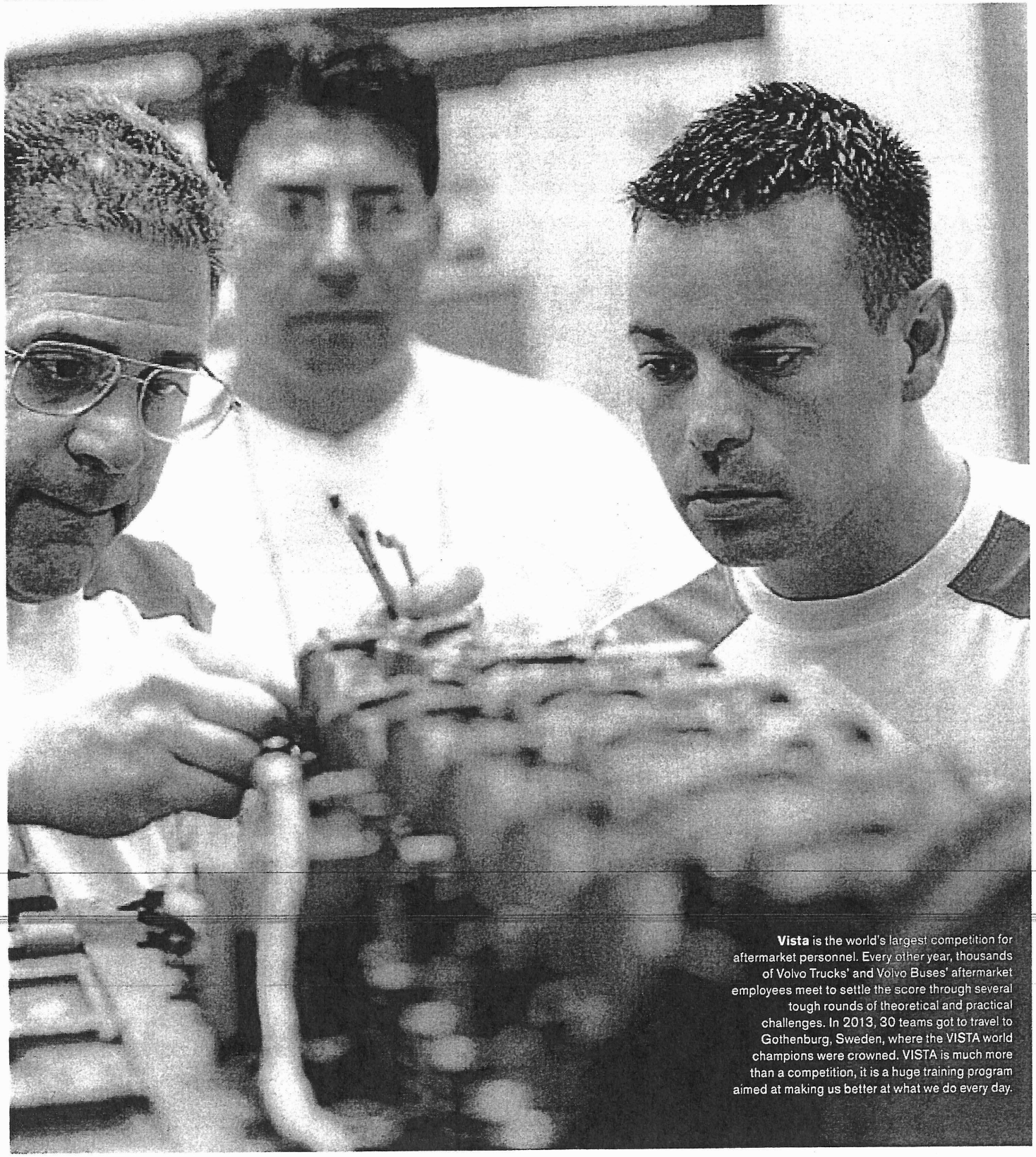
One example is the Academic Partner Program (APP), which is a systematic approach for long-term cooperation with selected universities and research institutes in areas of special interest. The program aims to provide the Group with a picture of important collaborative partners and to increase the Group's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

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

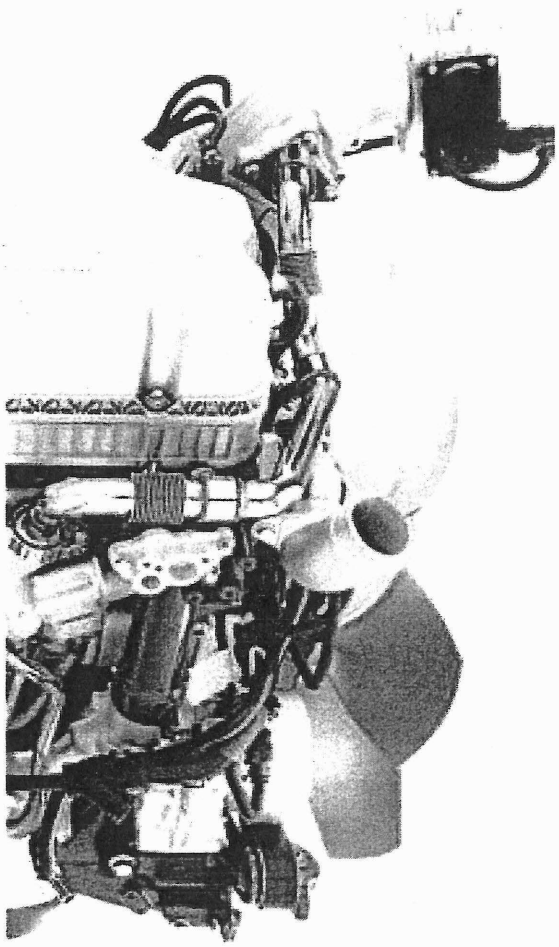
Competence development

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

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



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



Developing talents

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

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

Diversity enhances innovation

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

VGAS 2013 - closing the gap to high-performers

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

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

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

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

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

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

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

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

Staff and support function rationalization

In the autumn of 2013 a Group-wide efficiency program was announced. It is based on activities related to the implementation of the Group's strategies and which will be implemented in 2014 and 2015. After detailed analysis of the consequences of the program the estimate is that approximately 4,400 white-collar employees and consultants will be affected by personnel reductions, including previously announced 2,000 within staff and group support functions. White-collar employees worldwide will primarily be reduced in Group Trucks Operations, Group Trucks Technology, Group Trucks Sales and Marketing EMEA, IS/IT, Finance and Human Resources. This is a consequence of the transformation the Group is undergoing. With a new organization and new ways of working in place, the Group will be able to utilize its resources more cost-efficiently. A majority of the personnel reductions will be implemented during 2014.

Responsibility when plants are closed

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

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

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

Training in Code of Conduct

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

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

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

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

THE VOLVO WAY

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

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

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

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

HUMAN RIGHTS IN OPERATIONS

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

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

Geographic distribution of employees

- Europe 55%
- North America 17%
- South America 6%
- Asia 19%
- Other countries 3%

Vocational training schools in Africa

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

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

Ten countries

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

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

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

Sustainable business

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

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

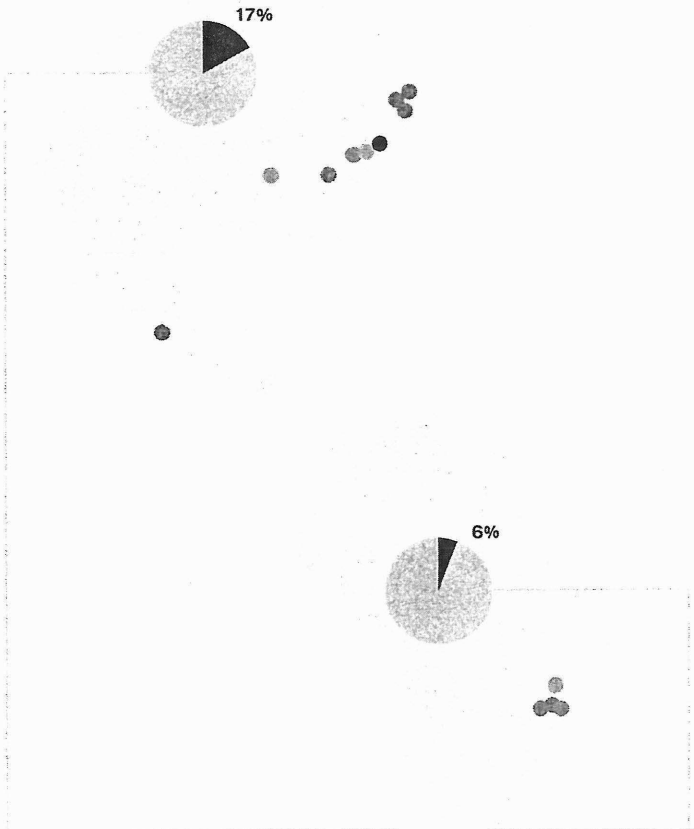
– A sustainable development within social, financial, and environmental dimensions is something that we see as a necessary prerequisite for long-term profitability. By training local labor to sell, drive and serve our products we are broadening our own market and at the same time contributing to sustainable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

INDUSTRIAL STRUCTURE

Global industrial structure

Employees worldwide 2013

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

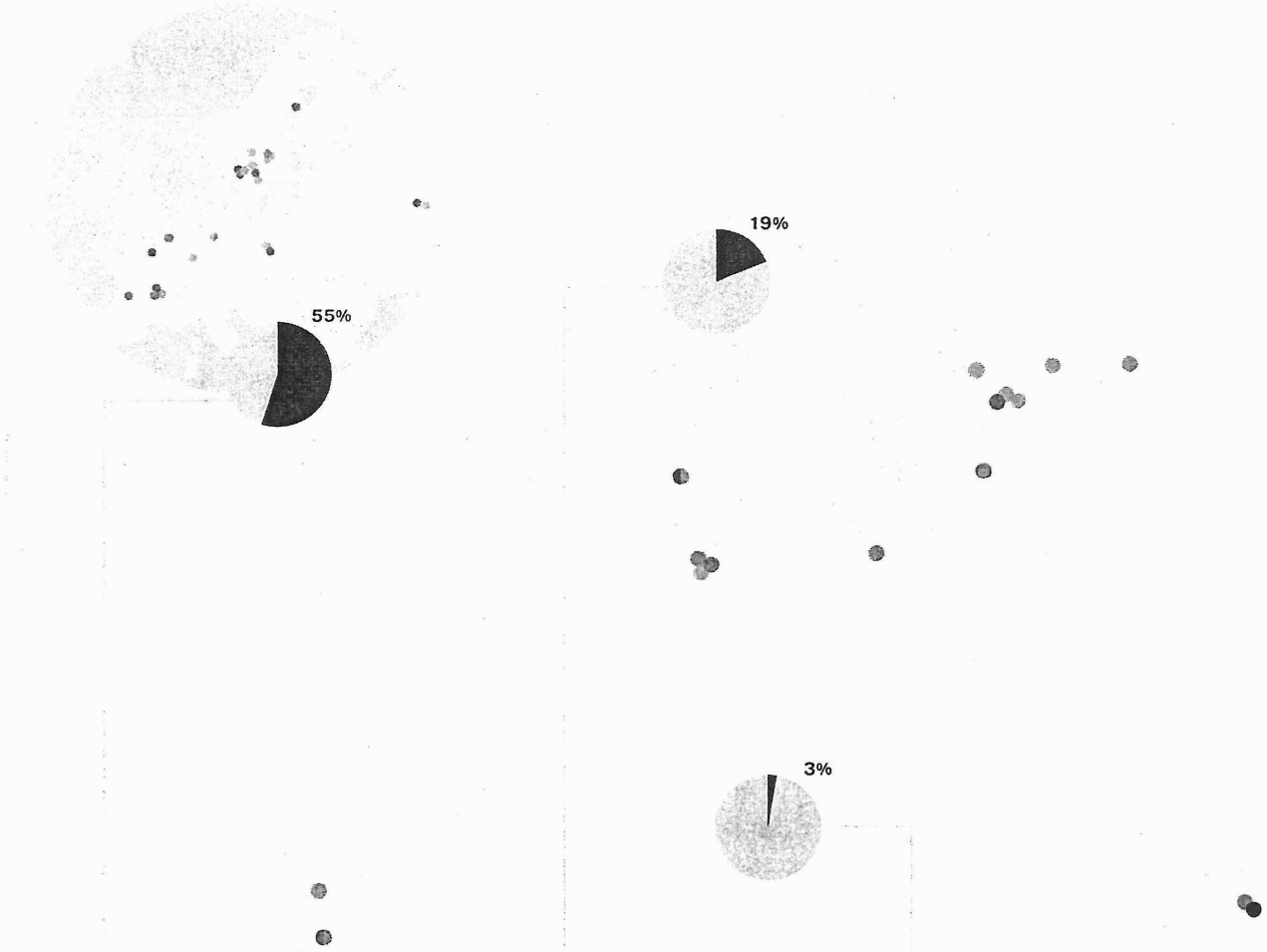


Share of employees

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

Group Trucks Operations

* Ownership ≥ 50%



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

EFFICIENT PRODUCTION AND RESPONSIBLE SOURCING

Cornerstones of the Group's manufacturing operations

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

Global standards

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

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

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

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

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

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

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

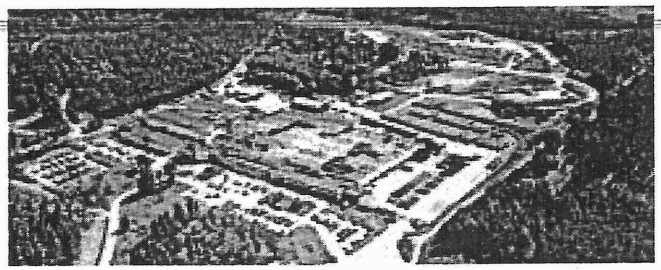
Energy efficiency

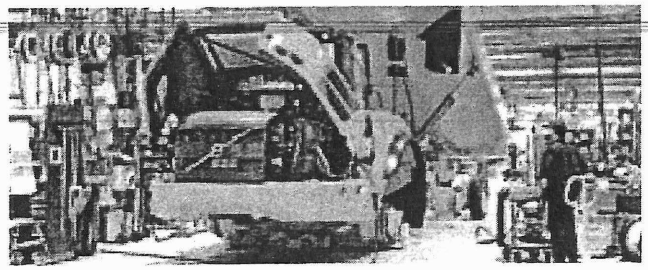
Our ambitions to increase energy efficiency and attain carbon neutrality are important both in terms of environmental and economic sustainability. The Volvo Group was the first automotive manufacturer to participate in the WWF Climate Savers program. Since 2009, we have reduced carbon emissions from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

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

Carbon-neutral manufacturing

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





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

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

Responsible sourcing

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

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

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

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

Ethical assessment

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

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

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

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

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

Read more in the Volvo Group Sustainability Report 2013.

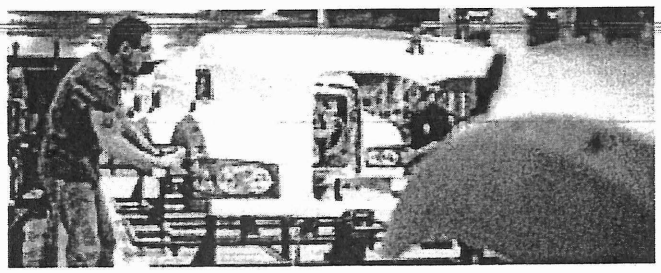
PRINCIPLES

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

- Improving processes
- Delivering results
- Developing people.

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

94%



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

HYBRID

More than 80% lower fuel consumption with plug-in hybrids

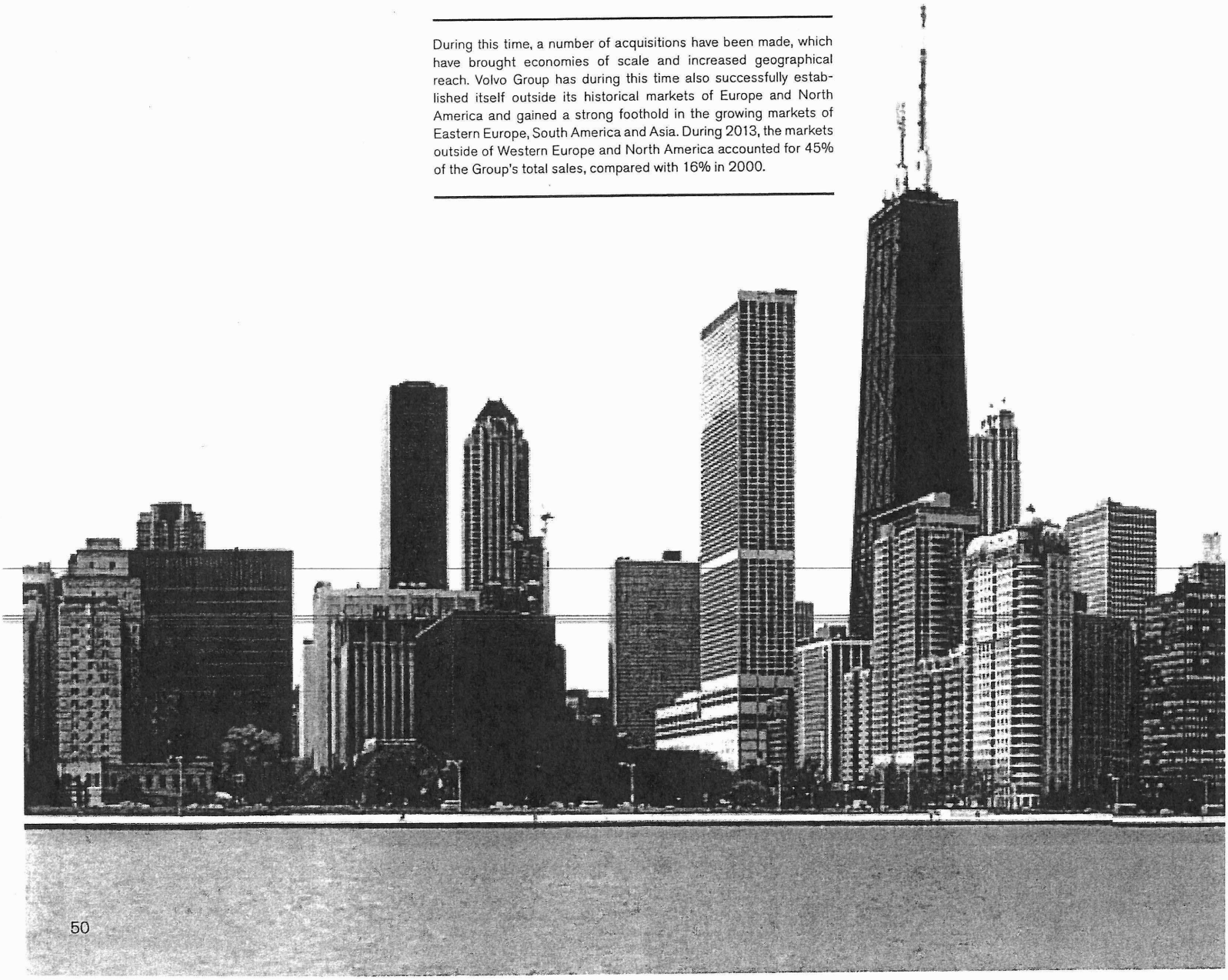
In May 2013, a field test commenced with Volvo's first plug-in hybrid buses in Gothenburg, Sweden. The bus' battery is charged via the electricity network at the terminals and the bus can operate quietly and free from exhaust gases for approximately seven kilometers on electricity alone. Tests show that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

GLOBAL STRENGTH

IN A CHANGING WORLD

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

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



The Volvo Group's larger acquisitions and divestments

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

Strong positions

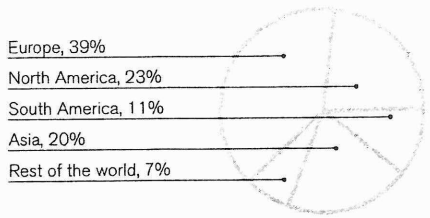
- One of the world's largest manufacturers of trucks, buses and construction equipment.
- A leading independent supplier of marine and industrial engines.
- One of the world's largest manufacturers of heavy-duty diesel engines.
- Strong brands.
- Good market presence globally.

Group market shares

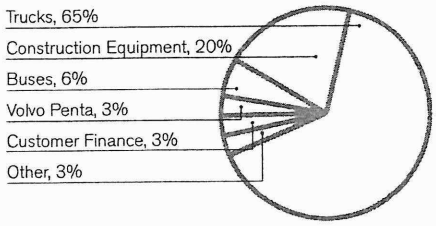
	Heavy-duty trucks	
	2013	2012
Europe 30	24.3	25.7
North America	18.8	18.3
Brazil	20.0	18.2
Japan	18.7	17.5
India*	4.4	3.9
Australia	22.2	21.4
South Africa	23.9	23.5

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

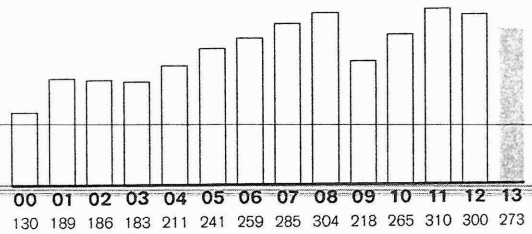
Distribution of net sales by geography 2013

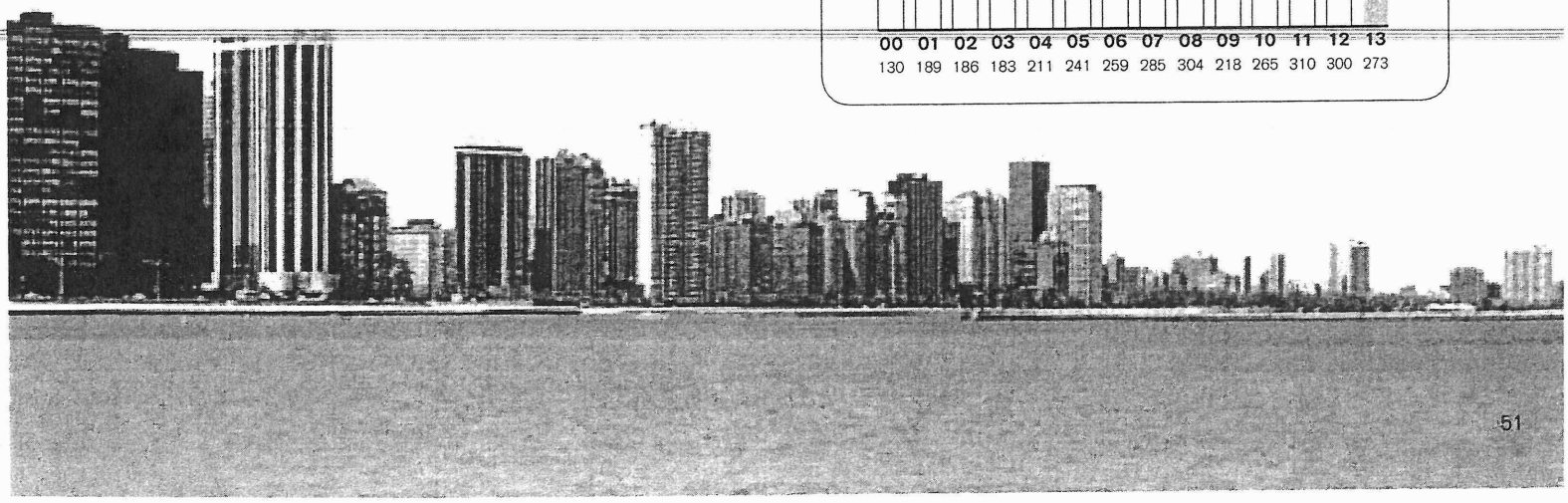


Distribution of the Group's net sales 2013



Volvo Group net sales, SEK bn



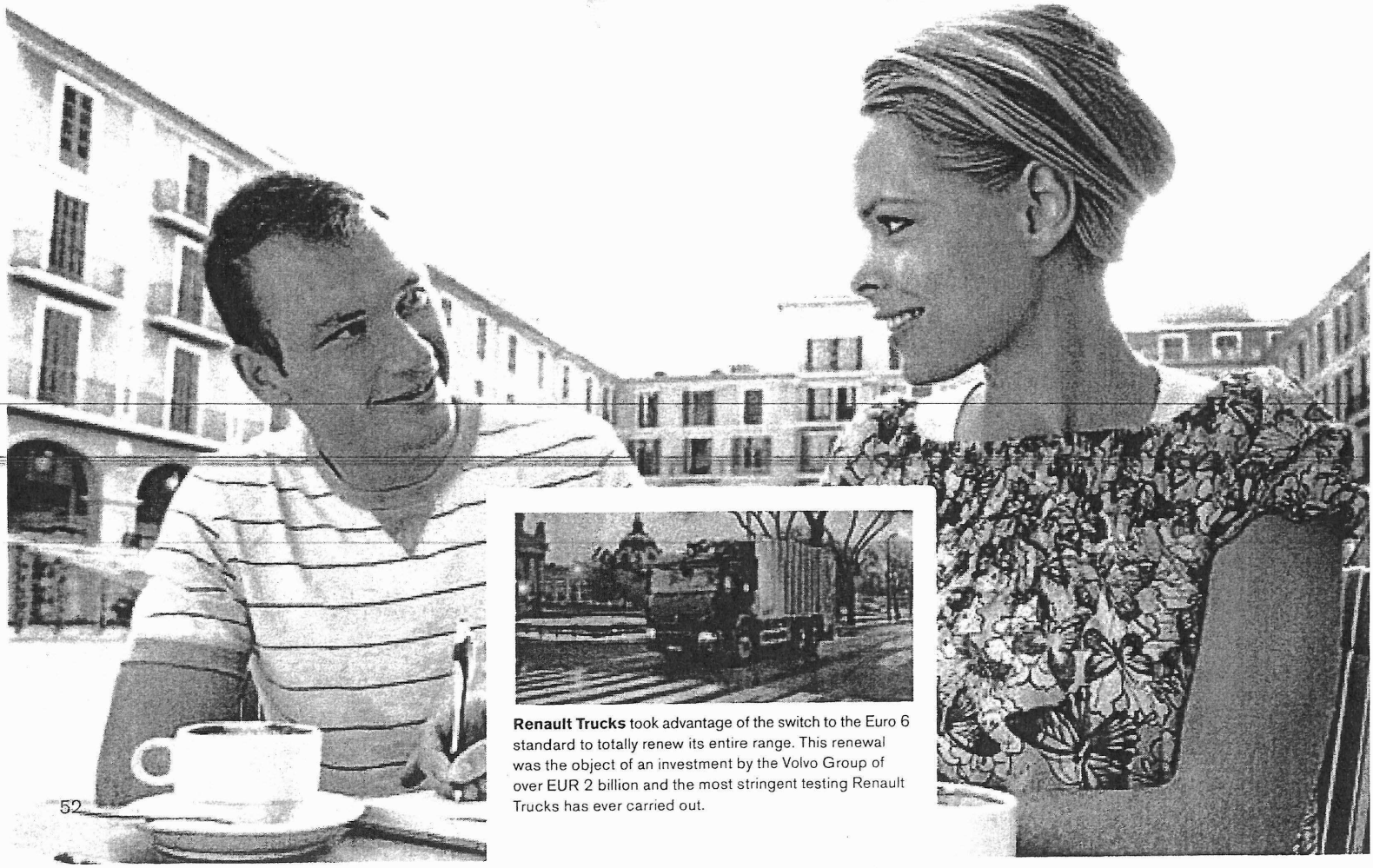


DEVELOPMENT BY CONTINENT

EUROPE

CHANGE-OVER TO NEW PRODUCTS

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



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

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

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

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

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

Decreased market shares in heavy-duty trucks

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

New trucks and new engines

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

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

Restructuring of the truck operations

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

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

Upgrade of bus program

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

New engines from Volvo CE and Volvo Penta

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

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

Volvo CE opened an excavator plant in Russia

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

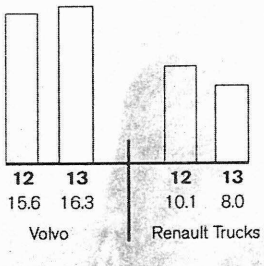
Volvo Group in Europe

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

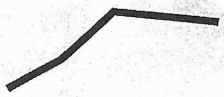
Market development, heavy-duty trucks, Europe, Thousands

09	10	11	12	13
165	179	242	222	240

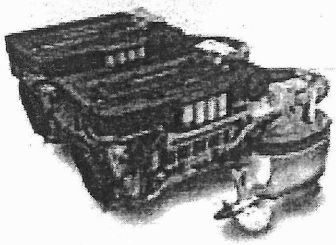
Market shares in Europe, heavy-duty trucks, %



Market development, construction equipment, Europe, Thousands



09	10	11	12	13
76	94	125	122	118



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

FOCUS RENAULT TRUCKS

A french r/evolution

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

Something entirely new

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

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

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

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

New trucks create great opportunities

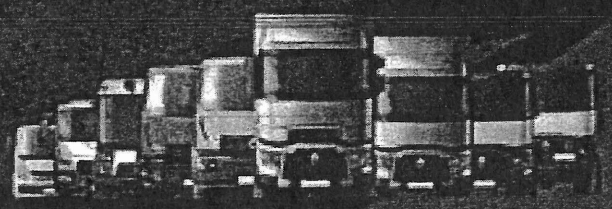
The new trucks replace Renault Trucks' entire product range. Bruno Blin, head of Renault Trucks Commercial, sees great opportunities to capture market shares by offering the perfect tools for its customers to operate their businesses.

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

Focus on profitability

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

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



FACTS

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

Renault Trucks' new truck ranges

T range

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

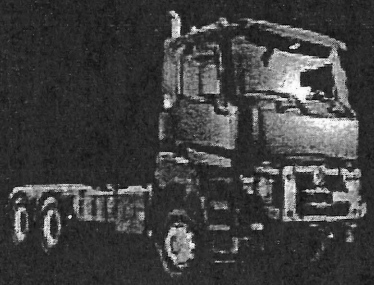
K range

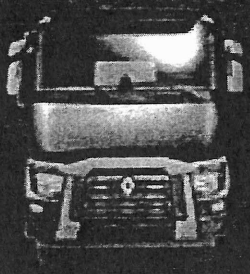
The Renault Trucks C is a robust vehicle, adapted to the mobility needs in construction, while preserving payload. The low weight allows customers to increase profitability per rotation. Mainly dedicated to very demanding applications, the Renault Trucks K contributes to customer profits thanks to its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

C range

D range

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

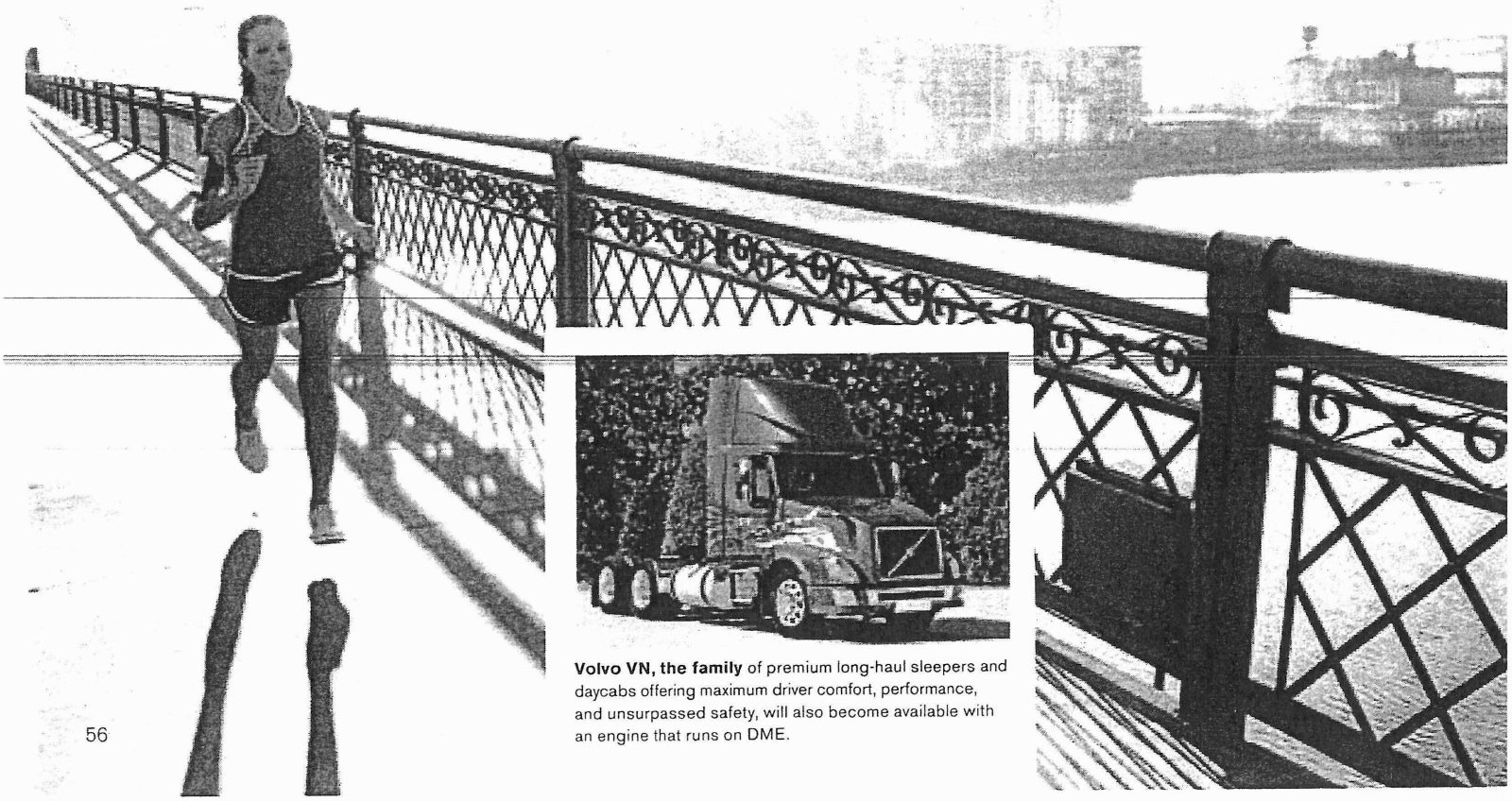




DEVELOPMENT BY CONTINENT

POSITIONS ADVANCED in NORTH AMERICA

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



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

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

Successes due to attractive products

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

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

Improved drivelines

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

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

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

Volvo CE opened in Shippensburg

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

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

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

Hybrid bus success

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

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

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

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

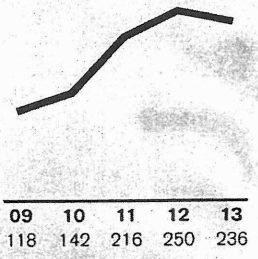
AB Volvo to sell Volvo Rents in North America

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

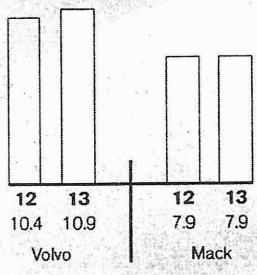
Volvo Group in North America

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

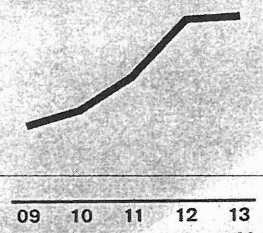
Market development, heavy-duty trucks, North America, Thousands



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



Market development, construction equipment, North America, Thousands



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

DEVELOPMENT BY CONTINENT

SOUTH AMERICA

STRONG PERFORMANCE IN BRAZIL

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

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

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

Increased market shares in Brazil

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

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

Greater interest in electromobility

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

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

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

Volvo CE expands production in Brazil

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

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

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

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

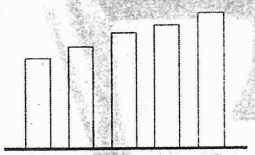
Volvo Group in South America

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

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

09	10	11	12	13
86	139	148	146	152

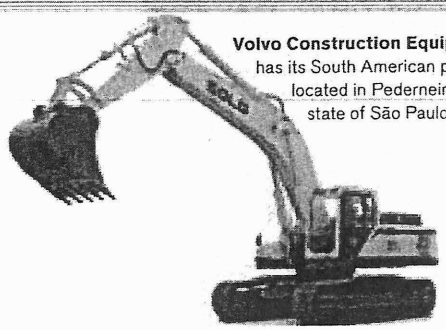
Market shares, heavy-duty trucks, Brazil, %



09	10	11	12	13
13.3	15.0	17.1	18.2	20.0

Market development, construction equipment, South America, Thousands

09	10	11	12	13
21	35	42	44	46



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