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BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91207836
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NOTE **14** | LEASING

## ACCOUNTING POLICIES

*Volvo Group as the lessor*

Leasing contracts are defined in two categories, operational and financial leases, depending on the contract's financial implications. Operational leasing contracts are recognized as non-current assets in Assets under operational leases. Income from operational leasing is recognized equally distributed over the leasing period. Straight-line depreciation is applied to these assets in accordance with the terms of the undertaking and the depreciation amount is adjusted to correspond to the estimated realizable value when the undertaking expires. Assessed impairments are charged to the income statement. The product's assessed realizable value at expiration of the undertaking is reviewed continuously on an individual basis.

Financial leasing agreements are recognized as either non-current or current receivables in the customer finance operations. Payments from financial leasing contracts are distributed between interest income and amortization of the receivable in the customer finance operations.

*Volvo Group as the lessee*

Volvo evaluates leasing contracts in accordance with IAS 17, Leases. In those cases in which risks and rewards that are related to ownership are substantially held by the Volvo Group, so-called financial leases, Volvo Group recognizes the asset and related obligation in the balance sheet at the lower of the leased asset's fair value or the present value of minimum lease payments. Future leasing fee commitments are recognized as obligations. The lease asset is depreciated in accordance with the Volvo Group's policy for the respective non-current asset. The lease payments when made are allocated between amortization and interest expenses. If the leasing contract is considered to be a operational lease, lease payments are charged to profit or loss over the lease contract period.

**Volvo Group as the lessor**

As of december 31, 2013, future rental income from non-cancellable financial and operational leases (minimum leasing fees) amounted to 53,061 (52,322). Future rental income is distributed as follows:

	Finance leases	Operating leases
2014	14,809	5,402
2015-2018	22,616	9,258
2019 or later	710	266
<b>Total</b>	<b>38,135</b>	<b>14,926</b>
Allowance for uncollectible future rental income	(492)	
Unearned rental income	(2,795)	
Present value of future rental income related to non-cancellable leases	34,848	

>> Read more about financial leasing, see note 15.

**Volvo Group as a lessee**

As of december 31, 2013, future rental payments (minimum leasing fees) related to non-cancellable leases amounted to 4,570 (3,817).

Future rental payments are distributed as follows:

	Finance leases	Operating leases
2014	264	1,132
2015-2018	428	1,832
2019 or later	142	772
<b>Total</b>	<b>834</b>	<b>3,736</b>

Rental expenses amounted to:

	2013	2012
Finance leases:		
Contingent rents	(8)	(10)
Operating leases:		
Contingent rents	(32)	(36)
Rental payments	(1,125)	(1,113)
Sublease payments	7	7
<b>Total</b>	<b>(1,158)</b>	<b>(1,152)</b>

Carrying amount of assets subject to financial leases:

	Dec 31, 2013	Dec 31, 2012
Costs:		
Buildings	216	226
Land and land improvements	32	41
Machinery and equipment	591	627
Assets under operating lease <sup>1</sup>	931	57
<b>Total</b>	<b>1,770</b>	<b>951</b>
Accumulated depreciation:		
Buildings	(65)	(58)
Land and land improvements	-	(1)
Machinery and equipment	(236)	(288)
Assets under operating lease <sup>1</sup>	(308)	(14)
<b>Total</b>	<b>(609)</b>	<b>(361)</b>
Carrying amount in the balance sheet:		
Buildings	151	168
Land and land improvements	32	40
Machinery and equipment	355	339
Assets under operating lease <sup>1</sup>	623	43
<b>Total</b>	<b>1,161</b>	<b>590</b>

<sup>1</sup> Refer to assets leased by the Volvo Group as financial lease which are later leased to customers as operating lease.

# NOTE 15 | CUSTOMER-FINANCING RECEIVABLES

Non-current and current receivables recognized in the Volvo Group's customer financing operations.



## SOURCES OF ESTIMATION UNCERTAINTY

### Credit loss reserves

The establishment of credit loss reserves on customer-financing receivables is dependent on estimates including assumptions regarding past dues, repossession rates and the recovery rate on the underlying collaterals. As of December 31, 2013, the total credit loss reserves in the Customer Finance segment amounted to 1.31% (1.23) of the total credit portfolio in the segment.

» Refer to Note 4 for a description of the credit risk, interest and currency risks and Note 30 for further information regarding customer-financing receivables.

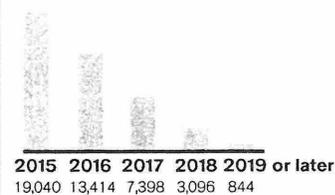
### Volvo Group Non-current customer-financing receivables

Allocation of non-current customer-financing receivables	Dec 31, 2013	Dec 31, 2012
Installment credits	21,850	19,314
Financial leasing	21,040	21,115
Other receivables	902	727
<b>B/S Non-current customer financing receivables as of December 31</b>	<b>43,792</b>	<b>41,156</b>

The effective interest rate for non-current customer-financing receivables amounted to 5.61 % (6.31) as of December 31, 2013.

### Volvo Group Non-current customer-financing receivables maturities

MSEK



### Volvo Group Current customer-financing receivables

Allocation of current customer-financing receivables	Dec 31, 2013	Dec 31, 2012
Installment credits	11,597	10,884
Financial leasing	13,808	13,748
Dealer financing	13,676	14,079
Other receivables	988	1,122
<b>B/S Current customer financing receivables as of December 31</b>	<b>40,069</b>	<b>39,833</b>

The effective interest rate for current customer-financing receivables amounted to 5.63% (6.06) as of December 31, 2013.

### Volvo Group Credit risk in the customer-financing operations

Volvo Group Customer-financing receivables	Dec 31, 2013	Dec 31, 2012
Customer-financing receivables gross	85,040	82,080
Valuation allowance for doubtful customer-financing receivables	(1,179)	(1,091)
Whereof specific reserve	(316)	(258)
Whereof other reserve	(863)	(833)
<b>Customer-financing receivables, net</b>	<b>83,861</b>	<b>80,989</b>

### Volvo Group Customer-financing receivables (days/SEK M) payments due

	Dec 31, 2013					Dec 31, 2012				
	Not due	1-30	31-90	>90	Total	Not due	1-30	31-90	>90	Total
Overdue amount	-	863	279	626	1,768	-	407	331	404	1,142
Valuation allowance for doubtful customer-financing receivables	(84)	(70)	(37)	(125)	(316)	(64)	(42)	(43)	(109)	(258)
<b>Customer-financing receivables, net book value</b>	<b>(84)</b>	<b>793</b>	<b>242</b>	<b>501</b>	<b>1,452</b>	<b>(64)</b>	<b>365</b>	<b>288</b>	<b>295</b>	<b>884</b>

The table above presents overdue payments within the customer financing operations in relation to specific reserves. It is not unusual for a receivable to be settled a couple of days after its due date, which impacts the age interval of 1-30 days.



>> *Customer-financing receivables (cont.)***Change of valuation allowance for doubtful customer-financing receivables for the Volvo Group**

	2013	2012
Valuation allowance for doubtful customer-financing receivables as of December 31, preceding year	1,091	1,150
New valuation allowance charged to income	1,292	835
Reversal of valuation allowance charged to income	(437)	(252)
Utilization of valuation allowance related to actual losses	(731)	(575)
Translation differences	(36)	(67)
<b>Valuation allowance for doubtful customer-financing receivables as of December 31</b>	<b>1,179</b>	<b>1,091</b>

The total contractual amount to which the overdue payments pertain are presented in the table below. In order to provide for occurred but not yet identified customer-financing receivables overdue, there are additional reserves of 863 (833). The remaining exposure is secured by liens on the purchased equipment and, in certain circumstances, other credit enhancements such as personal guarantees, credit insurance, liens on other property owned by the borrower etc.

Collaterals taken in possession that meet the criteria for recognition in the Balance sheet amounted to 132 (200) as of December 31, 2013.

**Volvo Group Customer financing receivables total exposure**

	Dec 31, 2013					Dec 31, 2012				
	Not due	1-30	31-90	>90	Total	Not due	1-30	31-90	>90	Total
<b>Customer financing receivables</b>	74,517	7,956	2,095	471	<b>85,040</b>	72,068	7,221	2,161	630	<b>82,080</b>

**Concentration of credit risk**Customer concentration

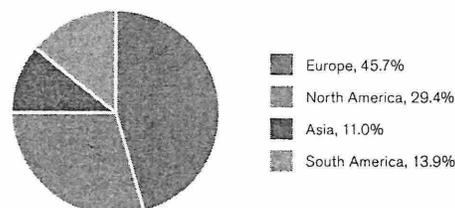
The ten largest customers in Customer Finance account for 6.8 % (7.7) of the total asset portfolio. The rest of the portfolio is pertinent to a large number of customers. Hence the credit risk is spread across many markets and customers.

Concentration by geographical market

The adjacent table discloses the concentration of the customer-financing portfolio divided into geographical markets.

>> **Read more about** the Volvo Group's overall description credit risks in **Note 4**, Financial-risk management.

>> **Read more about** Volvo Financial Services' trend during the year on **page 81**.

**Geographic market, percentage of customer-financing portfolio (%).****NOTE 16 | RECEIVABLES****SOURCES OF ESTIMATION UNCERTAINTY**Credit loss reserves

The establishment of credit loss provisions for account receivables is recognized as soon as it is probable that a credit loss has incurred. A credit loss has incurred when there has been an event that has triggered the customer's inability to pay. As of December 31, 2013, the total credit loss reserves for account receivables amounted to 2.02% (2.45) of total account receivables.

>> **Refer to Note 4** regarding credit risk.

**Non-current receivables**

	Dec 31, 2013	Dec 31, 2012
Other interest-bearing loans to external parties	85	76
Other interest-bearing financial receivables	395	261
Other financial receivables	329	767
Other receivables	2,608	2,320
<b>Non-current receivables as of December 31<sup>1</sup></b>	<b>3,417</b>	<b>3,425</b>

1 Of non-current receivables 786 (1,190) pertains to financial instruments.

<b>Current receivables</b>	Dec 31, 2013	Dec 31, 2012
Other interest-bearing financial receivables	909	2,574
Accounts receivable	29,415	26,516
Prepaid expenses and accrued income	2,356	2,362
VAT receivables	3,033	3,506
Other financial receivables	1,411	1,220
Other receivables	5,854	5,202
<b>Current receivables, after deduction of valuation allowances for doubtful accounts receivable<sup>1</sup></b>	<b>42,978</b>	<b>41,380</b>

<sup>1</sup> Of current receivables, 31,497 (31,143) pertains to financial instruments.

#### *Credit risks in accounts receivable*

<b>Change of valuation allowance for doubtful accounts receivable</b>	Dec 31, 2013	Dec 31, 2012
Valuation allowance for doubtful accounts receivables as of December 31, preceding year	665	720
New valuation allowance charged to income	291	220
Reversal of valuation allowance charged to income	(159)	(147)
Utilization of valuation allowance related to actual losses	(114)	(89)
Acquired and divested operations	(16)	8
Translation differences	(19)	(39)
Reclassifications, etc.	(42)	(8)
<b>Valuation allowance for doubtful accounts receivables as of December 31</b>	<b>606</b>	<b>665</b>

» Refer to Note 4 for more information regarding the Volvo Group's financial risks.

» Refer to Note 15 for more information regarding credit risk in customer financing receivables.

» Refer to Note 30 for information regarding goals and policies for financial instruments.

#### **Age analysis of portfolio value - Accounts receivable**

	Dec 31, 2013					Dec 31, 2012				
	Not Due	1-30	31-90	>90	Total	Not Due	1-30	31-90	>90	Total
Accounts receivable gross	27,056	1,293	593	1,079	30,020	24,579	1,208	510	884	27,181
Provision for doubtful accounts receivable	(90)	(18)	(25)	(473)	(606)	(156)	(3)	(25)	(481)	(665)
<b>Accounts receivable net</b>	<b>26,966</b>	<b>1,275</b>	<b>568</b>	<b>606</b>	<b>29,415</b>	<b>24,423</b>	<b>1,205</b>	<b>485</b>	<b>403</b>	<b>26,516</b>

## NOTE 17 | INVENTORIES



### ACCOUNTING POLICY

#### *Inventories*

Inventories are recognized at the lower of cost and net realizable value. The cost is established using the first-in, first-out method (FIFO) and is based on the standard cost method, including costs for all direct manufacturing expenses and the attributable share of capacity and other manufacturing-related costs. The standard costs are tested regularly and adjustments are made based on current conditions. Costs for research and development, selling, administration and financial expenses are not included. Net realizable value is calculated as the selling price less costs attributable to the sale.



### SOURCES OF ESTIMATION UNCERTAINTY

#### *Inventory obsolescence*

If the net realizable value is lower than cost, a valuation allowance is established for inventory obsolescence. The total inventory value, net of inventory obsolescence allowance, was SEK 41,153 M (40,093) as of December 31, 2013.

<b>Inventory</b>	Dec 31, 2013	Dec 31, 2012
Finished products	26,339	25,847
Production materials, etc.	14,814	14,246
<b>B/S Inventory as of December 31</b>	<b>41,153</b>	<b>40,093</b>

Inventories recognized as cost of sold products during the period amounted to SEK 191,509 M (208,958).

<b>Increase (decrease) in allowance for inventory obsolescence</b>	2013	2012
Allowance for inventory obsolescence as of December 31, preceding year	2,593	2,604
Increase in allowance for inventory obsolescence charged to income	510	456
Scrapping	(452)	(389)
Translation differences	(39)	(91)
Reclassifications, etc.	29	13
<b>Allowance for inventory obsolescence as of December 31</b>	<b>2,641</b>	<b>2,593</b>

## NOTE 18 | MARKETABLE SECURITIES AND LIQUID FUNDS



### ACCOUNTING POLICY

Cash and cash equivalents include high liquid interest-bearing securities that are considered easily convertible to cash. Interest-bearing securities that fail to meet this definition are recognized as marketable securities.

#### Marketable securities

Marketable securities comprise mainly of interest-bearing securities, distributed as shown below:

	Dec 31, 2013	Dec 31, 2012
Government securities	387	131
Banks and financial institutions	917	494
Real estate financial institutions	1,287	2,505
<b>B/S Marketable securities as of December 31</b>	<b>2,591</b>	<b>3,130</b>

#### Cash and cash equivalents

	Dec 31, 2013	Dec 31, 2012
Cash in banks	23,765	22,160
Bank certificates <sup>1</sup>	456	1,019
Time deposits in banks	2,747	2,028
<b>B/S Cash and cash equivalents as of December 31</b>	<b>26,968</b>	<b>25,207</b>

<sup>1</sup> Bank certificates which matures within three months of the date of acquisition.

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

## NOTE 19 | EQUITY AND NUMBER OF SHARES



### ACCOUNTING POLICY

Earnings per share is calculated as income for the period, attributable to the Parent Company's shareholders, divided by the Parent Company's average number of shares outstanding for the fiscal year. Diluted earnings per share is calculated as income for the period attributable to the Parent Company's shareholders divided by the average number of shares outstanding plus the average number of shares that would be issued as an effect of ongoing share-based incentive programs. If during the year there were potential shares redeemed or expired during the period, these are also included in the average number of shares used to calculate the earnings per share after dilution.

The share capital of the Parent Company is divided into two series of shares, A and B. Both series carry the same rights, except that each Series A share carries the right to one vote and each Series B share carries the right to one tenth of a vote. The shares quota value is SEK 1.20.

Cash dividend 2013, decided by the Annual General Meeting 2012, was SEK 3.00 (3.00) per share or totally SEK 6,083.7 M (6,082.5).

During 2013 AB Volvo transferred, free of consideration, 420,856 treasury B-shares, with a total quota value of 505,027.20 SEK, to participants in the long-term, share-based incentive program for Group and senior executives in the Volvo Group, as accelerated allotment. The transferred treasury shares represent an insignificant portion of the share capital of AB Volvo.

During 2013 AB Volvo converted a total of 27,245,422 Series A shares to Series B shares.

Unrestricted equity in the Parent Company as of December 31, 2013 amounted to SEK 24,693 M (31,346).

>> Refer to Note 27 regarding the Volvo Group long-term incentive program.

#### Information regarding number of shares

	Dec 31, 2013	Dec 31, 2012
Own Series A shares	20,728,135	20,728,135
Own Series B shares	79,592,353	80,013,209
<b>Total own shares</b>	<b>100,320,488</b>	<b>100,741,344</b>
Own shares in % of total registered shares	4.71	4.73
Outstanding Series A shares	498,570,818	525,816,240
Outstanding Series B shares	1,529,528,914	1,501,862,636
<b>Total outstanding shares</b>	<b>2,028,099,732</b>	<b>2,027,678,876</b>
Total registered Series A shares	519,298,953	546,544,375
Total registered Series B shares	1,609,121,267	1,581,875,845
<b>Total registered shares</b>	<b>2,128,420,220</b>	<b>2,128,420,220</b>
Average number of outstanding shares	2,027,915,094	2,027,521,257

#### Earnings per share

The long-term share-based incentive programs decided by the Annual General Meeting 2011 create a dilution effect in 2013 of 0.01 SEK.

Information regarding shares (other)	2013	2012
Number of shares, December 31, in millions	2,028	2,028
Average number of shares before dilution in millions	2,028	2,028
Average number of shares after dilution in millions	2,030	2,030
Average share price, SEK	93.06	88.44
Net income attributable to Parent Company shareholders	3,583	11,160
Basic earnings per share, SEK	1.77	5.61
Diluted earnings per share, SEK	1.76	5.61

Change in other reserves	Hedge reserve	Available-for-sale reserve	Total
Balance as of January 1, 2013	(49)	607	558
Other changes	9	-	9
Fair value adjustments regarding holdings in Japanese companies	-	54	54
Fair value adjustments regarding Eicher Motors Ltd.	-	416	416
<b>Balance as of December 31, 2013</b>	<b>(40)</b>	<b>1,077</b>	<b>1,037</b>

The Volvo Group's acumulative amount of exchange difference recognized in equity relating to assets held for sale amounts to SEK 13 M (0).

## NOTE 20 | PROVISIONS FOR POST-EMPLOYMENT BENEFITS

The Volvo Group's post-employment benefits, such as pensions, health-care and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through *defined-contribution plans*.

The remaining post-employment benefits are *defined-benefit plans*; that is, the obligations remain within the Volvo Group or are secured by proprietary pension foundations. The Volvo Group's defined-benefit plans relate mainly to subsidiaries in the U.S. and comprise both pensions and other benefits, such as healthcare. Other large-scale defined-benefit plans apply to white-collar employees in Sweden (mainly through the Swedish ITP pension plan) and employees in France and Great Britain.



### ACCOUNTING POLICY

The Volvo Group applies IAS 19, Employee Benefits, for post-employment benefits. Effective as from January 1, 2013 IAS 19 was revised. The revised standard is applied retrospectively, hence the opening balance for 2012 is adjusted in accordance with the revised IAS 19. The reported numbers for 2012 are restated accordingly for comparison purposes. In accordance with IAS 19, actuarial calculations shall be made for all defined-benefit plans in order to determine the present value of obligation for benefits vested by its current and former employees. The actuarial calculations are prepared annually and are based upon actuarial assumptions that are determined at the balance-sheet date each year. Changes in the present value of obligations due to revised actuarial assumptions and experience adjustments constitute remeasurements.

Provisions for post-employment benefits in the Volvo Group's balance sheet correspond to the present value of obligations at year-end, less fair value of plan assets. According to the revised IAS 19, discount rate is used when calculating the net interest income or expense on the net defined benefit liability (asset). All changes in the net defined liability (asset) are recognized when they occur. Service cost and net interest income or expense are recognized in the income statement, while remeasurements such as actuarial gains and losses are recognized in other comprehensive income. Special payroll tax is included in the pension liability, special payroll tax is applicable for pension plans in Sweden and Belgium.

For defined contribution plans, premiums are recognized in the income statement as incurred according to function.



### SOURCES OF ESTIMATION UNCERTAINTY

#### Assumptions when calculating pensions and other post-employment benefits

Provisions and costs for post-employment benefits, mainly pensions and health-care benefits, are dependent on assumptions used by actuaries when calculating such amounts. The appropriate assumptions and actuarial calculations are made separately for the respective countries of the Volvo Group's operations which result in obligations for post-employment benefits. The assumptions include discount rates, health care cost trends rates, inflation, salary growth, retirement rates, mortality rates and other factors. Health care cost trend assumptions are based on historical cost data, the near-term outlook, and an assessment of likely long-term trends. Inflation assumptions are based on an evaluation of external market indicators. The salary growth assumptions reflect the historical trend, the near-term outlook and assumed inflation. Retirement and mortality rates are based primarily on officially available mortality statistics. The actuarial assumptions are annually reviewed by the Volvo Group and modified when deemed appropriate to do so.

The following tables disclose information about defined-benefit plans. The Volvo Group recognizes the difference between the obligations and the plan assets in the balance sheet. The disclosures refer to assumptions applied for actuarial calculations, recognized costs during the financial year and the value of obligations and plan assets at year-end. The tables also include a reconciliation of obligations and plan assets during the year.

#### Summary of provision for post-employment benefits

	2013	2012
Obligations	(39,954)	(43,453)
Fair value of plan assets	27,653	24,618
<b>Funded status</b>	<b>(12,301)</b>	<b>(18,835)</b>
<b>Net provision for post-employment benefits</b>	<b>(12,301)</b>	<b>(18,835)</b>



>> **Sweden**

The main defined benefit plan in Sweden is the ITP2 plan and it is based on final salary. The plan is semi-closed, meaning that only new employees born before 1979 have the possibility to choose the ITP2 solution. The Volvo Group's pension foundation in Sweden was formed in 1996 to secure obligations relating to retirement pensions for white-collar workers in Sweden in accordance with the ITP plan. Plan assets amounting to 2,456 were contributed to the foundation at its formation, corresponding to the value of the pension obligations at that time. Since its formation, net contributions of 2,633, whereof 380 during 2013, have been made to the foundation. The plan assets in the Volvo Group's Swedish pension foundation are invested in Swedish and foreign stocks and mutual funds, and in interest-bearing securities, in accordance with a distribution that is determined by the foundation's Board of Directors. As of December 31, 2013, the fair value of the foundation's plan assets amounted to 8,206 (7,217), of which 49% (44) was invested in equity instruments. At the same date, retirement pension obligations attributable to the ITP plan amounted to 10,951 (12,140).

Swedish companies can secure new pension obligations through balance-sheet provisions or pension-fund contributions. Furthermore, a credit insurance policy must be taken out for the value of the obligations. In addition to benefits relating to retirement pensions, the ITP plan also includes, for example, a collective family pension, which the Volvo Group finances through an insurance policy with the Alecta insurance company. According to an interpretation from the Swedish Financial Reporting Board, this is a multi-employer defined-benefit plan. For fiscal year 2013, the Volvo Group did not have access to information from Alecta that would have enabled this plan to be recognized as a defined-benefit plan. Accordingly, the plan has been recognized as a defined-contribution plan. The Volvo Group estimates it will pay premiums of about SEK 294 M to Alecta in 2014. The collective consolidation level measures the apportionable assets in relation to the insurance commitment. According to Alecta's consolidation policy for defined-benefit pension insurance, the collective consolidation level is normally allowed to vary between 125% and 155%. Alecta's consolidation ratio amounts to 148% (129). If the consolidation level falls short or exceeds the normal interval one measure may be to increase the contract price for new subscription and expanding existing benefits or introduce premium reductions.

The Volvo Group's share of the total saving premiums for ITP2 in Alecta as at December 31, 2013 amounted to 0.35% and the share of the total number of active policy holders amounted to 1.92%.

**USA**

In the US, the Volvo Group has tax-qualified pension plans, post-retirement medical plans and non-qualified pension plans. The tax-qualified pension plans are funded while the other plans are generally unfunded. The Volvo Group's subsidiaries in the United States mainly secure their pension obligations through transfer of funds to pension plans. At the end of 2013, the total value of pension obligations secured by pension plans of this type amounted to 13,262 (14,645). At the same point in time, the total value of the plan assets in these plans amounted to 11,916 (10,592), of which 58% (53) was invested in equity instruments. The regulations for securing pension obligations stipulate certain minimum levels concerning the ratio between the value of the plan assets and the value of the obligations. During 2013, the Volvo Group contributed 819 (1,022) to the American pension plans.

**France**

In France, the Volvo Group has two types of defined benefit plans, retirement indemnity plan and jubilee award plan. The plans are unfunded. The retirement indemnities plan is compulsory in France. The benefits are based on the Collective Bargaining Agreement applicable in the Company, on the employee's seniority at retirement date and on the final pay. The benefit payment is due only if employees are working for the Company when they retire. The jubilee awards plan is an internal agreement. The benefit is based on the employee's seniority career at 20, 30, 35 and 40 years. As of December 31 2013 the total value of pension obligations amounted to 2,356 (2,002).

**Great Britain**

The Volvo Group has six defined benefit pension plans in Great Britain. The plans are funded. The defined benefit pension plans provides benefits which are linked to each members final pay at the earlier of their date of leaving or retirement. All plans are closed to new entrants and two of the plans are closed to future accrual. Members of the Plan also have the option to commute an amount of their pension benefit as cash at retirement as permitted by UK legislation.

The pension funds are set up as separate legal entities, which are governed by trustees who are responsible for the governance of the plan. The trustee boards are composed of representatives from the employer, the employees and independent trustees. The strategic allocation of plan assets must comply with the investment guidelines agreed by the trustees of the respective schemes. At the end of 2013, the total value of pension obligations secured by pension plans amounted to 5,315 (4,740). The total value of the plan assets in these plans amounted to 5,274 (4,837).

During 2013, the Volvo Group has made extra contributions to the pension plans in Great Britain in the amount of 88 (87).

**Assumptions applied for actuarial calculations, %**

	Dec 31, 2013	Dec 31, 2012
<b>Sweden</b>		
Discount rate <sup>1</sup>	4.00	3.25
Expected salary increase	3.00	3.00
Inflation	1.50	1.50
<b>United States</b>		
Discount rate <sup>1, 2</sup>	2.50-4.75	1.75-3.75
Expected salary increase	3.50	3.50
Inflation	2.50	2.00
<b>France</b>		
Discount rate <sup>1</sup>	3.25	3.75
Expected salary increase	3.00	3.00
Inflation	1.50	1.50
<b>Great Britain</b>		
Discount rate <sup>1</sup>	4.25-4.40	4.25-4.60
Expected salary increases	3.70-3.75	3.20-3.30
Inflation	3.25	2.70

- 1 The discount rate for each country is determined by reference to market yields on high-quality corporate bonds. In countries where there is no functioning market in such bonds, the market yields on government bonds are used. The discount rate for the Swedish pension obligation is determined by reference to mortgage bonds.
- 2 For all plans except one the discount rate used is within the range 3.75-4.75 (3.00-3.75).

**Pension costs**

	2013	2012
Current year service costs	1,297	1,071
Interest expense	1,319	1,415
Interest income	(842)	(944)
Past service costs	144	32
Gain (loss) on settlements	0	35
<b>Pension costs for the period, defined-benefit plans</b>	<b>1,918</b>	<b>1,609</b>
Pension costs for defined-contribution plans	2,226	2,356
<b>Total pension costs for the period</b>	<b>4,144</b>	<b>3,965</b>

**Costs for the period, post-employment benefits other than pensions**

	2013	2012
Current year service costs	82	141
Interest costs	116	142
Interest income	(2)	(2)
Past service costs	82	11
(Gain) loss on settlements	1	6
Remeasurements	7	0
<b>Total costs for the period, post-employment benefits other than pensions</b>	<b>286</b>	<b>298</b>

	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits
Average duration of the obligation, years	20.8	10.5	14.1	17.7	10.2

The analysis below presents the sensitivity on the defined benefit obligations when changes in the applied assumptions for discount rate and inflation are made. The sensitivity analysis is based on a change in an assumption

while holding all other assumptions constant. In practice, this is not probable, and changes in some of the assumptions may be correlated.

**Sensitivity analysis**

	Effect on obligation, SEK M	
	If discount rate increases 0.5%	If discount rate decreases 0.5%
Sweden Pensions	(1,102)	1,253
US Pensions	(688)	752
France Pensions	(157)	175
Great Britain Pensions	(440)	502
US Other benefits	(156)	170
	If inflation decreases 0.5%	If inflation increases 0.5%
Sweden Pensions	(1,102)	1,253
US Pensions	0	0
France Pensions	(4)	4
Great Britain Pensions	(340)	386
US Other benefits	(15)	17



>> **Obligations in defined-benefit plans**

	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
<b>Obligations at January 1, 2012</b>	<b>12,944</b>	<b>14,360</b>	<b>1,765</b>	<b>4,369</b>	<b>3,577</b>	<b>4,324</b>	<b>41,339</b>
Acquisitions, divestments and other changes	(1,362)	(9)	84	0	(3)	(45)	(1,335)
Current year service costs	442	299	59	22	131	259	1,212
Interest costs	419	576	78	215	138	131	1,557
Past service costs	14	(1)	1	-	3	(112)	(95)
Settlement payments from plan	-	-	-	-	-	-	-
Employee contributions	-	-	1	10	-	3	14
Remeasurements:							
- Effect of changes in assumptions	747	1,629	157	383	391	395	3,702
- Effect of experience adjustments	568	(83)	12	7	(79)	(13)	412
Exchange rate translation	-	(879)	(67)	(81)	(237)	(298)	(1,562)
Benefits paid	(330)	(763)	(88)	(185)	(184)	(241)	(1,791)
<b>Obligations as of December 31, 2012</b>	<b>13,442</b>	<b>15,129</b>	<b>2,002</b>	<b>4,740</b>	<b>3,737</b>	<b>4,403</b>	<b>43,453</b>

of which

Funded defined-benefit plans	11,866	14,645	6	4,740	-	2,724	33,981
Acquisitions, divestments and other changes	(5)	16	-	-	-	(160)	(149)
Current year service costs	523	368	70	45	68	305	1,379
Interest costs	448	482	74	207	111	113	1,435
Past service costs	38	117	-	-	(65)	18	108
Settlement payments from plan	-	-	-	-	-	(30)	(30)
Employee contributions	-	-	-	10	-	3	13
Remeasurements:							
- Effect of changes in demographic assumptions	(642)	103	143	(23)	16	55	(348)
- Effect of changes in financial assumptions	(1,946)	(1,450)	74	406	(425)	(100)	(3,441)
- Effect of experience adjustments	(176)	(328)	43	8	(42)	(25)	(520)
Exchange rate translation	-	5	75	117	-	(174)	23
Benefits paid	(349)	(756)	(125)	(195)	(219)	(326)	(1,970)
<b>Obligations as of December 31, 2013</b>	<b>11,333</b>	<b>13,686</b>	<b>2,356</b>	<b>5,315</b>	<b>3,181</b>	<b>4,082</b>	<b>39,953</b>

of which

Funded defined-benefit plans	10,980	13,262	8	5,315	23	2,693	32,281
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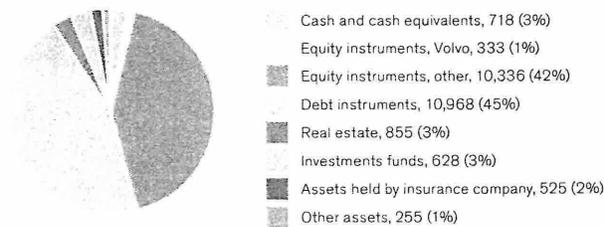
**Fair value of plan assets in funded plans**

	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
<b>Plan assets at January 1, 2012</b>	<b>7,580</b>	<b>9,842</b>	<b>-</b>	<b>4,680</b>	<b>24</b>	<b>1,747</b>	<b>23,873</b>
Acquisitions, divestments and other changes	(938)	1	6	-	-	(25)	(956)
Interest income	234	414	-	233	-	65	946
Remeasurements	339	710	-	102	-	40	1,191
Employer contributions	25	1,022	-	87	139	209	1,482
Employee contributions	-	-	-	10	-	18	28
Exchange rate translation	-	(624)	-	(86)	(1)	(39)	(750)
Benefits paid	(1)	(773)	-	(189)	(139)	(94)	(1,196)
<b>Plan assets as of December 31, 2012</b>	<b>7,239</b>	<b>10,592</b>	<b>6</b>	<b>4,837</b>	<b>23</b>	<b>1,921</b>	<b>24,618</b>
Acquisitions, divestments and other changes	-	-	-	-	-	70	70
Interest income	235	337	-	210	1	61	844
Remeasurements	376	861	-	188	(1)	80	1,504
Employer contributions	380	819	2	88	-	215	1,504
Employee contributions	-	-	-	10	-	4	14
Exchange rate translation	-	(12)	-	125	-	14	127
Benefits paid	(1)	(681)	(1)	(184)	-	(161)	(1,028)
<b>Plan assets as of December 31, 2013</b>	<b>8,229</b>	<b>11,916</b>	<b>7</b>	<b>5,274</b>	<b>23</b>	<b>2,204</b>	<b>27,653</b>

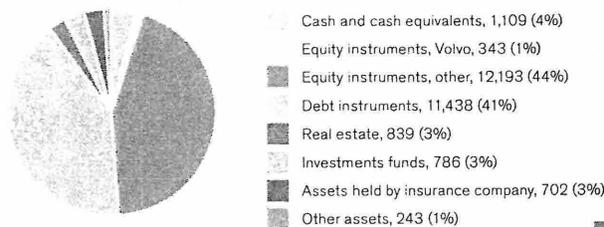
## Net provisions for post-employment benefits

	Sweden Pensions	US Pensions	France Pensions	Great Britain Pensions	US Other benefits	Other plans	Total
<b>Net provision for post-employment benefits as of December 31, 2012</b>	<b>(6,203)</b>	<b>(4,537)</b>	<b>(1,996)</b>	<b>97</b>	<b>(3,714)</b>	<b>(2,482)</b>	<b>(18,835)</b>
of which reported as:							
<b>B/S</b> Provisions for post-employment benefits	(6,203)	(4,537)	(1,996)	97	(3,714)	(2,482)	(18,835)
<b>Net provisions for post-employment benefits as of December 31, 2013</b>	<b>(3,104)</b>	<b>(1,770)</b>	<b>(2,349)</b>	<b>(41)</b>	<b>(3,158)</b>	<b>(1,878)</b>	<b>(12,300)</b>
of which reported as:							
<b>B/S</b> Prepaid pensions	-	11	-	-	-	11	22
<b>B/S</b> Provisions for post-employment benefits	(3,104)	(1,781)	(2,349)	(41)	(3,158)	(1,889)	(12,322)

### Plan assets by category as of December 31, 2012



### Plan assets by category as of December 31, 2013



Actual return on plan assets amounted to 2,348 (2,137).

### Fair value of plan assets with a quoted market price

	Dec 31, 2013	Dec 31, 2012
Cash and cash equivalents	232	419
Equity instruments	11,247	9,440
Debt instruments	11,423	9,939
Real estate	149	260
Derivatives	7	11
Investments funds	784	629
Assets held by insurance company	573	541
Other assets	17	0
<b>Total</b>	<b>24,432</b>	<b>21,239</b>

## Investment strategy and risk management

The Volvo Group manages the allocation and investment of pension plan assets with the purpose of meeting the long term objectives. The main objectives are to meet present and future benefit obligations, provide sufficient liquidity to meet such payment requirements and to provide a total return that maximizes the ratio of the plan assets in relation to the plan liabilities by maximizing return on the assets at an appropriate level of risk. The final investment decision often resides with the local trustee, but the investment policy for all plans ensures that the risks in the investment portfolios are well diversified. The risks related to pension obligations, e.g., longevity and inflation, as well as buy out premiums and matching strategies are monitored on an ongoing basis in order to limit the Volvo Group's exposure.

In the last couple of years, some of the defined benefit plans have been closed to new entrants and replaced by defined contribution plans in order to reduce risk for the Volvo Group.

In Sweden the minimum funding target is decided by PRI Pensionsgaranti, this is mandatory in order to stay in the system and get insurance for the pension liability. The minimum contribution is decided by the company and should equal at least the pension benefits expected to be earned during the coming year.

In the United States the minimum funding target is decided by the company in order to avoid penalties, keep flexibility and avoid extensive filing with the IRS and participants. The minimum contribution should equal at least the benefits expected to be earned during the coming year + 1/7 of the underfunding.

In Great Britain there are no minimum funding requirements. For each plan there is a contribution plan, which is well defined, in place to bring the schemes to full funding within a reasonable time frame. The contribution plans are to be approved by regulators.

In 2014, the Volvo Group estimates to transfer an amount of SEK 1-2 billion to pension plans.

## NOTE 21 | OTHER PROVISIONS



### ACCOUNTING POLICY

#### *Provisions*

Provisions are recognized when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

#### *Provisions for residual value risks*

Residual value risks are attributable to operating lease contracts or sales transactions combined with buy-back agreements or residual value guarantees. Residual value risks are the risks that the Volvo Group in the future would have to dispose used products at a loss if the price development of these products is worse than what was expected when the contracts were entered. Provisions for residual value risks are made on a continuing basis based upon estimations of the used products' future net realizable values. The estimations of future net realizable values are made with consideration to current prices, expected future price development, expected inventory turnover period and expected direct and indirect selling expenses. If the residual value risks pertain to products that are recognized as tangible assets in the Volvo Group's balance sheet, these risks are reflected by depreciation or write-down of the carrying value of these assets. If the residual value risks pertain to products, which are not recognized as assets in the Volvo Group's balance sheet, these risks are reflected under the line item current provisions.

>> Refer to Note 7 regarding Revenue recognition.

#### *Provision for product warranty*

Estimated provision for product warranties are recognized when the products are sold. The provision includes both expected contractual warranties and so called technical goodwill warranties and is determined based on historical statistics considering known quality improvements, costs for remedy of defaults e.t.c. Provision for campaigns in connection with specific quality problems are recognized when the campaign is decided.

#### *Provision for Restructuring costs*

A provision for decided restructuring measures is recognized when a detailed plan for the implementation of the measures is complete and when this plan is communicated to those who are affected. A liability and costs for termination benefits as a result of a voluntary termination program is recognized when the employee accepts the offer. Restructuring costs could be reported as a separate line item in the income statement if they relate to a major change of the Group structure. Normally restructuring costs are included in other operating income and expenses.



### SOURCES OF ESTIMATION UNCERTAINTY

#### *Residual value risks*

In the course of its operations, the Volvo Group is exposed to residual value risks through operating lease agreements and sales combined with repurchase agreements. Residual value commitments amount to 17,781 (15,906) as of December 31, 2013. Residual value risks are reflected in different ways in the Volvo Group's consolidated financial statements depending on the extent to which the risk remains with the Volvo Group.

In cases where significant risks pertaining to the product remain with the Volvo Group, the products, primarily trucks, are generally recognized in the balance sheet as assets under operating leases. Depreciation of these products are recognized on a straight-line basis over the term of the commitment and the depreciable amount is adjusted to agree with estimated net realizable value at the end of the commitment. The estimated net realizable value of the products at the end of the commitment is monitored individually on a continuing basis. A decline in prices for used trucks and construction equipment may negatively affect the Volvo Group's operating income. High inventories in the truck industry and the construction equipment industry and low demand may have a negative impact on the prices of new and used trucks and construction equipment. In monitoring estimated net realizable value of each product under a residual value commitment, management makes considerations of current price-level of the used product model, value of options, mileage, condition, future price deterioration due to expected change of market conditions, alternative distribution channels, inventory lead-time, repair and reconditioning costs, handling costs and indirect costs associated with the sale of used products. Additional depreciations and estimated impairment losses are immediately recognized in the income statement.

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

>> Read more about residual value liabilities in Note 22.

If the residual value risk commitment is not significant, independent from the sale transaction or in combination with a commitment from the customer to buy a new product in connection to a buy-back option, the asset is not recognized on the balance-sheet. Instead, the risk exposure is reported as a residual value provision equivalent to the estimated residual value risk.

To the extent the residual value exposure does not meet the definition of a provision, the remaining residual value risk exposure is reported as a contingent liability.

>> Read more about contingent liabilities in Note 24.

### Provision for product warranty

Warranty provisions are estimated with consideration of historical claims statistics, the warranty period, the average time-lag between faults occurring and claims to the company and anticipated changes in quality indexes. Estimated costs for product warranties are recognized as cost of sales when the products are sold. Estimated warranty costs include contractual warranty and goodwill warranty (warranty cover in excess of contractual warranty or campaigns which is accepted as a matter of policy or normal practice in order to maintain a good business relation with the customer). Differences between actual warranty claims and the estimated claims generally affect the recognized expense and provisions in future periods. Refunds from suppliers, that decrease the Volvo Group's warranty costs, are recognized to the extent these are considered to be certain. As of December 31, 2013 warranty cost provisions amount to 9,881 (8,852).

### Legal proceedings

The Volvo Group recognizes obligations as provisions or other liabilities only in cases where Volvo has a present obligation from a past event, where a financial responsibility is probable and the Volvo Group can make a reliable estimate of the amount. When these criteria are not met, a contingent liability may be recognized.

The Volvo Group regularly reviews the development of significant outstanding legal disputes in which the Volvo Group companies are parties, both civil law and tax disputes, in order to assess the need for provisions and contingent liabilities in the financial statements. Among the factors that the Volvo Group considers in making decisions on provisions and contingent liabilities are the nature of the dispute, the amount claimed, the progress of the case, the opinions or views of legal counsels and other advisers, experience in similar cases, and any decision of the Volvo Group's management as to how the Volvo Group intends to handle the dispute. The actual outcome of a legal dispute may deviate from the expected outcome of the dispute. The difference between actual and expected outcome of a dispute might materially affect future financial statements, with an adverse impact upon the Volvo Group's operating income, financial position and liquidity.

» Read more about contingent liabilities in Note 24.

	Carrying value as of Dec 31, 2012	Provisions	Reversals	Utilizations	Acquired and divested companies	Translation differences	Other reclassifications	Carrying value as of Dec 31, 2013	Of which due within 12 months	Of which due after 12 months
Warranties	8,852	7,706	(1,093)	(5,346)	(14)	(145)	(79)	9,881	6,375	3,506
Provisions in insurance operations	377	262	(42)	(27)	0	(24)	101	647	19	627
Restructuring measures	1,106	409	(277)	(393)	0	(38)	(25)	781	523	258
Provisions for residual value risks	732	231	(196)	(68)	0	1	(55)	646	217	429
Provisions for service contracts	389	186	(100)	(121)	3	(2)	(12)	343	188	155
Dealer bonus	2,271	2,740	(256)	(2,381)	0	9	86	2,470	2,431	39
Other provisions	2,989	2,988	(604)	(2,304)	(6)	(80)	(256)	2,726	1,551	1,175
<b>B/S Total</b>	<b>16,716</b>	<b>14,522</b>	<b>(2,567)</b>	<b>(10,640)</b>	<b>(18)</b>	<b>(279)</b>	<b>(240)</b>	<b>17,494</b>	<b>11,304</b>	<b>6,190</b>

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

The provision for the efficiency program included in restructuring measures amounts to SEK 0.5 billion.

» Read more about restructuring costs in Note 8.

# NOTE 22 | LIABILITIES

## Non-current liabilities

The tables below disclose the Volvo Group's non-current liabilities in which the largest loans are listed by currency. The main part are issued by Volvo Treasury AB. Information regarding loan terms refer to December 31, 2013. The Volvo Group hedges foreign-exchange and interest-rate risks using derivative instruments.

>> Refer to Note 4 Goals and policies in financial risk management and Note 30 Financial Instruments for more information.

Bond loans	Actual interest rate Dec 31, 2013, %	Effective interest rate Dec 31, 2013, %	Dec 31, 2013	Dec 31, 2012
EUR 2007-2012/2014-2024	0.74-5.04	0.74-5.04	19,883	20,725
SEK 2007-2012/2014-2017	1.76-5.04	1.77-5.04	19,437	15,131
JPY 2013/2016	0.60	0.60	124	-
USD 2009/2015	0.42-5.98	0.42-5.98	5,246	4,861
GBP 2009/2014	-	-	-	523
CNY 2012/2015	3.80-5.90	3.80-6.06	1,895	1,852
<b>B/S</b> Bond loans as of December 31 <sup>1</sup>			<b>46,585</b>	<b>43,092</b>

1 Of which loans raised to finance the credit portfolio of the customer financing operations totalled 25,619 (29,044).

Other loans	Actual interest rate Dec 31, 2013, %	Effective interest rate Dec 31, 2013, %	Dec 31, 2013	Dec 31, 2012
USD 2008-2012/2015-2018	0.47-2.46	0.47-2.49	8,105	7,902
EUR 2005-2012/2014-2027	1.59-6.50	1.60-6.50	1,734	2,127
GBP 2011/2014	6.22	6.22	1	902
SEK 2007-2011/2015-2017	1.16-2.91	1.17-2.94	4,180	4,270
CAD 2012/2015	2.74-3.05	2.77-3.08	911	675
MXN 2009-2012/2014-2016	4.30-4.76	4.38-4.87	847	1,673
JPY 2007-2012/2014-2017	0.51-1.31	0.51-1.31	10,772	7,837
BRL 2007/2020	0.33-3.11	0.46-3.16	5,932	5,807
AUD 2012/2015	3.74-6.05	3.79-6.05	516	690
Other loans			3,726	4,612
Revaluation of outstanding derivatives to SEK			140	1,933
<b>B/S</b> Other loans as of December 31 <sup>1</sup>			<b>36,864</b>	<b>38,428</b>
<b>Bond loans and other loans as of December 31</b>			<b>83,449</b>	<b>81,520</b>
Deferred leasing income			2,462	2,247
Residual value liabilities			4,840	4,439
Accrued expenses service contracts			2,928	2,548
Other non-current financial liabilities			280	609
Other non-current liabilities			967	871
<b>B/S</b> Other liabilities as of December 31			<b>11,477</b>	<b>10,714</b>
<b>Non-current liabilities as of December 31</b>			<b>94,926</b>	<b>92,234</b>

1 Of which loans raised to finance the credit portfolio of the customer financing operations 20,590 (16,874). Volvo Treasury employs cross-currency interest swaps to be able to offer lending and borrowing in various currencies without increasing Volvo Group's risk. The table presents Volvo Group's financial net position, including pensions, listed by currency. Of non-current liabilities, 83,715 (82,153) pertains to financial instruments. >> Refer also to Note 30 Financial Instruments.

Of the above loans, 4,928 (3,723) are secured.

>> Refer to Note 15 for maturities of non-current customer financing receivables.

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

The major part of other non-current liabilities will mature within five years. Granted but not utilized credit facilities consists of stand-by facilities for loans. A fee is charged for granted credit facilities, this is recognized in profit or loss within other financial income and expenses.

	Non-current loans mature as follows	Not utilized credit facilities
2014	25,520	3,220
2015	30,928	17,904
2016	16,845	10,743
2017	4,629	-
2018	3,204	-
2019 or later	2,323	-
<b>Total</b>	<b>83,449</b>	<b>31,867</b>

### Current liabilities

Current liabilities	Dec 31, 2013	Dec 31, 2012
Bank loans	10,992	9,172
Other loans	40,560	40,841
<b>B/S</b> Current liabilities as of December 31 <sup>1</sup>	<b>51,552</b>	<b>50,013</b>

1 Of which loans raised to finance the credit portfolio of the customer financing operations amount to 44,188 (39,259) and financial derivatives at fair value amount to 1,753 (43).

Bank loans include current maturities of non-current loans 3,254 (2,586). Other loans include current maturities of non-current loans, 21,848 (22,173), and commercial paper, 13,528 (13,535). Non-interest-bearing current liabilities accounted for 88,746 (79,467), or 63% (61) of the Volvo Group's total current liabilities.

### Other current liabilities

	Dec 31, 2013	Dec 31, 2012
Advances from customers	3,280	3,929
Wages, salaries and withholding taxes	8,261	7,860
VAT liabilities	1,971	1,692
Accrued expenses and prepaid income	11,161	10,910
Deferred leasing income	1,882	1,793
Residual value liability	2,186	1,705
Other financial liabilities	160	254
Other liabilities	4,492	4,392
<b>B/S</b> Other current liabilities as of December 31	<b>33,393</b>	<b>32,535</b>

Current liabilities also include trade payables of 53,901 (46,472), current tax liabilities of 1,120 (460) and non interest-bearing and interest-bearing liabilities held for sale, as disclosed in Note 3. Secured bank loans at year-end 2013 amounted to 0 (113). The corresponding amount for other current liabilities amounted to 1,747 (1,581). Of current liabilities including trade payables, 105,693 (97,992) pertains to financial instruments.

» Refer to Note 30 Financial instruments.

» Refer to Note 23 for disclosures regarding assets pledged.

## NOTE 23 | ASSETS PLEDGED

### Assets pledged

Assets pledged	Dec 31, 2013	Dec 31, 2012
Property, plant and equipment - mortgages	84	97
Assets under operating leases	57	150
Receivables	4,897	3,661
Cash, loans and marketable securities	40	32
Other assets pledged	-	39
<b>Total</b>	<b>5,078</b>	<b>3,979</b>

Total liabilities for which assets are pledged amounted to 4,928 (3,722).

In 2013 an asset-backed securitization was completed. Under the terms of the transaction, 4,297 of securities were issued tied to US-based loans, secured by Customer Finance receivables recognized on the balance-sheet with trucks and construction equipment assets as collaterals.

NOTE **24** | CONTINGENT LIABILITIES**ACCOUNTING POLICY***Contingent liabilities*

A contingent liability is recognized for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

<b>Contingent liabilities</b>	Dec 31, 2013	Dec 31, 2012
Credit guarantees issued for customers and others	8,823	9,540
Tax claims	1,250	861
Residual value guarantees	3,389	3,317
Other contingent liabilities	3,828	4,045
<b>Contingent liabilities as of December 31</b>	<b>17,290</b>	<b>17,763</b>

Total contingent liabilities at December 31, 2013, amount to net 17,290 (17,763) and include contingent assets of 285 (307).

Credit guarantees amount to 8,823 (9,540) and a major part are issued as a result of sales in emerging markets.

Tax claims amounting to 1,250 (861) pertain to charges against the Volvo Group for which provisions are not considered necessary.

Other contingent liabilities include for example bid and performance clauses and legal proceedings.

The recognized amounts for contingent liabilities have not been reduced because of counter guarantees received or other collaterals in cases where a legal offsetting right does not exist. As of December 31, 2013, the estimated value of counter guarantees received and other collaterals, for example the estimated net selling price of used products, amounted to 3,825 (4,216) and mainly pertains to credit guarantees and residual value guarantees.

» For more information regarding residual value guarantees, see note 21.

**Legal proceedings**

In July 1999, Volvo Truck Corporation (VTC) and Volvo Construction Equipment (VCE) entered into a Consent Decree with the U.S. Environmental Protection Agency (EPA). The Consent Decree stipulated, among other provisions, that new stricter emission requirements for certain engines that would come into effect on January 1, 2006, should be applied by VTC and VCE from January 1, 2005. The Consent Decree was later transferred from VTC and VCE to Volvo Powertrain Corporation. During 2008, the EPA demanded stipulated penalties from Volvo Powertrain Corporation in the amount, including interest, of appr. USD 72 M, alleging that the stricter standards under the Consent Decree should have been applied to engines manufactured by Volvo Penta during 2005. Volvo Powertrain disagrees with EPA's interpretation and is defending the case vigorously based on, among other grounds, the fact that the Volvo Penta engines were not subject to the Consent Decree. The dispute was referred to a U.S. court. On April 13, 2012, The United District Court of the District of Columbia handed down a decision in favor of EPA, and ordered Volvo Powertrain to pay penalties and interest of appr. USD 72 M. Volvo Powertrain has appealed the decision. As of December 31, 2013, an amount of appr. SEK 65 M remains as a provision and appr. SEK 401 M as a contingent liability.

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

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

In January 2011, the Volvo Group and a number of other companies in the truck industry became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules.

The Volvo Group is currently of the view that it is probable that the Group's result and cash flow may be materially adversely affected as a result of the ongoing investigation initiated in Europe. It is too early to assess the amounts and timing of the possible fines, and hence to what amount and when it could be accounted for. The Volvo Group has therefore not reported any contingent liability or any provision for the investigation initiated in Europe.

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

The Volvo Group is also involved in a number of legal proceedings other than those described above. The Volvo Group does not assess that these in aggregate are likely to entail any risk of having a material effect on the Volvo Group's financial position.

## NOTE 25 | TRANSACTIONS WITH RELATED PARTIES

Transactions between AB Volvo and its subsidiaries, which are related parties to AB Volvo, have been eliminated in the group and are not disclosed in this note.

The Volvo Group engages in transactions with some of its associated companies. The transactions consist mainly of sales of vehicles to dealers and purchases of engines.

	2013	2012
Sales to associated companies	2,138	1,670
Purchase from associated companies	2,609	702
Receivables from associated companies, Dec 31	301	242
Liabilities to associated companies, Dec 31	707	632

The increase in sales to associated companies is mainly explained by Arabian Vehicle & Truck Industry Ltd. The increase in purchases is explained by Deutz AG, which is an associated company from September 2012. Commercial terms and market prices apply for the supply of goods and services to/from associated companies.

The Volvo Group engages in transactions with its joint ventures. The transactions consist mainly of sales of vehicles and parts and purchase of engine long blocks and services. Commercial terms and market prices apply for the supply of goods and services to/from joint ventures.

	2013	2012
Sales to joint ventures	763	741
Purchase from joint ventures	192	80
Receivables from joint ventures, Dec 31	143	91
Liabilities to joint ventures, Dec 31	58	108

The increase in purchases from joint ventures is explained by purchases of engine long blocks from VE Commercial Vehicles, Ltd.

Until December 2012 Renault s.a.s was a related party to the Volvo Group due to its holding in AB Volvo. In December 2012 Renault s.a.s sold their Volvo shares. Sales to and purchases from Renault s.a.s and its subsidiaries for the comparison year 2012 amounted to 29 and 1,719. Sales were mainly from Renault Trucks to Renault s.a.s and consisted of components and spare parts. Purchases were mainly made by Renault Trucks from Renault s.a.s and primarily consisted of light trucks. Renault Trucks has a license from Renault s.a.s for the use of the trademark Renault.

During 2012, AB Volvo divested an apartment to a former member of the Group management for a market value of 10.

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

## NOTE 26 | GOVERNMENT GRANTS



### ACCOUNTING POLICY

Government grants are financial grants from governmental or supranational bodies received by the Volvo Group in exchange for fulfillment of certain conditions.

Governmental grants related to assets are presented in the balance sheet by deducting the grants in arriving at the carrying amount of the asset. Governmental grants related to income are reported as a deferred income and recognized in the income statement over the periods necessary to match the related costs. If the costs incur before the grants have been received, but there is an agreement that grants will be received, grants are recognized in the income statement to compensate the relevant costs.

In 2013, government grants of 400 (492) were received, and 467 (342) was recognized in the income statement. The amount includes tax credits of 245 (165) related to product development, which were primarily received in France and in the United States. Other grants were mainly received from Swedish, Chinese and US governmental organizations and from the European Commission.

NOTE **27** | PERSONNEL**ACCOUNTING POLICY****Share-based payments**

The Volvo Group applies IFRS 2, Share-based payments for share-based incentive programs. IFRS 2 distinguishes between cash-settled and equity-settled payments. The Volvo Group program includes both a cash-settled and an equity-settled part. The fair value of the equity-settled payments is determined at the grant date, recognized as an expense during the vesting period and off-set in equity. The fair value is based on the share price reduced by dividends connected with the share during the vesting period.

Additional social costs are reported as a liability, revalued at each balance sheet date in accordance with UFR 7, issued by the Swedish Financial Reporting Board. The cash-settled payment is revalued at each balance sheet date and is recognized as an expense during the vesting period and as a short term liability. An assessment whether the terms for allotment will be fulfilled is made continuously. Based on such assessment, expense might be adjusted.

**Remuneration policy decided at the Annual General Meeting in 2013**

The Annual General Meeting of 2013 decided upon a policy on remuneration and other employment terms for the members of the Volvo Group Executive Team. The decided principles can be summarized as follows:

The guiding principle is that remuneration and other employment terms for the Group Executive Team, shall be competitive to ensure that the Volvo Group can attract and retain skilled persons to the Group Executive Team. The fixed salary shall be competitive and shall reflect the individual's area of responsibility and performance. In addition to the fixed salary a variable salary may be paid. The variable salary may for the CEO amount to a maximum of 75% of the fixed salary and for the other members of the Group Executive Team, a maximum of 60% of the fixed salary.

The variable salary shall be based on the fulfillment of improvement targets or certain financial targets for the Volvo Group and/or the organizational unit where the member of Group Executive Team is employed. These targets are decided by the Board of AB Volvo and can be related, for example, to operating income, operating margin and/or cash flow. The Board may under certain conditions decide to reclaim variable salary already paid or to cancel or limit variable salary to be paid.

The Annual General Meeting can also decide on a share, or share-based, incentive program. At the Annual General Meeting 2011, as proposed by the Board of AB Volvo, it was decided to implement a long-term share-based incentive program for Group Executive Team members and other senior executives in the Volvo Group consisting of three annual programs covering each of the financial years 2011, 2012 and 2013.

In addition to fixed and variable salary, normally other customary benefits, such as company car and company healthcare are provided. In individual cases, accommodation benefits and other benefits may be provided.

In addition to pension benefits provided by law and collective bargain agreements, members of the Group Executive Team domiciled in Sweden can be offered two different defined-contribution plans with annual premiums whereby the amount of the individual's pensions comprises the premium paid and any return, without any guaranteed level of pension. No defined retirement date is set in the two plans but premiums will be paid for the employee until his or her 65th birthday. Members of the Group Executive Team resident outside Sweden, or resident in Sweden but having a material connection to or having been resident in a country other

than Sweden, can be offered pension solutions that are competitive in the country where the members are, or have been, resident or to which the members have a material connection, however primarily defined-contribution pension solutions.

With regard to notice of termination of employment for Group Executive Team members domiciled in Sweden, the notification period is 12 months if the company terminates the employment and six months if the individual terminates the employment. In addition, the employee is entitled to a severance pay of 12 months' salary if the employment is terminated by the company. Group Executive Team members resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden can be offered notice periods for termination and severance payments that are competitive in the country where the Group Executive Team members are or have been resident or to which the member of Group Executives have a material connection, however primarily arrangements that are similar to what is valid for members domiciled in Sweden.

The Board of AB Volvo may deviate from the remuneration policy if there are specific reasons to do so in an individual case.

**Fee paid to the Board of Directors**

According to a resolution adopted at the Annual General Meeting 2013, the fee to the Board of Directors appointed at the Annual General Meeting for the period until the close of the Annual General Meeting 2014 shall be paid as follows: The Chairman of the Board should be awarded SEK 2,250,000 and each of the other members SEK 750,000 with exception of the President and Chief Executive Officer of AB Volvo. In addition, SEK 300,000 should be awarded to the chairman of the audit committee and SEK 150,000 to each of the other members of the audit committee, and SEK 125,000 to the chairman of the remuneration committee and SEK 100,000 to each of the members of the remuneration committee.

**Terms of employment and remuneration to the CEO**

The President and CEO is entitled to a remuneration consisting of a fixed annual salary and a variable salary. The variable salary is based on operating margin and six months moving cash flow. The variable salary amounts to a maximum of 75% of the fixed annual salary. For the financial year 2013, Olof Persson received a fixed salary of SEK 11,888,640 and a variable salary of SEK 1,188,640. The variable salary corresponded to 10% of the fixed salary. Other benefits, mainly pertaining to car and housing, amounted to SEK 884,848 in 2013.

Olof Persson is covered both by pension benefits provided under collective bargain agreements and by the Volvo Management Pension (VMP) and Volvo Executive Pension (VEP) plans. The retirement benefit under the Volvo executive pension plans is a defined-contribution plan. The disability pension is a defined-benefit plan. The pensionable salary consists of the annual salary and a calculated variable salary component. The premium for the VMP is SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts and the premium for VEP is 10% of pensionable salary. There are no commitments other than the payment of the premiums. The disability pension for Olof Persson amounts to 50% of pensionable salary. The right to disability pension is conditional to employment and will cease upon termination of duty.

The President and CEO of AB Volvo is also covered by Volvo Företagspension, a defined contribution plan for additional retirement benefit. The premium is negotiated each year. For 2013 the premium amounted to SEK 556 a month. Pension premiums 2013 for Olof Persson amounted to SEK 4,609,508. Olof Persson is also participating in the long-term share-

based incentive program decided by the Annual General Meeting 2011. Based on ROE for 2013, Olof Persson will receive 18,815 shares during 2016/2017 related to 2013 if all program conditions are met (see further information under Long-term incentive program below). The amount of taxable benefit related to these shares is determined at the time of allotment. Olof Persson has a six-month notice of termination on his own initiative and twelve months' notice of termination from AB Volvo. If terminated by the company within three years from entering the position as President and CEO, Olof Persson is entitled to a severance payment equivalent to twelve months' salary. Thereafter, he is not entitled to severance payments.

## Remuneration to the Group Executive Team

### *Fixed and variable salaries*

Members of Group Executive Team receive variable salaries in addition to fixed salaries. Variable salaries are based on the fulfillment of certain improvement targets or financial targets. The targets are decided by the Board of Directors in AB Volvo and can, for example, relate to operating income, operating margin and/or cash flow for a six month rolling period. During 2013, a variable salary, for Group Executive Team members excluding CEO, could amount to a maximum of 60% of the fixed annual salary.

For the financial year 2013, fixed salaries amounted to SEK 51,902,260 and variable salaries amounted to SEK 4,077,616 for Group Executive Team members excluding the CEO. Group Executive Team comprised, in addition to the CEO, of 15 members at the beginning of the year and 15 members at the end of the year. Other benefits, mainly pertaining to car and housing, amounted to SEK 4,988,236 in 2013. Group Executive Team members, excluding the CEO, also participate in the long-term incentive program which was approved by the Annual General Meeting held in 2011 and is based on ROE outcome. For 2013, they will during 2016/2017 receive 77,031 shares related to 2013 if all program conditions are met (see further information under Long-term incentive program below). During the financial year 39,342 shares (0) corresponding to SEK 3,812,240 have been allotted to Group Executive Team members that are leaving the Volvo Group (i.e. to so called "good leavers") and 72,714 shares (0) have forfeited. The forfeited shares corresponds to SEK 2,062,788 and an amount of SEK 776,966 which refers to social security costs.

### *Severance payments*

The employment contracts for Group Executive Team members contain rules governing severance payments when the company terminates the employment. For members domiciled in Sweden, the rules provide that, when the company terminates the employment, an employee is entitled to severance payment equivalent to twelve months' salary. In the event the employee gains employment during the severance period, severance pay is reduced with an amount equal to 100% of the income from the new employment.

Members having a material connection to a country other than Sweden can be offered notice periods for termination and severance payments that are competitive in the country to which the members have a material connection, preferably solutions corresponding to what is present for in Sweden.

### *Pensions*

Group Executive Team members are covered by a defined-contribution plan, Volvo Executive Pension plan with pension premium payments at the longest to the age of 65 years. The premium constitutes 10% of the pensionable salary. As complement to the collective agreement regarding occupational pension employees born before 1979 are covered by a defined contribution pension plan, Volvo Management Pension. The premium constitutes of SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts. The pensionable salary consists of the twelve

times the current monthly salary and the average of the variable salary for the previous five years. Pension premiums for the Group Executive Team excluding CEO amounted to SEK 33,461,634 in 2013.

Group Executive Team members are offered pensions that are competitive in the country in which the person is or have been domiciled or in the country to which the person is essentially connected.

## Volvo Group's total costs for remuneration and benefits to the Group Executive Team

Costs for total remuneration and benefits to the Group Executive Team in 2013 are pertaining to the following: fixed salary SEK 85 million (87); variable salary SEK 7 million (10); other benefits SEK 13 million (10) and pensions SEK 44 million (38). The cost related to the long-term share-based incentive program is reflected over the vesting period and amounted to SEK 11 million (27) for 2013. Total costs for the Group Executive Team include social fees on salaries and benefits, special pension tax and additional costs for other benefits. The remuneration model of the Volvo Group is to a main part designed to follow changes in the profitability of the Group.

### Long-term incentive program

The Annual General Meeting held in 2011 approved a long-term share-based incentive program for up to 300 Group and senior executives and comprising the years 2011 to 2013. The program consists of three annual programs for which the measurement periods are each of the respective financial years. A prerequisite for participation in the program is that the participants invest a portion of their salary in Volvo shares and retain these shares and continue to be employed by the Volvo Group for at least three years after the investment has been made. Under special circumstances, it is possible to make exceptions to the requirement of continued employment (so called "good leaver" situations). The AB Volvo Board is, in the event of exceptional conditions, entitled to limit or omit allotment of performance shares. In addition, if the Annual General meeting of AB Volvo resolves that no dividend shall be paid to the shareholders for a specific financial year, no matching shares are allotted for the year in question.

Shares are granted under the program during the respective financial year. At the end of the vesting period, the main rule is that the participants will be allotted one matching share per invested share and, assuming that the Volvo Group's ROE (return on equity) for the particular financial year amounts to at least 10%, a number of performance shares. Maximum allotment of performance shares corresponds to seven shares for the CEO, six shares for other members of Group Executive Team and five shares for other participants in the program for each invested share, subject to ROE reaching 25%. ROE for 2013 amounted to 5.0%, i.e. no performance shares will be allotted for 2013. For 2012 the number of performance shares reached 35% of the maximum grant. Allotment of shares will be made through Volvo owned, earlier re-purchased, Volvo shares. Participants in certain countries will be offered a cash-based version of the incentive program. For participants in these countries, no investment is required by the participant and the program does not comprise an element of matching shares. Allotment of shares in this version is replaced by a cash allotment at the end of the vesting period. Other program conditions are similar between the programs.



» **Long term incentive program (share settled plan version)**

	Shares granted conditional under the plan but not yet allotted (in thousand shares)						Cost 2013 (SEK M) <sup>1</sup>
	Vesting year	Beginning of the year	Granted 2013	Cancelled/ forfeited 2013	Allotments during 2013	End of the year	
Year 2011 incentive program	2014/2015	2,208	0	(67)	(294)	1,847	54.3
Year 2012 incentive program	2015/2016	1,320	0	(36)	(127)	1,157	32.7
Year 2013 incentive program	2016/2017	0	435	(17)	0	418	10.2
<b>Total</b>		<b>3,528</b>	<b>435</b>	<b>(120)</b>	<b>(421)</b>	<b>3,422</b>	<b>97.2</b>

<sup>1</sup> The fair value of the payments is determined based on the share price at the grant date reduced by the discounted value of expected dividends connected with the share during the vesting period. The cost for the program is recognized over the vesting period. The cost includes social security cost.

The cost for the cash-based version of the incentive program amounted to SEK 5 million (12) including social security cost during 2013, and the total liability amounted to SEK 19 million (16) as of December 31, 2013.

A number of program participants that are leaving the company have been determined to be "good leavers" and are therefore entitled to accumulated allotment of shares. During 2013, including both the share settled plan and the cash-settled plan, a total of 462,474 shares (250,922)

have been allotted to participants, and an additional 10,986 shares (246,917) will be allotted to participants when the employees leave the company. For the cash-settled plan, a total of SEK 4 million (1) has been allotted during 2013.

The total cost for the 2013 incentive program over the period 2013 to 2016 is estimated to SEK 45 million including social security cost. Actual cost will be impacted by changes in the share price.

**Average number of employees**

	2013		2012	
	Number of employees	of which women, %	Number of employees	of which women, %
<b>AB Volvo</b>				
Sweden	262	45	236	44
<b>Subsidiaries</b>				
Sweden	21,834	20	22,212	20
Western Europe (excl. Sweden)	21,809	17	22,116	18
Eastern Europe	6,327	22	6,603	21
North America	16,175	18	16,481	18
South America	6,852	14	6,150	14
Asia	18,912	12	19,185	12
Other countries	2,661	15	2,670	17
<b>Group total</b>	<b>94,832</b>	<b>17</b>	<b>95,653</b>	<b>17</b>

**Board members<sup>1</sup> and other senior executives**

	2013		2012	
	Number at year-end	of which women, %	Number at year-end	of which women, %
<b>AB Volvo</b>				
Board members <sup>1</sup>	12	17	12	17
CEO and other senior executives	16	19	16	19
<b>Volvo Group</b>				
Board members <sup>1</sup>	580	17	680	14
Presidents and other senior executives	695	19	878	20

<sup>1</sup> Excluding deputy Board members.

**Wages, salaries and other remunerations**

SEK M	2013			2012		
	Board and Presidents <sup>1</sup>	of which variable salaries	Other employees	Board and Presidents <sup>1</sup>	of which variable salaries	Other employees
AB Volvo	25.9	5.6	265.2	24.6	5.1	270.2
Subsidiaries	563.1	52.7	35,357.3	740.0	109.2	38,143.9
<b>Group total</b>	<b>589.1</b>	<b>58.3</b>	<b>35,622.4</b>	<b>764.6</b>	<b>114.3</b>	<b>38,414.1</b>

**Wages, salaries and other remunerations and social costs**

SEK M	2013			2012		
	Wages, salaries remun	Social costs	Pension costs	Wages, salaries remun	Social costs	Pension costs
AB Volvo <sup>2</sup>	291.1	87.3	91.6	294.8	90.2	82.9
Subsidiaries	35,920.4	8,174.9	4,052.1	38,883.9	9,595.6	3,881.9
<b>Group total<sup>3</sup></b>	<b>36,211.5</b>	<b>8,262.2</b>	<b>4,143.7</b>	<b>39,178.7</b>	<b>9,685.8</b>	<b>3,964.8</b>

<sup>1</sup> Including current and former Board members, Presidents and Executive Vice Presidents.

<sup>2</sup> The Parent Company's pension costs, pertaining to Board members and Presidents are disclosed in Note 3 in the Parent Company.

<sup>3</sup> Of the Volvo Group's pension costs, SEK 97.7 million (92.4) pertain to Board members and Presidents, including current and former Board members, Presidents and Executive Vice Presidents. The Volvo Group's outstanding pension obligations to these individuals amount to SEK 418.1 million (368.4).

The cost for non-monetary benefits in the Volvo Group amounted to SEK 1,960.3 million (2,100.0) of which SEK 50.5 million (66.1) to Board members and Presidents.

The cost for non-monetary benefits in the Parent Company amounted to SEK 15.2 million (12.8) of which SEK 1.8 million (1.7) to Board members and Presidents.

## NOTE 28 | FEES TO THE AUDITORS

<b>Fees to the auditors</b>	2013	2012
PricewaterhouseCoopers AB		
- Audit fees	120	102
- Audit-related fees	5	6
- Tax advisory services	12	17
- Other fees	19	31
<b>Total</b>	<b>156</b>	<b>156</b>
Audit fees to others	3	2
<b>Volvo Group Total</b>	<b>159</b>	<b>158</b>

The audit assignment involves review of the Annual report and financial accounting and the administration by the Board and the President. Audit-related assignments mean quality assurance services required by enactment, articles of association, regulations or agreement. The amount includes the fee for reviewing the half-year report. Tax services include both tax consultancy and tax compliance services. All other tasks are defined as other.

## NOTE 29 | CASH-FLOW



### ACCOUNTING POLICY

#### Cash-flow analysis

The cash-flow statement is prepared in accordance with IAS 7, Cash flow statement, indirect method. The cash-flow statements of foreign Group companies are translated at the average rate. Changes in Group structure, acquisitions and divestments, are recognized net, excluding cash and cash equivalents, in the item Acquisition and divestment of subsidiaries and other business units and are included in cash flow from Investing activities.

Cash and cash equivalents include cash, bank balances and parts of marketable securities, with date of maturity within three months at the time for investment. Marketable securities comprise interest-bearing securities, the majority of which with terms exceeding three months. However, these securities have high liquidity and can easily be converted to cash. In accordance with IAS 7, certain investment in marketable securities are excluded from the definition of cash and cash equivalents in the cash-flow statement if the date of maturity of such instruments is later than three months after the investment was made.

<b>Other items not affecting cash amounted to:</b>	2013	2012
Risk provisions and losses related to doubtful accounts receivable/customer-financing receivables	1,230	764
Capital gains/losses on the sale of subsidiaries and other business units	(141)	(596)
Unrealized exchange rate gains/losses on accounts receivable and payable	229	224
Provision for global profit sharing program	-	200
Fair value commercial derivatives	-	(316)
Provision for restructuring reserves	125	914
Provision for warranty reserve	745	-
Other changes	228	240
<b>Total Other items not affecting cash flow</b>	<b>2,416</b>	<b>1,430</b>

#### Acquired and divested shares and participations, net

	2013	2012
New issue of shares	(1)	(6)
Capital contribution	(36)	(6)
Acquisitions	(112)	(1,212)
Divestments	135	39
Other	-	(1)
<b>Total cash flow from acquired and divested shares and participations, net</b>	<b>(14)</b>	<b>(1,186)</b>

During 2012 AB Volvo acquired additional shares in Deutz AG, which had a negative impact on cash-flow of SEK 1.1 billion.

#### Acquired and divested subsidiaries and other business units:

	2013	2012
Acquired subsidiaries and other business units	(71)	(1,527)
Divested subsidiaries and other business units	1,003	4,917
<b>Total cash flow from acquired and divested subsidiaries and other business units</b>	<b>932</b>	<b>3,390</b>

#### Important increase/decrease in bond loans and other loans

In 2013, the Volvo Group increased its borrowings as a consequence of higher demands of funding from the Customer Finance Operations.

NOTE **30** | FINANCIAL INSTRUMENTS**ACCOUNTING POLICY***Recognition of financial assets and liabilities*

Purchases and sales of financial assets and liabilities are recognized on the transaction date. A financial asset is derecognized in the balance sheet when all significant risks and benefits linked to the asset have been transferred to a third party.

The fair value of assets is determined based on valid market prices, when available. If market prices are unavailable, the fair value is determined for each asset using various measurement techniques.

➤➤ **Refer to footnote 1** under the table "Information regarding carrying amounts and fair values" on page 161 in this note.

Transaction expenses are included in the asset's fair value, except in cases in which the change in value is recognized in the income statement. The transaction costs that arise in conjunction with the assumption of financial liabilities are amortized over the term of the loan as a financial cost.

Financial assets at fair value through the income statement

All of the Volvo Group's financial assets that are recognized at fair value through the income statement are classified as held for trading. This includes derivatives to which Volvo Group has decided not to apply hedge accounting as well as derivatives that are not part of an evidently effective hedge accounting policy pursuant to IAS 39. Gains and losses on these assets are recognized in the income statement. Short-term investments that are recognized at fair value mainly comprise interest-bearing financial instruments and these are disclosed in Note 18. Derivatives used for hedging interest rate exposure in the customer financing portfolio are included in this category. Unrealized gains and losses from fluctuations in the fair values of the financial instruments are recognized in net financial items, since it is not practically possible to apply hedge accounting in accordance with IAS 39 due to the large number of contracts that the customer financing portfolio comprises. In applicable cases, when the requirements for hedge accounting are considered to be fulfilled, the Volvo Group will hereafter consider the application of hedge accounting for these kinds of instruments. The Volvo Group intends to hold these derivatives to maturity, which is why, over time, the market valuation will be offset as a consequence of the interest-rate fixing on borrowing and lending for the customer-finance operations, and thus not affect operating income or cash flow.

Financial instruments used for hedging currency risks arising from future firm commercial cash flows are also recognized under this category. Unrealized and realized gains and losses are recognized in Other financial income and expenses to be able to enhance the possibility to net all internal flows before entering into external derivatives, except for gains and losses from derivatives hedging currency risks of future cash flows for specific orders. They are recognized in operating income.

➤➤ **Refer to note 9** regarding derivatives used for hedging interest rate exposure in the customer financing portfolio, and derivatives used to hedge currency risks from future firm cash flows recognized in Other financial income and expense.

Loan receivables and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivables are recognized initially at fair value, which normally corresponds to the nominal value. In the event that the payment terms exceed one year, the receivable is recognized at the discounted present value. After initial recognition, loans and receivables are measured at amortized cost in accordance with the effective interest method. Gains and losses are recognized in the income statement when the loans or receivables are divested or impaired, as well as in pace with recognition of accrued interest.

*Assessment of impairment requirement – loan receivables and other receivables*

Volvo Group performs routine controls to ensure that the carrying amount of assets valued at amortized cost has not decreased, which would result in recognition of an impairment loss in the income statement. Provisions for doubtful receivables are recognized on an ongoing basis following assessments of a possible change in the ability of customers to pay.

Impairment comprises the difference between the carrying amount and the current value of the estimated future payment flow attributable to the specific asset with consideration to the fair value of any collateral. Discounting of future cash flow is based on the effective interest rate used initially. Initially, the impairment requirement is evaluated for each respective asset. If, based on objective grounds, it cannot be determined that one or more assets are subject to an impairment loss, the assets are grouped in units based, for example, on similar credit risks to evaluate the impairment loss requirement collectively. Individually impaired assets or assets impaired during previous periods are not included when grouping assets for collective assessment. If the conditions that gave rise to the recognition of an impairment loss later prove to no longer be valid the impairment loss is reversed in the income statement as long as the carrying amount does not exceed the amortized cost at the time of the reversal.

➤➤ **Refer to note 15 and 16** for more information regarding Volvo Group's loan receivables and accounts receivables.

Assets available for sale

This category includes assets available for sale and assets that have not been classified in any of the other category. These assets are initially measured at fair value including transaction costs. Any change in value is recognized directly in other comprehensive income. The cumulative gain or loss recognized in other comprehensive income is reversed in the income statement on the sale of the asset. Unrealized declines in value are recognized in other comprehensive income, unless the decline is significant or prolonged. Then the impairment is recognized in the income statement. If the event that caused the impairment no longer exists, impairment can be reversed in the income statement if it does not involve an equity instrument.

Earned or paid interest attributable to these assets is recognized in the income statement as part of net financial items in accordance with the effective interest method. Dividends received attributable to these assets are recognized in the income statement as Income from other investments.

Volvo Group recognizes shares and participations in listed companies at market value on the balance-sheet date, with the exception of investments classified as associated companies and joint ventures. Holdings in unlisted companies for which a market value is unavailable are recognized at acquisition cost. Volvo Group classifies these types of investments as assets available for sale.

*Assessment of impairment – assets available for sale*

If assets available for sale are impaired, the impaired amount is the difference between the asset's cost (adjusted for any accrued interest if applicable) and its fair value. However, if equity instruments, such as shares, are involved, a completed impairment is not reversed in the income statement. On the other hand, impairments performed on debt instruments (interest-bearing instruments) are wholly or partly reversible in the income statement, in those instances where an event, proven to have occurred after the impairment was performed, is identified and impacts the valuation of that asset.

➤➤ **Refer to note 5** for Volvo Group's holdings of shares and participations in listed companies.

### Hedge accounting

During 2013, the Volvo Group has applied hedge accounting for financial instruments used to hedge interest and currency risks on loans only when hedge accounting requirements are fulfilled. The changes in the fair value of the hedge instruments outstanding and the changes in the carrying amount of the loan are recognized in the income statement. When the requirements for hedge accounting are not considered to be fulfilled, unrealized gains and losses up until the maturity date of the financial instrument are recognized in net financial items in the income statement.

In accordance with IAS 39, derivatives used for the hedging of forecast electricity consumption have been recognized at fair value in the balance sheet. During 2013, the Volvo Group applied hedge accounting for these financial instruments.

In previous years, the Volvo Group has applied hedge accounting for certain net investments in foreign operations. The ongoing result of such hedges is recognized as a separate item in other comprehensive income. In the event of a divestment, the accumulated result from the hedge is recognized in the income statement.

» Refer to page 163 for supplementary information on hedge accounting and to Note 4 for information regarding Goals and policies in financial risk management.

### Information regarding carrying amounts and fair values

In the table below, carrying amounts are compared with fair values for all of the Volvo Group's financial instruments.

		Dec 31, 2013		Dec 31, 2012	
		Carrying value	Fair value	Carrying value	Fair value
<b>SEK M</b>					
<b>Assets</b>					
<b>Financial assets at fair value through the income statement<sup>1</sup></b>					
The Volvo Group's outstanding interest and currency risk derivatives (A) <sup>5</sup>	Note 16	2,542	2,542	3,671	3,671
The Volvo Group's outstanding raw materials derivatives	Note 16	5	5	23	23
<b>B/S</b> Marketable securities	Note 18	2,591	2,591	3,130	3,130
		5,138	5,138	6,824	6,824
<b>Loans receivable and other receivables</b>					
<b>B/S</b> Accounts receivable	Note 16	29,415	-	26,516	-
Customer financing receivables <sup>2</sup>	Note 15	83,861	-	80,989	-
Other interest-bearing receivables	Note 16	509	-	1,291	-
		113,785	-	108,796	-
<b>Financial assets available for sale<sup>1</sup></b>					
Holding of shares in listed companies	Note 5	1,490	1,490	1,122	1,122
Holding of shares in non-listed companies	Note 5	460	-	498	-
		1,950	1,490	1,620	1,122
<b>B/S</b> Cash and cash equivalents	Note 18	26,968	26,968	25,207	25,207
<b>Liabilities</b>					
<b>Financial liabilities at fair value through the income statement<sup>1</sup></b>					
The Volvo Group's outstanding interest and currency risks derivatives <sup>3</sup>		2,324	2,324	2,832	2,832
The Volvo Group's outstanding raw materials derivatives		55	55	84	84
		2,379	2,379	2,916	2,916
<b>Financial liabilities valued at amortized cost<sup>4</sup></b>					
Long term bond loans and other loans		83,309	86,888	79,592	85,060
Short term bank loans and other loans		49,811	49,937	50,274	49,455
		133,120	136,825	129,866	134,515
<b>B/S</b> Trade Payables		53,901	-	46,472	-

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

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

3 Includes a fair value of a loan related to hedge accounting negative SEK 1,157 M (negative 1,495), netted against derivatives used to hedge the risk positive SEK 1,171 M (1,477). For further information on hedging of currency and interest rate risks on loans see below.

4 In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives amounting to negative SEK 1,899 M (negative 1,976).

5 The Volvo Group's gross exposure from positive derivatives amounts to SEK 3,713 M (5,148). The exposure is the sum of positive derivatives reported assets to an amount of SEK 2,542 (3,671) and positive derivatives of SEK 1,171 M (1,477) netted against fair value of a loan reported as liability. Refer to footnote 3 above. The gross exposure is reduced by 41% (43%) by netting agreements and cash deposits to SEK 2,203 M (2,948).

» For further information refer to Note 4 Goals and policies in financial risk management.



>> **Derecognition of financial assets**

The Volvo Group is involved in cash enhancement activities such as factoring and discounting. Financial assets that have been transferred are included in full or in part in the reported assets of the Volvo Group dependent on the risk and rewards related to the asset have been transferred to the recipient. In accordance with IAS 39, Financial Instruments, Recognition and Measurement, an evaluation is performed to establish whether, substantially, all the risks and rewards have been transferred to an external party. Where the Volvo Group concludes this is not the case, the portion of the financial assets corresponding to the Volvo Group's continuous involvement is recognized. When all the risk and rewards are not considered to be transferred the amount is kept on the balance sheet. Transferred financial asset that does not fulfill the requirements for derecognition amount to SEK 0,4 billion (0,3).

Transferred financial assets for which substantially all risks and rewards have been transferred are derecognized. Continuing involvements in these assets are reflected in the Volvo Group's balance sheet. External

credit guarantees relating to these financial assets are recognized to fair value as provisions in the balance sheet and amount to 79 (118).

The Volvo Group's maximum exposure to loss is considered being the total recourse relating to the transferred assets, i.e. the total amount Volvo Group would have to pay in case of default of the customers. This risk exposure is considered not to be material for the Volvo Group as it does not exceed SEK 0,6 billion (0,3). This is the total exposure for the Volvo Group but the likelihood for all customers being in default at the same time is considered to be unlikely.

>> See note 24 Contingent Liabilities for information regarding contingent liabilities for credit guarantees.

**Gains, losses, interest income and expenses related to financial instruments**

The table below shows how gains and losses as well as interest income and expenses have affected income after financial items in the Volvo Group divided on the different categories of financial instruments.

**Reported in operating income<sup>1</sup>**

SEK M	2013			2012		
	Gains/losses	Interest income	Interest expenses	Gains/losses	Interest income	Interest expenses
<b>Financial assets and liabilities at fair value through the income statement<sup>2</sup></b>						
Currency risk derivatives <sup>3</sup>	39	-	-	49	-	-
<b>Loans receivable and other receivables</b>						
Accounts receivables / trade payables	629	-	-	(125)	-	-
Customer financing receivables VFS	128	4,705	-	104	5,104	-
<b>Financial assets available for sale</b>						
Shares and participations for which a market value can be calculated	42	-	-	18	-	-
Shares and participations for which a market value cannot be calculated	20	-	-	18	-	-
<b>Financial liabilities valued at amortized cost<sup>4</sup></b>						
Effect on operating income	858	4,705	(1,704)	64	5,104	(2,373)

**Reported in net financial items<sup>5</sup>**

<b>Financial assets and liabilities at fair value through the income statement</b>						
Marketable securities		94		-	154	-
Interest and currency rate risk derivatives <sup>3,6</sup>	1,987	(5)	(56)	449	21	(188)
<b>Loans receivable and other receivables</b>						
Cash and Cash equivalents		292		-	278	-
<b>Financial liabilities valued at amortized cost<sup>6</sup></b>	(1,678)		(2,171)	(227)	-	(2,150)
<b>Effect on net financial items</b>	<b>309</b>	<b>381</b>	<b>(2,227)</b>	<b>222</b>	<b>453</b>	<b>(2,338)</b>

1 Information is provided regarding changes in provisions for doubtful receivables and customer financing in Notes 15 and 16, Accounts receivable and customer financing receivables, as well as in Note 8, Other financial income and expenses.

2 Accrued and realized interest is included in gains and losses related to Financial assets and liabilities at fair value through the income statement.

3 Volvo uses forward contracts and currency options to hedge the value of future cash flows in foreign currency. Both unrealized and realized result on currency risk contracts are included in the table. Refer to Note 4, Goals and policies in financial risk management.

4 Interest expenses attributable to financial liabilities valued at amortized cost recognized in operating income include interest expenses for financing operational leasing activities, not classified as financial instruments.

5 In gains, losses, income and expenses related to financial instruments recognized in Net financial items, SEK 309 M (222) was recognized under other financial income and expenses. Refer to Note 9, Other financial income and expenses for further information. Interest expenses attributable to pensions, SEK 583 M (611) are not included in this table.

6 Refer to Note 9, Other financial income and expenses for further information.

Below is a presentation of derivative instruments and options of financial and commercial receivables and liabilities.

**Outstanding derivative instruments for dealing with currency and interest-rate risks related to financial and commercial assets and liabilities**

SEK M	Dec 31, 2013		Dec 31, 2012	
	Nominal amount	Carrying value	Nominal amount	Carrying value
Interest-rate swaps				
- receivable position	71,495	1,833	64,825	2,507
- payable position	64,790	(1,045)	74,247	(1,169)
Forwards and futures				
- receivable position	-	-	-	10
- payable position	-	-	7,470	(34)
Foreign exchange derivative contracts				
- receivable position	47,077	704	25,425	1,144
- payable position	25,437	(118)	19,527	(131)
Options purchased				
- receivable position	1,157	5	719	10
- payable position	179	-	74	-
Options written				
- payable position	716	(4)	482	(3)
<b>Subtotal</b>		<b>1,375</b>		<b>2,334</b>
Raw materials derivative contracts				
- receivable position	182	5	(120)	23
- payable position	(190)	(55)	467	(84)
<b>Total</b>		<b>1,325</b>		<b>2,273</b>

**Hedge accounting - supplementary information**

*Hedging of currency and interest rate risks on loans*

Fair value of the hedge instruments outstanding amounts to SEK 1,405 M (1,697). Changes in fair value of the loan related to hedge accounting amounts to negative SEK 1,157 M (negative SEK 1,495). The changes in the fair value of the hedge instruments outstanding and the changes in the fair value of the loan are recognized in net financial positions in the income statement.

## NOTE 31 | CHANGES IN THE VOLVO GROUP'S FINANCIAL REPORTING 2013

As from January 1, 2013 Volvo applies IFRS 11 Joint Arrangements, amendments in IAS 28 Investments in Associates and Joint Ventures and the amendments in IAS 19 Employee Benefits. These standards are applied retrospectively and hence the income statement and balance sheet for 2012 are adjusted to reflect the changes in these new and amended accounting standards. None of the other new or amended accounting standards or interpretations effective from January 1, 2013 have had any material effect on the Volvo Group.

» Read more about all new applied accounting principles in **Note 1**.

### *Restatement of Joint ventures*

IFRS 11 Joint Arrangements has replaced IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures. A joint operation is a joint arrangement whereby the parties to the arrangement have rights to the assets, and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties to the arrangement have rights to the net assets of the arrangement. The Volvo Group's joint arrangements are classified as joint ventures. The Volvo Group has previously accounted for joint ventures using the proportional method and consolidated the assignable part item by item in the income statement and balance sheet.

Under IFRS 11, the option of proportional consolidation of joint ventures included in IAS 31 has been removed, and joint ventures shall be accounted for using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures (revised 2011). Assets and liabilities relating to joint ventures have been derecognized from the balance sheet and the carrying amount as of January 1, 2012, corresponds to the net assets derecognized and goodwill. Goodwill has been allocated to each joint venture and any possible write-down requirement have been considered in accordance with the transition rules in IFRS 11. In accordance with the equity method, the Volvo Group's share of the joint venture's profit or loss is recognized as an one line item in the income statement, i.e. "Income from investments in joint ventures and associates". The corresponding amount is recognized in the balance sheet as "Investment in joint ventures and associates".

The Volvo Group's equity share in the joint venture VE Commercial Vehicles (VECV) amounts to 45.6 %. The 8.4 % share in the other joint partner, the listed company Eicher Motors Ltd, is recognized as Other shares and participations and is revalued over other comprehensive income.

» Read more about Volvo Group's Joint Ventures in **Note 5**.

### *Restatement of Employee benefits*

As from January 1, 2013 the amendments to IAS 19 Employee benefits are effective. The revised standard is applied retrospectively, and hence the opening balance for 2012 is adjusted in accordance with the revised IAS 19, and the reported numbers for 2012 are restated accordingly for comparison purposes.

The revised standard removes the option to use the corridor method which is used by the Volvo Group up to and including the financial year 2012. According to the revised IAS 19, discount rate is used when calculating the net interest income or expense on the net defined benefit liability (asset), hence the expected return is no longer used. All changes in the net defined liability (asset) are recognized when they occur. Service cost and net interest are recognized in the income statement, while remeasurements such as actuarial gains and losses are recognized in other comprehensive income. Special payroll tax is included in the pension liability, special payroll tax is applicable for pension plans in Sweden and Belgium. Amortization of actuarial gains and losses will cease with the removal of the corridor method.

» Read more about provision for post-employment benefit in **Note 20**.

### *Restatement of Hedging of commercial flows*

As from January 1, 2013 there is a change in the presentation of financial instruments relating to hedging effects on commercial flows, from Operating income to Other financial income and expenses except for gains and losses from derivatives hedging currency risks of future cash flows for specific orders. Financial instruments related to hedging of commercial flows are presented in the finance net to be able to enhance the possibility to net all internal flows before entering into external hedging contracts. The new accounting principle has been applied retrospectively and the income statement for 2012 has been adjusted.

» Read more about hedging of commercial flows in **Note 30**.

The effect on the Volvo Group's balance sheets as of January 1, 2012 and as of December 31, 2012 and the the income statement 2012 due to the restatements of joint ventures, employee benefits and hedging of commercial flows are presented below.

**Balance sheet**  
**January 1, 2012**

Volvo Group

SEK M	Previously reported as of Jan 1, 2012	Restatement Joint Ventures	After restatement Joint Ventures	Restatement post-employment benefits	After post-employment benefit restatement
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	39,507	(1,729)	37,778	-	37,778
<i>Tangible assets</i>					
Property, plant and equipment	54,540	(636)	53,904	-	53,904
Assets under operating leases	23,922	-	23,922	-	23,922
<i>Financial assets</i>					
Investments in Joint Ventures and associated companies	684	2,612	3,296	-	3,296
Other shares and participations	1,190	419	1,609	-	1,609
Non-current customer-financing receivables	40,618	-	40,618	-	40,618
Deferred tax assets	12,838	(19)	12,819	3,980	16,799
Prepaid pensions	2,277	-	2,277	(2,277)	0
Non-current interest-bearing receivables	694	(51)	643	-	643
Other non-current receivables	4,315	(11)	4,304	-	4,304
<b>Total non-current assets</b>	<b>180,585</b>	<b>585</b>	<b>181,170</b>	<b>1,703</b>	<b>182,873</b>
<b>Current assets</b>					
Inventories	44,599	(363)	44,236	-	44,236
<i>Current receivables</i>					
Customer-financing receivables	38,081	-	38,081	-	38,081
Tax assets	1,200	(180)	1,020	-	1,020
Interest-bearing receivables	667	-	667	-	667
Internal funding	-	-	-	-	-
Accounts receivable	27,699	(768)	26,931	-	26,931
Other receivables	13,825	(114)	13,711	-	13,711
Non interest-bearing assets held for sale	9,344	-	9,344	117	9,461
Interest-bearing assets held for sale	4	-	4	-	4
Marketable securities	6,862	-	6,862	-	6,862
Cash and cash equivalents	30,379	(822)	29,557	-	29,557
<b>Total current assets</b>	<b>172,659</b>	<b>(2,248)</b>	<b>170,411</b>	<b>117</b>	<b>170,528</b>
<b>Total assets</b>	<b>353,244</b>	<b>(1,663)</b>	<b>351,581</b>	<b>1,820</b>	<b>353,401</b>
<b>Shareholders' equity and liabilities</b>					
Equity attributable to the equity holders of the parent company	84,581	(5)	84,576	(8,821)	75,755
Minority interests	1,100	-	1,100	-	1,100
<b>Total shareholders' equity</b>	<b>85,681</b>	<b>(5)</b>	<b>85,676</b>	<b>(8,821)</b>	<b>76,855</b>
<i>Non-current provisions</i>					
Provisions for post-employment benefits	6,665	(10)	6,655	10,078	16,733
Provisions for deferred taxes	5,636	(175)	5,461	-	5,461
Other provisions	5,648	(89)	5,559	-	5,559
<i>Non-current liabilities</i>					
Bond loans	38,192	-	38,192	-	38,192
Other loans	47,765	(5)	47,760	-	47,760
Other liabilities	10,447	(1)	10,446	-	10,446
Current provisions	9,531	-	9,531	-	9,531
<i>Current liabilities</i>					
Loans	44,522	(236)	44,286	-	44,286
Non interest-bearing liabilities held for sale	4,710	-	4,710	-	4,710
Interest-bearing liabilities held for sale	6	-	6	532	538
Trade payables	56,788	(688)	56,100	-	56,100
Tax liabilities	2,391	-	2,391	-	2,391
Other liabilities	35,262	(453)	34,809	31	34,840
<b>Total shareholders' equity and liabilities</b>	<b>353,244</b>	<b>(1,663)</b>	<b>351,581</b>	<b>1,820</b>	<b>353,401</b>



>> **Balance sheet**  
**December 31, 2012**

	Volvo Group						
SEK M	Previously reported 2012	Restatement joint ventures	After joint venture restatement	Restatement post-employment benefits	After post-employment benefit restatement	Restatement hedging of firm flows	After restatements
<b>Assets</b>							
<b>Non-current assets</b>							
Intangible assets	40,373	(1,675)	38,698	-	38,698	-	38,698
<i>Tangible assets</i>							
Property, plant and equipment	55,004	(815)	54,189	-	54,189	-	54,189
Assets under operating leases	29,022	-	29,022	-	29,022	-	29,022
<i>Financial assets</i>							
Investments in Joint Ventures and associated companies	2,045	2,478	4,523	-	4,523	-	4,523
Other shares and participations	845	775	1,620	-	1,620	-	1,620
Non-current customer-financing receivables	41,156	-	41,156	-	41,156	-	41,156
Deferred tax assets	11,166	-	11,166	4,710	15,876	-	15,876
Prepaid pensions	2,724	-	2,724	(2,724)	-	-	-
Non-current interest-bearing receivables	337	-	337	-	337	-	337
Other non-current receivables	3,319	(231)	3,088	-	3,088	-	3,088
<b>Total non-current assets</b>	<b>185,991</b>	<b>533</b>	<b>186,524</b>	<b>1,986</b>	<b>188,510</b>	<b>-</b>	<b>188,510</b>
<b>Current assets</b>							
Inventories	40,409	(316)	40,093	-	40,093	-	40,093
<i>Current receivables</i>							
Customer-financing receivables	39,833	-	39,833	-	39,833	-	39,833
Tax assets	1,208	(195)	1,013	-	1,013	-	1,013
Interest-bearing receivables	2,574	-	2,574	-	2,574	-	2,574
Internal funding	-	-	-	-	-	-	-
Accounts receivable	27,349	(833)	26,516	-	26,516	-	26,516
Other receivables	12,489	(199)	12,290	-	12,290	-	12,290
Non interest-bearing assets held for sale	-	-	-	-	-	-	-
Interest-bearing assets held for sale	-	-	-	-	-	-	-
Marketable securities	3,130	-	3,130	-	3,130	-	3,130
Cash and cash equivalents	25,759	(552)	25,207	-	25,207	-	25,207
<b>Total current assets</b>	<b>152,751</b>	<b>(2,095)</b>	<b>150,656</b>	<b>-</b>	<b>150,656</b>	<b>-</b>	<b>150,656</b>
<b>Total assets</b>	<b>338,742</b>	<b>(1,562)</b>	<b>337,180</b>	<b>1,986</b>	<b>339,166</b>	<b>-</b>	<b>339,166</b>
<b>Shareholders' equity and liabilities</b>							
Equity attributable to the equity holder of the Parent Company	85,648	334	85,982	(10,197)	75,785	-	75,785
Minority interests	1,266	-	1,266	-	1,266	-	1,266
<b>Total shareholders' equity</b>	<b>86,914</b>	<b>334</b>	<b>87,248</b>	<b>(10,197)</b>	<b>77,051</b>	<b>-</b>	<b>77,051</b>
<i>Non-current provisions</i>							
Provisions for post-employment benefits	6,697	(14)	6,683	12,152	18,835	-	18,835
Provisions for deferred taxes	5,028	(178)	4,850	-	4,850	-	4,850
Other provisions	5,783	(43)	5,740	-	5,740	-	5,740
<i>Non-current liabilities</i>							
Bond loans	43,092	-	43,092	-	43,092	-	43,092
Other loans	38,433	(5)	38,428	-	38,428	-	38,428
Other liabilities	10,714	-	10,714	-	10,714	-	10,714
Current provisions	10,976	-	10,976	-	10,976	-	10,976
<i>Current liabilities</i>							
Loans	50,317	(304)	50,013	-	50,013	-	50,013
Non interest-bearing liabilities held for sale	-	-	-	-	-	-	-
Interest-bearing liabilities held for sale	-	-	-	-	-	-	-
Trade payables	47,364	(892)	46,472	-	46,472	-	46,472
Tax liabilities	653	(193)	460	-	460	-	460
Other liabilities	32,771	(267)	32,504	31	32,535	-	32,535
<b>Total shareholders' equity and liabilities</b>	<b>338,742</b>	<b>(1,562)</b>	<b>337,180</b>	<b>1,986</b>	<b>339,166</b>	<b>-</b>	<b>339,166</b>

**Income statement  
full year, 2012**

Volvo Group

SEK M	Previously reported 2012	Restatement joint ventures	After joint venture restatement	Restatement post-employment benefits	After post-employment benefit restatement	Restatement hedging of firm flows	After restatements
<b>Net sales</b>	<b>303,647</b>	<b>(3,833)</b>	<b>299,814</b>	-	<b>299,814</b>	-	<b>299,814</b>
Cost of sales	(235,085)	3,281	(231,804)	412	(231,392)	(223)	(231,615)
<b>Gross income</b>	<b>68,562</b>	<b>(552)</b>	<b>68,010</b>	<b>412</b>	<b>68,422</b>	<b>(223)</b>	<b>68,199</b>
Research and development expenses	(14,794)	81	(14,713)	78	(14,635)	-	(14,635)
Selling expenses	(28,248)	180	(28,068)	174	(27,894)	-	(27,894)
Administrative expenses	(5,669)	88	(5,581)	18	(5,563)	-	(5,563)
Other operating income and expenses	(2,160)	60	(2,100)	4	(2,096)	-	(2,096)
Income from investments in Joint Ventures and associated companies	(23)	122	99	-	99	-	99
Income from other investments	(47)	5	(42)	-	(42)	-	(42)
<b>Operating income</b>	<b>17,622</b>	<b>(17)</b>	<b>17,604</b>	<b>686</b>	<b>18,290</b>	<b>(223)</b>	<b>18,067</b>
Interest income and similar credits	510	(57)	453	-	453	-	453
Interest expenses and similar charges	(2,476)	20	(2,456)	(493)	(2,949)	-	(2,949)
Other financial income and expenses	(301)	0	(301)	-	(301)	223	(78)
<b>Income after financial items</b>	<b>15,355</b>	<b>(54)</b>	<b>15,301</b>	<b>193</b>	<b>15,494</b>	<b>0</b>	<b>15,494</b>
Income taxes	(4,097)	45	(4,052)	(64)	(4,116)	-	(4,116)
<b>Income for the period</b>	<b>11,258</b>	<b>(9)</b>	<b>11,249</b>	<b>129</b>	<b>11,378</b>	<b>0</b>	<b>11,378</b>
<b>Consolidated other comprehensive income</b>							
<b>Income for the period</b>	<b>11,258</b>	<b>(9)</b>	<b>11,249</b>	<b>129</b>	<b>11,378</b>	<b>0</b>	<b>11,378</b>
Exchange differences on translation of foreign operations	(3,916)	208	(3,708)	313	(3,395)	-	(3,395)
Share of OCI related to Joint Ventures and associated companies	-	(191)	(191)	-	(191)	-	(191)
Exchange differences on hedge instruments of net investment in foreign operations	0	-	0	-	0	-	0
Accumulated translation difference reversed to income	(118)	-	(118)	-	(118)	-	(118)
Available for sale investments	(4)	347	343	-	343	-	343
Cash flow hedges	8	-	8	-	8	-	8
Remeasurements of defined benefit plan	-	-	-	(2,234)	(2,234)	-	(2,234)
<b>Other comprehensive income, net of income taxes</b>	<b>(4,030)</b>	<b>364</b>	<b>(3,666)</b>	<b>(1,921)</b>	<b>(5,587)</b>	<b>0</b>	<b>(5,587)</b>
<b>Total comprehensive income for the period</b>	<b>7,228</b>	<b>355</b>	<b>7,583</b>	<b>(1,792)</b>	<b>5,791</b>	<b>0</b>	<b>5,791</b>
Attributable to							
Equity holders of the parent company	7,092	-	-	-	-	-	5,655
Minority interests	136	-	-	-	-	-	136
	7,228	-	-	-	-	-	5,791

# Parent Company AB Volvo

Corporate registration number 556012-5790.

Amounts in SEK M unless otherwise specified. Amounts within parentheses refer to the preceding year, 2012.

## Board of Directors' report

AB Volvo is the Parent Company of the Volvo Group and its operations comprise of the Group's head office with staff together with some corporate functions.

Income from investments in Group companies include dividends amounting to 1,689 (920) and transfer price adjustments and royalties amounting to an expense of 1,128 (524). Dividend received from Volvo Financial Services AB amounted to 1,080 and dividend received from Volvo China Investment Co Ltd amounted to 312.

During the year subscription in Volvo Group Japan Co has been made by 3,392 after which the holding was written down by 843. Shareholders' contribution has been given to Volvo Information Technology AB by 600 and to VNA Holding Inc by 787, the latter in form of total shares in Prévost Car (US) Inc.

The carrying value of shares and participations in Group companies amounted to 60,763 (56,832), of which 59,870 (55,940) pertained to shares in wholly owned subsidiaries. The corresponding shareholders' equity in the subsidiaries (including equity in untaxed reserves but excluding minority interests) amounted to 101,937 (100,326).

Investments in joint ventures and associated companies included 2,819 (1,752) in joint ventures and associated companies that are recognized in accordance with the equity method in the consolidated accounts. The portion of shareholders' equity in joint ventures and associated companies pertaining to AB Volvo amounted to 3,038 (1,419).

Financial net debt amounted to 33,685 (27,042).

AB Volvo's risk capital (shareholders' equity plus untaxed reserves) amounted to 34,589 (41,241) corresponding to 45% (54%) of total assets.

## INCOME STATEMENT

SEK M		2013	2012
<b>Net sales</b>	Note 2	<b>659</b>	<b>670</b>
Cost of sales	Note 2	(659)	(670)
<b>Gross income</b>		<b>0</b>	<b>0</b>
Administrative expenses	Note 2, 3	(974)	(1,026)
Other operating income and expenses	Note 4	(83)	48
Income from investments in Group companies	Note 5	(541)	3,151
Income from investments in joint ventures and associated companies	Note 6	0	4
Income from other investments	Note 7	1	9
<b>Operating income</b>		<b>(1,597)</b>	<b>2,186</b>
Interest income and similar credits	Note 8	8	0
Interest expenses and similar charges	Note 8	(1,139)	(1,509)
Other financial income and expenses	Note 9	(57)	(112)
<b>Income after financial items</b>		<b>(2,785)</b>	<b>565</b>
Allocations	Note 10	831	5,628
Income taxes	Note 11	333	(1,092)
<b>Income for the period</b>		<b>(1,621)</b>	<b>5,101</b>

## OTHER COMPREHENSIVE INCOME

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

## BALANCE SHEET

SEK M	December 31, 2013	December 31, 2012	
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	Note 12	38	52
Tangible assets	Note 12	72	74
<i>Financial assets</i>			
Shares and participations in Group companies	Note 13	60,763	56,832
Receivables from Group companies		59	83
Investments in joint ventures and associated companies	Note 13	3,343	3,374
Other shares and participations	Note 13	1,203	791
Deferred tax assets	Note 11	2,550	1,964
Other non-current receivables		27	0
<b>Total non-current assets</b>		<b>68,055</b>	<b>63,170</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables Group companies		8,951	12,406
Other receivables	Note 14	311	1,078
Cash and bank accounts		0	0
<b>Total current assets</b>		<b>9,262</b>	<b>13,484</b>
<b>Total assets</b>		<b>77,317</b>	<b>76,654</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital (2,128,420,220 shares, quota value SEK 1.20)		2,554	2,554
Statutory reserve		7,337	7,337
<i>Unrestricted equity</i>			
Non-restricted reserves		1,172	747
Retained earnings		25,142	26,041
Income for the period		(1,621)	5,101
<b>Total shareholders' equity</b>		<b>34,584</b>	<b>41,780</b>
<b>Untaxed reserves</b>	Note 15	<b>5</b>	<b>4</b>
<i>Provisions</i>			
Provisions for post-employment benefits	Note 16	133	135
Other provisions	Note 17	31	40
<b>Total provisions</b>		<b>164</b>	<b>175</b>
<i>Non-current liabilities</i>			
Liabilities to Group companies	Note 18	7	7
<b>Total non-current liabilities</b>		<b>7</b>	<b>7</b>
<i>Current liabilities</i>			
Trade payables		183	254
Other liabilities to Group companies		42,032	34,164
Other liabilities	Note 19	342	270
<b>Total current liabilities</b>		<b>42,557</b>	<b>34,688</b>
<b>Total shareholders' equity and liabilities</b>		<b>77,317</b>	<b>76,654</b>
Assets pledged		-	-
Contingent liabilities	Note 20	232,308	243,887

**CASH-FLOW STATEMENT**

SEK M		2013	2012
<b>Operating activities</b>			
Operating income		(1,597)	2,186
Depreciation and amortization		16	16
Other non-cash items	Note 21	1,764	(2,788)
Total change in working capital whereof		739	127
<i>Change in accounts receivable</i>		29	134
<i>Change in trade payables</i>		(65)	(61)
<i>Other changes in working capital</i>		775	54
Interest and similar items received		8	0
Interest and similar items paid		(1,136)	(1,504)
Other financial items		(61)	(105)
Group contributions received/paid, net		5,628	7,085
Income taxes paid/received		(254)	5
<b>Cash-flow from operating activities</b>		<b>5,107</b>	<b>5,022</b>
<b>Investing activities</b>			
Investments in fixed assets		(37)	(74)
Disposals of fixed assets		37	100
Investments and divestments of shares in group companies, net	Note 21	(5,033)	5,097
Investments and divestments of shares in non-group companies, net	Note 21	(1)	(1,098)
Interest-bearing receivables		(26)	-
<b>Cash-flow after net investments</b>		<b>47</b>	<b>9,047</b>
<b>Financing activities</b>			
Change in loans, net	Note 21	6,021	(2,964)
Dividend to AB Volvo's shareholders		(6,084)	(6,083)
Other		16	-
<b>Change in liquid funds</b>		<b>0</b>	<b>0</b>
<b>Liquid funds, beginning of year</b>		<b>0</b>	<b>0</b>
<b>Liquid funds, end of year</b>		<b>0</b>	<b>0</b>

## CHANGES IN SHAREHOLDERS' EQUITY

SEK M	Restricted equity			Unrestricted equity			Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Total	
<b>Balance at December 31, 2011</b>	<b>2,554</b>	<b>7,337</b>	<b>190</b>	<b>34</b>	<b>32,044</b>	<b>32,268</b>	<b>42,159</b>
Effect of change of accounting principle	-	-	-	196	-	196	196
<b>Adjusted opening balance at January 1, 2012</b>	<b>2,554</b>	<b>7,337</b>	<b>190</b>	<b>230</b>	<b>32,044</b>	<b>32,464</b>	<b>42,355</b>
Income for the period	-	-	-	-	5,101	5,101	5,101
<i>Other comprehensive income</i>							
Available-for-sale investments:							
Gains/losses at valuation to fair value	-	-	-	313	-	313	313
Other comprehensive income for the period	-	-	-	313	-	313	313
Total income for the period	-	-	-	313	5,101	5,414	5,414
<i>Transactions with shareholders</i>							
Dividend to AB Volvo's shareholders	-	-	-	-	(6,083)	(6,083)	(6,083)
Share based payments	-	-	14	-	80	94	94
Transactions with shareholders	-	-	14	-	(6,003)	(5,989)	(5,989)
<b>Balance at December 31, 2012</b>	<b>2,554</b>	<b>7,337</b>	<b>204</b>	<b>543</b>	<b>31,142</b>	<b>31,889</b>	<b>41,780</b>
Income for the period	-	-	-	-	(1,621)	(1,621)	(1,621)
<i>Other comprehensive income</i>							
Available-for-sale investments:							
Gains/losses at valuation to fair value	-	-	-	415	-	415	415
Other comprehensive income for the period	-	-	-	415	(1,621)	(1,206)	(1,206)
Total income for the period	-	-	-	415	(1,621)	(1,206)	(1,206)
<i>Transactions with shareholders</i>							
Dividend to AB Volvo's shareholders	-	-	-	-	(6,084)	(6,084)	(6,084)
Share based payments	-	-	10	-	84	94	94
Transactions with shareholders	-	-	10	-	(6,000)	(5,990)	(5,990)
<b>Balance at December 31, 2013</b>	<b>2,554</b>	<b>7,337</b>	<b>214</b>	<b>958</b>	<b>23,521</b>	<b>24,693</b>	<b>34,584</b>

» Further information regarding the share capital of the Parent Company is shown in **Note 19** to the consolidated financial statements.

## NOTES TO FINANCIAL STATEMENTS

Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to the preceding year, 2012.

## NOTE 1 | ACCOUNTING PRINCIPLES

The Parent Company has prepared its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2, Accounting for Legal entities. According to RFR 2, the Parent Company shall apply all the International Financial Reporting Standards endorsed by the EU as far as this is possible within the framework of the Swedish Annual Accounts Act. The changes in RFR 2 applicable to the fiscal year beginning January 1, 2013, have had no material impact on the financial statements of the Parent Company.

The accounting principles applied by the Volvo Group are described in note 1 Accounting principles to the consolidated financial statements. The main deviations between the accounting principles applied by the Volvo Group and the Parent Company are described below.

Shares and participations in Group companies and investments in joint ventures and associated companies are recognized at cost in the Parent Company and test for impairment is performed annually. Dividends is recognized in the income statement.

The Parent Company applies the exception in the application of IAS 39 which concerns accounting and measurement of financial contracts of guarantee in favour of subsidiaries and associated companies. The Parent Company recognizes the financial contracts of guarantee as contingent liabilities.

The Volvo Group applies IAS 19 Employee Benefits in the consolidated financial statements. The Parent Company is applying the principles of FAR's Recommendation RedR4 "Accounting of pension liabilities and pension costs". Consequently there are differences between the Volvo Group and the Parent Company in the accounting of defined benefit pension plans as well as in the measurement of plan assets invested in the Volvo Pension Foundation.

The Parent Company recognizes the difference between depreciation according to plan and tax depreciation as accumulated additional depreciation, included in untaxed reserves.

Reporting of Group contributions is recognized in accordance with the alternative rule in RFR 2. Group contributions are reported as Allocations.

As from January 1, 2013, the holding in the listed company Eicher Motors Ltd is recognized at fair value. The holding is classified as "Financial assets available for sale" and changes in fair value are recognized in Other comprehensive income. Comparative figures for 2012 have been restated.

Change in accounting principle have had the following impact on the financial statements of the Parent Company:

Other shares and participations	Jan 1, 2012	Dec 31, 2012
Carrying value according to previous Annual Report	552	248
Change in value of financial assets available for sale	196	543
Carrying value after change of accounting principle	748	791

Shareholders's equity	Jan 1, 2012	Dec 31, 2012
Carrying value according to previous Annual Report	42,159	41,237
Change in value of financial assets available for sale	196	543
Carrying value after change of accounting principle	42,355	41,780

Other comprehensive income	Dec 31, 2012
Carrying value according to previous Annual Report	5,067
<i>Items that may be reclassified subsequently to income statement:</i>	
Change in value of financial assets available for sales	347
Carrying value after change of accounting principle	5,414

## NOTE 2 | INTRA-GROUP TRANSACTIONS

The Parent Company's net sales amounted to 659 (670), of which 514 (559) pertained to Group companies. Purchases from Group companies amounted to 351 (353).

## NOTE 3 | ADMINISTRATIVE EXPENSES

**Depreciation**

Administrative expenses include depreciation of 16 (16) of which 1 (1) pertains to machinery and equipment, 1 (1) to buildings and 14 (14) to other intangible assets.

Fees to the auditors	2013	2012
PricewaterhouseCoopers AB		
- Audit fees	18	23
- Audit-related fees	2	2
- Tax advisory services	1	3
- Other fees	5	23
<b>Total</b>	<b>26</b>	<b>51</b>

>> See Note 28 to the consolidated financial statements for a description of the different categories of fees to the auditors.

**Personnel**

Wages, salaries and other remunerations amounted to 289 (295), social costs to 87 (90) and pension costs to 100 (90). Pension cost of 6 (6) pertained to Board members and the President. The Parent Company has outstanding pension obligations of 1 (0) to these individuals.

The number of employees at year-end was 279 (258).

>> Read more about the average number of employees, wages, salaries and other remunerations including incentive program as well as Board members and senior executives by gender in Note 27 to the consolidated financial statements.

## NOTE 4 | OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include costs for legal processes, donations and grants.

## NOTE 5 | INCOME FROM INVESTMENTS IN GROUP COMPANIES

Dividends from Group companies amounted to 1,689 (920). Of dividends, 1,080 (-) pertain to dividend from Volvo Financial Services AB, 312 (55) from Volvo China Investment Co Ltd, 105 (-) from Volvo East Asia (Pte) Ltd, 85 (-) from Volvo Group UK Ltd, 59 (-) from Volvo Malaysia Sdn Bhd, 37 (258) from Volvo Construction Equipment NV, 11 (-) from Volvo UK Holding Ltd and - (572) from Volvo Aero AB.

Shares in subsidiaries were written down by 996 (110). 843 (-) pertain to shares in Volvo Group Japan Co, 63 (110) pertain to shares in Volvo Italia Spa, 50 (-) pertain to shares in Volvo Parts AB and 40 (-) pertain to shares in Volvo Business Services AB.

Income 2012 included 2,865 referring to the gain on sale of shares in Volvo Aero AB. An adjustment of the gain has been made by an expense of 106 during 2013.

Transfer price adjustments and royalties amount to an expense of 1,128 (524).

## NOTE 6 | INCOME FROM INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

Dividend of 31 (35) was received from VE Commercial Vehicles Ltd.

Income include write-down of participation in Blue Chip Jet HB with 5 (-) and in Blue Chip Jet II HB with 26 (19).

## NOTE 7 | INCOME FROM OTHER INVESTMENTS

Income from other investments includes a dividend of 5 (5) from Eicher Motors Ltd. The shares in Johanneberg Science Park AB and Lindholmen Science Park AB were written down by 4 (-).

## NOTE 8 | INTEREST INCOME AND EXPENSES

Interest income and similar credits amounting to 8 (0) included interest in the amount of 0 (0) from subsidiaries. Interest expenses and similar charges totalling 1,139 (1,509) included interest of 1,136 (1,504) to subsidiaries.

## NOTE 9 | OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses include exchange rate gains and losses, cost for credit facilities, costs for credit rating, financial costs pertaining to changed taxable income previous years and costs for registration of AB Volvo shares.

## NOTE 10 | ALLOCATIONS

Group contributions amounted to a net of 832 (5,628). Allocation to additional depreciation has been made during the year with 1 (0).

## NOTE 11 | INCOME TAXES

	2013	2012
Current taxes	(254)	4
Deferred taxes	587	(1,096)
<b>U/S Total income taxes</b>	<b>333</b>	<b>(1,092)</b>

Current taxes consist of an expense of 1 (2) related to this year and an expense of 253 (income 6) related to prior years.

Deferred taxes relate to estimated tax on the change in tax-loss carryforwards and temporary differences. Deferred tax assets are recognized to the extent that it is probable that the amount can be utilized against future taxable income.

Deferred taxes related to change in tax-loss carryforwards amount to an income of 590 (expense 1,081) and to changes in other temporary differences to an expense of 3 (15).

The table below discloses the principal reasons for the difference between the corporate income tax of 22% and the tax for the period.

	2013	2012
Income before taxes	(1,954)	6,193
Income tax according to applicable tax rate	430	(1,629)
Capital gains/losses	(23)	754
Non-taxable dividends	380	253
Non-taxable revaluations of shareholdings	(227)	(37)
Other non-deductible expenses	(15)	(71)
Other non-taxable income	42	18
Adjustment of current taxes for prior periods	(253)	6
Withholding tax	(1)	(2)
Recognition and derecognition of deferred tax assets due to change in tax rate	-	(384)
<b>U/S Income taxes for the period</b>	<b>333</b>	<b>(1,092)</b>

Specification of deferred tax assets	Dec 31, 2013	Dec 31, 2012
Tax-loss carryforwards	2,394	1,804
Provision for post-employment benefits	149	141
Provision for restructuring measures	7	9
Other deductible temporary differences	-	10
<b>U/S Deferred tax assets</b>	<b>2,550</b>	<b>1,964</b>

## NOTE 12 | INTANGIBLE AND TANGIBLE ASSETS

Acquisition cost	Dec 31, 2012 Acquisition cost	Investments	Sales/scraping	Reclassifications	Dec 31, 2013 Acquisition cost
Rights	52	-	-	-	52
Other intangible assets	116	-	-	-	116
<b>Total intangible assets</b>	<b>168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>168</b>
Buildings	27	-	-	-	27
Land and land improvements	14	-	-	-	14
Machinery and equipment	42	-	0	5	47
Construction in progress	26	37	(37)	(5)	21
<b>Total tangible assets</b>	<b>109</b>	<b>37</b>	<b>(37)</b>	<b>0</b>	<b>109</b>

Accumulated depreciation and net value in balance sheet	Dec 31, 2012 Accumulated depreciation <sup>1</sup>	Depreciation <sup>2</sup>	Sales/scraping	Dec 31, 2013 Accumulated depreciation	Dec 31, 2013 Net value in balance sheet <sup>3</sup>
Rights	52	-	-	52	0
Other intangible assets	64	14	-	78	38
<b>B/S Total intangible assets</b>	<b>116</b>	<b>14</b>	<b>-</b>	<b>130</b>	<b>38</b>
Buildings	4	1	-	5	22
Land and land improvements	0	0	-	0	14
Machinery and equipment	31	1	0	32	15
Construction in progress	-	-	-	-	21
<b>B/S Total tangible assets</b>	<b>35</b>	<b>2</b>	<b>0</b>	<b>37</b>	<b>72</b>

1 Including accumulated write-downs.

2 Including write-downs.

3 Acquisition value, less accumulated depreciation, amortization and write-downs.

Capital expenditures in tangible assets amounted to 37 (74). Capital expenditures approved but not yet implemented at year-end 2013 amounted to 0 (1).

## NOTE 13 | INVESTMENTS IN SHARES AND PARTICIPATIONS

Changes in AB Volvo's holding of shares and participations are disclosed below:

	Group companies		Joint ventures and associated companies		Non-Group companies	
	2013	2012	2013	2012	2013	2012
Adjusted opening balance at January 1	56,832	59,460	3,374	2,401	791	748
Changes in accounting principles	-	-	-	-	-	347
Acquisitions/New issue of shares	4,203	-	-	1,107	-	-
Divestments	(787)	(2,885)	-	-	-	(6)
Shareholder's contribution	1,511	-	-	-	1	-
Write-downs/participations in partnerships	(996)	(110)	(31)	(31)	(4)	-
Revaluation of shares in listed companies	-	-	-	-	415	(34)
Reclassifications	-	367	-	(103)	-	(264)
<b>B/S Balance sheet, December 31</b>	<b>60,763</b>	<b>56,832</b>	<b>3,343</b>	<b>3,374</b>	<b>1,203</b>	<b>791</b>

**AB Volvo's holding of shares in subsidiaries**

		Dec 31, 2013	Dec 31, 2013	Dec 31, 2012
	Registration number	Percentage holding <sup>1</sup>	Carrying value <sup>2</sup>	Carrying value <sup>2</sup>
Volvo Lastvagnar Sverige AB, Sweden	556013-9700	100	8,711	8,711
Volvo Holding Sverige AB, Sweden	556539-9853	100	7,634	7,634
Volvo Group Japan Co, Japan	-	100	8,928	6,379
Volvo Bussar AB, Sweden	556197-3826	100	1,917	1,917
Volvo Construction Equipment NV, The Netherlands	-	100	2,582	2,582
AB Volvo Penta, Sweden	556034-1330	100	438	438
VNA Holding Inc., USA	-	100	3,278	2,491
Volvo Financial Services AB, Sweden	556000-5406	100	1,945	1,945
Volvo Treasury AB, Sweden	556135-4449	100	13,044	13,044
Sotrof AB, Sweden	556519-4494	100	1,388	1,388
Volvo Korea Holding AB, Sweden	556531-8572	100	2,655	2,655
Volvo China Investment Co Ltd., China	-	100	1,096	1,096
Volvo Automotive Finance (China) Ltd., China	-	100	491	491
Volvo Group UK Ltd., Great Britain <sup>3</sup>	-	39	413	413
Volvo Holding Mexico, Mexico	-	100	531	531
Volvo Group Venture Capital AB, Sweden	556542-4370	100	361	361
Volvo Powertrain AB, Sweden	556000-0753	100	498	498
Volvo Information Technology AB, Sweden	556103-2698	100	1,263	663
Volvo Parts AB, Sweden	556365-9746	100	150	200
Volvo Group Insurance Försäkrings AB, Sweden	516401-8037	100	182	182
Volvo Business Services AB, Sweden	556029-5197	100	67	107
Volvo Danmark A/S, Denmark	-	100	128	104
VFS Servizi Finanziari Spa, Italy <sup>4</sup>	-	25	79	79
Kommersiella Fordon Europa AB, Sweden	556049-3388	100	1,890	1,890
Volvo Norge A/S, Norway	-	100	56	56
Volvo Malaysia Sdn, Malaysia	-	100	48	48
ZAQ Volvo Vostok, Russia <sup>5</sup>	-	75	34	34
Volvo Italia Spa, Italy	-	100	447	386
CPAC Systems AB, Sweden <sup>6</sup>	556566-2870	49	367	367
Volvo Logistics AB, Sweden	556197-9732	100	85	85
Rosaredds Fastlighets AB, Sweden	556009-1190	100	26	26
Alviva AB, Sweden	556622-8820	100	5	5
Volvo East Asia (Pte) Ltd., Singapore	-	100	9	9
Volvo Information Technology GB Ltd., Great Britain	-	100	3	3
VFS Latvia SIA, Latvia	-	100	9	9
Other holdings	-	100	5	5
<b>Total carrying value Group companies<sup>7</sup></b>			<b>60,763</b>	<b>56,832</b>

**AB Volvo's holding of shares in joint ventures, associated companies and non-Group companies**

		Dec 31, 2013	Dec 31, 2013	Dec 31, 2012
	Registration number	Percentage holding <sup>1</sup>	Carrying value Mkr <sup>2</sup>	Carrying value Mkr <sup>2</sup>
VE Commercial Vehicles Ltd., India <sup>8</sup>	-	45.6	1,616	1,616
Eicher Motors Ltd., India	-	8.43	1,191	775
Deutz AG, Germany	-	25.03	1,359	1,359
Blue Chip Jet HB, Sweden	969639-1011	50	3	8
Blue Chip Jet II HB, Sweden	969717-2105	50	359	386
Other investments	-	-	18	21
<b>Total carrying value, joint ventures, associated companies and non-Group companies</b>			<b>4,546</b>	<b>4,165</b>

1 The percentage holding refers to the Parent Company AB Volvo's holding.

2 Refers to AB Volvo's carrying value of its holding.

3 Total holding by Volvo Lastvagnar AB and AB Volvo is 100%.

4 Total holding by Volvo Italia Spa and AB Volvo is 100%.

5 Total holding by AB Volvo and Volvo Trucks Region Central Europe GmbH is 100%.

6 Total holding by AB Volvo and AB Volvo Penta is 100%.

7 AB Volvo's share of shareholders' equity is subsidiaries (including equity in untaxed reserves) was 101,937 (100,326).

8 In Volvo Group the company is reported as a joint venture, consolidated according to equity method.

**Shares and participations in Group companies**

During 2013 a subscription in Volvo Group Japan Co has been made by 3,392. Acquisition of shares in Prévost Car (US) Inc has been disposed by shareholder's contribution to VNA Holding Inc. by 787. Shareholder's contribution has been given to Volvo Information Technology AB by 600 and to Volvo Italia Spa by 124. Acquisition of shares in Renault Trucks Danmark A/S has been made by 24. Renault Trucks Danmark A/S has later on been merged into Volvo Danmark A/S.

Write-down of shares in Volvo Group Japan Co has been made by 843 (-), in Volvo Italia Spa by 63 (110), in Volvo Parts AB by 50 (-) and in Volvo Business Services AB by 40 (-).

During 2012 AB Volvo divested the total shares in Volvo Aero AB with a carrying values of 2,885.

AB Volvo owns, directly or indirectly, 310 legal entities. The legal structure is designed to effectively manage legal requirements, administration and taxes, as well as the operations conducted by the Group in each country it operates. Legal entities may have different characters and include different types of operations, such as production, development and sales. The character of a legal entity may change over time. Furthermore legal entities could include different type of the Group's operations and this could also change over time. In some countries there are legal restrictions which limit the Group's ability to transfer assets between the Group's legal entities. Read more in the note 18 to the consolidated financial statements for a description of restrictions related to cash and cash equivalents.

Volvo Group's operational structure gives a better overview of how the Volvo Group has chosen to organize its business. Read more about Volvo Group's operational structure in note 6 to the consolidated financial statements.

AB Volvo's wholly owned subsidiaries are presented in adjoining table.

**Investments in associated companies and joint ventures**

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

Write-down of the participations in Blue Chip Jet HB was recognized by 5 (-) and in Blue Chip Jet II HB by 26 (19).

During 2012 AB Volvo acquired additional shares in the listed company Deutz AG amounting to 1,107. The previous holding is reclassified to investments in associated companies. Total holding as of December 31, 2013 amounts to 25% (25).

**Shares and participations in non-Group companies**

As from January 1, 2013 the holding in the listed company Eicher Motors Ltd was revaluated to fair value. Revaluation during the year has increased the value by 415, recognized in other comprehensive income. The comparative figures for 2012 have been restated, which during the year resulted in an increase in other comprehensive income of 347. Restatement of the value of the holding in Eicher Motors Ltd as of December 31, 2012 has resulted in an increase of Other Shares and participations and Unrestricted shareholder's equity by 543. The holding in Deutz AG was reclassified to an associated company in 2012. In connection with the reclassification the previously recognized revaluations were reversed by 34, recognized in other comprehensive income.

NOTE **14** | OTHER RECEIVABLES

	Dec 31, 2013	Dec 31, 2012
Accounts receivable	31	45
Prepaid expenses and accrued income	248	339
Other receivables	32	694
<b>B/S Total other receivables</b>	<b>311</b>	<b>1,078</b>

The valuation allowance for doubtful receivables amounted to 2 (3) at the end of the year.

NOTE **15** | UNTAXED RESERVES

	Dec 31, 2013	Dec 31, 2012
Accumulated additional depreciation		
Land	3	3
Machinery and equipment	2	1
<b>B/S Total untaxed reserves</b>	<b>5</b>	<b>4</b>

NOTE **16** | PROVISIONS FOR POST-EMPLOYMENT BENEFITS

Provisions for pensions and similar benefits correspond to the actuarially calculated value of obligations not insured with third parties or secured through transfers of funds to pension foundations. The amount of pensions due within one year is included. AB Volvo has insured the pension obligations with third parties. 0 (0) of the amount pertains to contractual obligations within the framework of the PRI (Pension Registration Institute) system.

The Volvo Pension Foundation was formed in 1996. Plan assets amounting to 224 were contributed to the foundation at its formation, corresponding to the value of the pension obligations at that time. Since its formation, net contributions of 25 have been made to the foundation.

AB Volvo's pension costs amounted to 100 (90).

The accumulated benefit obligation of all AB Volvo's pension obligations as of December 31, 2013 amounted to 688 (670). The benefit obligation has been secured partly through provisions in the balance sheet and partly through transfer of funds to pension foundations. Net asset value in the Pension Foundation, market to market, accrued to AB Volvo was 36 higher than the corresponding pension obligations.

NOTE **17** | OTHER PROVISIONS

Other provisions include provisions for restructuring measures of 31 (39).

NOTE **18** | NON-CURRENT LIABILITIES

Non-current debt matures as follows:

2020 or later	7
<b>B/S Total non-current liabilities</b>	<b>7</b>

NOTE **19** | OTHER LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Wages, salaries and withholding taxes	119	121
VAT liabilities	22	-
Accrued expenses and prepaid income	183	116
Other liabilities	18	33
<b>B/S Total other liabilities</b>	<b>342</b>	<b>270</b>

No collateral is provided for current liabilities.

NOTE **20** | CONTINGENT LIABILITIES

Contingent liabilities amounted to 232,308 (243,887) of which 232,297 (243,877) pertaining to Group companies.

Guarantees for various credit programs are included in amounts corresponding to the credit limits. These guarantees amount to 223,669 (235,806), of which guarantees on behalf of Group companies totalled 223,669 (235,806).

At the end of each year, the utilized portion amounted to 126,364 (127,076), including 126,353 (127,065) pertaining to Group companies.

NOTE **21** | CASH-FLOW

<b>Other items not affecting cash amounted to:</b>	2013	2012
Revaluation of shareholdings	1,031	141
Gains/(losses) on sale of shares	106	(2,869)
Transfer price adjustments, net	558	(140)
Other changes	69	80
<b>Total Other items not affecting cash flow</b>	<b>1,764</b>	<b>(2,788)</b>

Further information is provided in Notes 5, 6 and 7.

<b>Investments and divestments of shares in Group companies, net</b>	2013	2012
Investments	(4,927)	-
Divestments	(106)	5,097
<b>Total cash flow from investments and divestments of shares in Group companies, net</b>	<b>(5,033)</b>	<b>5,097</b>

Investments and divestments of participations in Group companies are shown in Note 13.

<b>Investments and divestments of shares in non-Group companies, net</b>	2013	2012
Investments	(1)	(1,108)
Divestments	-	10
<b>Total cash flow from investments and divestments of shares in non-Group companies, net</b>	<b>(1)</b>	<b>(1,098)</b>

Investments and divestments of participations in non-Group companies are presented in Note 13.

**Change in loans, net**

Increase in loans is related to the company's liability in the group account at Volvo Treasury AB. The liability has increased by 6,021 (decreased by 2,964).

# Proposed Remuneration Policy

## **The proposal by the Board of Directors of AB Volvo to be adopted by the Annual General Meeting April 2, 2014.**

This Policy concerns the remuneration and other terms of employment for the Volvo Group Executive Team. The members of the Volvo Group Executive Team, including the President and any possible Deputy President, are in the following referred to as the "Executives".

This Policy will be valid for employment agreements entered into after the approval of the Policy by the Annual General Meeting and for changes made to existing employment agreements thereafter.

### *1. Guiding principles for remuneration and other terms of employment*

The guiding principle is that the remuneration and the other terms of employment for the Executives shall be competitive in order to ensure that the Volvo Group can attract and retain competent Executives.

The annual report 2013 sets out details on the total remuneration and benefits awarded to the Executives during 2013.

### *2. The principles for fixed salaries*

The Executive's fixed salary shall be competitive and based on the individual Executive's responsibilities and performance.

### *3. The principal terms of variable salary and incentive schemes, including the relation between fixed and variable components of the remuneration and the linkage between performance and remuneration*

The Executives may receive variable salaries in addition to fixed salaries. The variable salary may, as regards the President, amount to a maximum of 75% of the fixed annual salary and, as regards the other Executives, a maximum of 60% of the fixed annual salary.

The variable salary may be based on inter alia the performance of the entire Volvo Group or the performance of a certain part of the Group where the Executive is employed. The performance will be related to the fulfilment of various improvement targets or the attainment of certain financial objectives. Such targets will be set by the Board and may relate to inter alia operating income, operating margin or cash flow. The Board may under certain conditions decide to reclaim variable salary already paid or to cancel or limit variable salary to be paid to the Executives.

The Annual General Meeting 2011 decided to adopt a share-based incentive program for senior executives in the Volvo Group relating to the financial years 2011, 2012 and 2013. Since the program adopted in 2011 has expired, the Board has decided to propose to the Annual General Meeting to be held in April 2014 to approve the adoption of a share-based incentive program for senior executives in Volvo relating to the financial years 2014, 2015 and 2016, based on the same principles as the program adopted in 2011.

### *4. The principal terms of non-monetary benefits, pension, notice of termination and severance pay*

#### *4.1 Non-monetary benefits*

The Executives will be entitled to customary non-monetary benefits such as company cars and company health care. In addition thereto in individual cases company housing and other benefits may also be offered.

#### *4.2 Pension*

In addition to pension benefits which the Executives are entitled to according to law and collective bargaining agreements, Executives resident in Sweden may be offered two different defined-contribution plans

with annual premiums. For the first plan the annual premiums amount to SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts and for the second plan the annual premiums amount to 10% of pensionable salary. In the two defined-contribution plans, the pension earned will correspond to the sum of paid-in premiums and possible return without any guaranteed level of pension received by the employee. Further no definite retirement date is set in the two plans but premiums will be paid for the employee until his or her 65th birthday.

Executives resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden may be offered pension benefits that are competitive in the country where the Executives are or have been resident or to which the Executives have a material connection, preferably defined-contribution plans.

### *4.3 Notice of termination and severance pay*

For Executives resident in Sweden, the termination period from the Company will be 12 months and 6 months from the Executive. In addition thereto, the Executive, provided that termination has been made by the Company, will be entitled to 12 months' severance pay.

Executives resident outside Sweden or resident in Sweden but having a material connection to or having been resident in a country other than Sweden may be offered notice periods for termination and severance payment that are competitive in the country where the Executives are or have been resident or to which the Executives have a material connection, preferably solutions comparable to the solutions applied to Executives resident in Sweden.

### *5. The Board's preparation and decision-making on issues concerning remuneration and other terms of employment for the Volvo Group Executive Team*

The Remuneration Committee is responsible for (i) preparing the Board's decisions on issues concerning principles for remuneration, remunerations and other terms of employment for Executives, (ii) monitoring and evaluating programs for variable remuneration, both ongoing and those that have ended during the year, for Executives, (iii) monitoring and evaluating the application of this Policy, and (iv) monitoring and evaluating current remuneration structures and levels in the Company.

The Remuneration Committee prepares and the Board decides on (i) terms of employment and remuneration of the President and the Deputy President, if any, and (ii) principles for remuneration (incl. pension and severance pay) for the Executives. The Remuneration Committee shall approve proposals on remuneration of the members of the Volvo Group Executive Team.

The Remuneration Committee is further responsible for the review and recommendation to the Board of share and share-price related incentive programs to be decided upon by the Annual General Meeting.

### *6. Authority to decide on deviations from this Policy*

The Board of Directors may deviate from this Policy if there are specific reasons to do so in an individual case.

### *7. Information on earlier decisions on remuneration that has not become due for payment at the time of the Annual General Meeting's consideration of this Policy*

The decisions already taken on remuneration to the Executives that has not become due for payment at the time of the Annual General Meeting 2014 fall within the frames of this policy.

# Proposed Disposition of Unappropriated Earnings

<b>AB Volvo</b>	SEK
Retained earnings	26,314,018,628.55
Income for the period 2013	(1,621,392,123.95)
<b>Total retained earnings</b>	<b>24,692,626,504.60</b>

The Board of Directors and the President propose that the above sum be disposed of as follows:

	SEK
To the shareholders, a dividend of SEK 3.00 per share	6,084,299,196.00 <sup>1</sup>
To be carried forward	18,608,327,308.60
<b>Total</b>	<b>24,692,626,504.60</b>

The record date for determining who is entitled to receive dividends is proposed to be Monday April 7, 2014.

In view of the Board of Directors' proposal to the Annual General Meeting to be held April 2, 2014 to decide on the distribution of a dividend of SEK 3.00 per share, the Board hereby makes the following statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act.

The Board of Directors concludes that the Company's restricted equity is fully covered after the proposed dividend. The Board further concludes that the proposed dividend is justifiable in view of the parameters set out in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act. In connection herewith, the Board wishes to point out the following.

The proposed dividend reduces the Company's solvency from 44.7 per cent to 40.0 per cent and the Group's solvency from 22.4 per cent to 21.0 per cent, calculated as per year end 2013. The Board of Directors considers this solvency to be satisfactory with regard to the business in which the Group is active.

According to the Board of Directors' opinion, the proposed dividend will not affect the Company's or the Group's ability to fulfil their payment obligations and the Company and the Group are well prepared to handle both changes in the liquidity and unexpected events.

The Board of Directors is of the opinion that the Company and the Group have capacity to assume future business risks as well as to bear contingent losses. The proposed dividend is not expected to adversely affect the Company's and the Group's ability to make further commercially justified investments in accordance with the Board of Directors' plans.

In addition to what has been stated above, the Board of Directors has considered other known circumstances which may be of importance for the Company's and the Group's financial position. In doing so, no circumstance has appeared that does not justify the proposed dividend.

If the Annual General Meeting resolves in accordance with the Board of Directors' proposal, SEK 18,608,327,308.60 will remain of the Company's non-restricted equity, calculated as per year end 2013.

The Board of Directors has the view that the Company's and the Group's shareholders' equity will, after the proposed dividend, be sufficient in relation to the nature, scope and risks of the business.

Had the assets and liabilities not been estimated at their market value pursuant to Chapter 4, Section 14 a of the Swedish Annual Accounts Act, the company's shareholders' equity would have been SEK 958,188,903.00 less.

<sup>1</sup> The total dividend amount is based on the number of outstanding shares as of February 21, 2014, i.e. 2,028,099,732 shares. The total dividend amount may change before the record date for determining who is entitled to receive dividends due to transfer of treasury shares to participants in the company's long-term, share-based incentive program.

The Board of Directors and the President certify that the annual financial report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and give a true and fair view of the position and profit or loss of the Company and the Group, and that the management report for the Company and for the Group gives a fair review of the development and performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Göteborg, February 21, 2014

Carl-Henric Svanberg  
Board Chairman

Peter Bijur  
Board member

Jean-Baptiste Duzan  
Board member

Hanne de Mora  
Board member

Anders Nyrén  
Board member

Olof Persson  
President, CEO and  
Board member

Ravi Venkatesan  
Board member

Lars Westerberg  
Board member

Ying Yeh  
Board member

Peteris Lauberts  
Board member

Mikael Sällström  
Board member

Berth Thulin  
Board member

Our audit report was issued on February 21, 2014

PricewaterhouseCoopers AB

Peter Clemetson  
Authorized Public Accountant  
Lead Auditor

Johan Rippe  
Authorized Public Accountant

# Audit Report for AB Volvo (publ)

To the annual meeting of the shareholders of AB Volvo (publ), corporate identity number 556012-5790

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of AB Volvo (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 68–89 and 107–179.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in

accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 90–106. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of AB Volvo (publ) for the year 2013.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg February 21, 2014

PricewaterhouseCoopers AB

Peter Clemedtson  
Authorized Public Accountant  
Lead Partner

Johan Rippe  
Authorized Public Accountant  
Partner

# Eleven-year Summary

The eleven-year summary presents each year in accordance with the Generally Accepted Accounting Practice (GAAP) for that year. Earlier years are not restated when new accounting standards are applied. The years 2001–2003 are accounted for in accordance with Swedish GAAP for the respective year. As from 2004 the reporting is based on IFRS. The transition to IFRS is described in Note 3 in the 2005 and 2006 Annual

Reports. As from January 1, 2007, the benefits from the synergies created in the business units are transferred back to the product areas. Also, as from January 1, 2007, the responsibility for the Group's treasury operations and real estate has been transferred from Volvo Financial Services, which, as from January 1, 2007, only are consolidated in accordance with the purchase method. Comparison figures for 2006 have been recalculated.

## Consolidated income statements

SEK M	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Net sales</b>	<b>272,622</b>	<b>303,647</b>	<b>310,367</b>	<b>264,749</b>	<b>218,361</b>	<b>303,667</b>	<b>285,405</b>	<b>258,835</b>	<b>240,559</b>	<b>211,076</b>	<b>183,291</b>
Cost of sales	(212,504)	(235,085)	(235,104)	(201,797)	(186,167)	(237,578)	(219,600)	(199,054)	(186,662)	(164,170)	(146,879)
<b>Gross income</b>	<b>60,118</b>	<b>68,562</b>	<b>75,263</b>	<b>62,952</b>	<b>32,194</b>	<b>66,089</b>	<b>65,805</b>	<b>59,781</b>	<b>53,897</b>	<b>46,906</b>	<b>36,412</b>
Research and development expenses	(15,124)	(14,794)	(13,276)	(12,970)	(13,193)	(14,348)	(11,059)	(8,354)	(7,557)	(7,614)	(6,829)
Selling expenses	(28,506)	(28,248)	(26,001)	(24,149)	(25,334)	(27,129)	(26,068)	(21,213)	(20,778)	(19,369)	(16,866)
Administrative expenses	(5,862)	(5,669)	(7,132)	(5,666)	(5,863)	(6,940)	(7,133)	(6,551)	(6,301)	(5,483)	(5,467)
Other operating income and expenses	(3,554)	(2,160)	(1,649)	(2,023)	(4,798)	(1,915)	163	(3,466)	(588)	(618)	(1,367)
Income from investments in joint ventures and associated companies	96	(23)	(81)	(86)	(14)	25	430	61	(557)	27	200
Income from other investments	(30)	(47)	(225)	(58)	(6)	69	93	141	37	830	(3,579)
<b>Operating income</b>	<b>7,138</b>	<b>17,622</b>	<b>26,899</b>	<b>18,000</b>	<b>(17,013)</b>	<b>15,851</b>	<b>22,231</b>	<b>20,399</b>	<b>18,153</b>	<b>14,679</b>	<b>2,504</b>
Interest income and similar credits	381	510	608	442	390	1,171	952	666	654	821	1,096
Interest expenses and similar charges	(2,810)	(2,476)	(2,875)	(3,142)	(3,559)	(1,935)	(1,122)	(585)	(972)	(1,254)	(1,888)
Other financial income and expenses	11	(301)	297	213	(392)	(1,077)	(504)	(181)	181	(1,210)	(55)
<b>Income after financial items</b>	<b>4,721</b>	<b>15,355</b>	<b>24,929</b>	<b>15,514</b>	<b>(20,573)</b>	<b>14,010</b>	<b>21,557</b>	<b>20,299</b>	<b>18,016</b>	<b>13,036</b>	<b>1,657</b>
Income taxes	(919)	(4,097)	(6,814)	(4,302)	5,889	(3,994)	(6,529)	(3,981)	(4,908)	(3,129)	(1,334)
<b>Income for the period</b>	<b>3,802</b>	<b>11,258</b>	<b>18,115</b>	<b>11,212</b>	<b>(14,685)</b>	<b>10,016</b>	<b>15,028</b>	<b>16,318</b>	<b>13,108</b>	<b>9,907</b>	<b>323</b>
Attributable to:											
Equity holders of the Parent Company	3,583	11,039	17,751	10,866	(14,718)	9,942	14,932	16,268	13,054	9,867	298
Minority interest	219	219	364	346	33	74	96	50	54	40	25
	<b>3,802</b>	<b>11,258</b>	<b>18,115</b>	<b>11,212</b>	<b>(14,685)</b>	<b>10,016</b>	<b>15,028</b>	<b>16,318</b>	<b>13,108</b>	<b>9,907</b>	<b>323</b>

## Consolidated income statements Industrial Operations

SEK M	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Net sales</b>	<b>265,420</b>	<b>296,031</b>	<b>303,589</b>	<b>257,375</b>	<b>208,487</b>	<b>294,932</b>	<b>276,795</b>	<b>249,020</b>	<b>231,191</b>	<b>202,171</b>	<b>174,768</b>
Cost of sales	(209,307)	(231,216)	(233,097)	(197,480)	(179,578)	(232,247)	(214,160)	(192,400)	(180,823)	(158,453)	(141,256)
<b>Gross income</b>	<b>56,113</b>	<b>64,815</b>	<b>70,492</b>	<b>59,895</b>	<b>28,909</b>	<b>62,685</b>	<b>62,635</b>	<b>56,620</b>	<b>50,368</b>	<b>43,718</b>	<b>33,512</b>
Research and development expenses	(15,124)	(14,794)	(13,276)	(12,970)	(13,193)	(14,348)	(11,059)	(8,354)	(7,557)	(7,614)	(6,829)
Selling expenses	(26,904)	(26,582)	(25,181)	(22,649)	(23,752)	(25,597)	(24,671)	(19,999)	(19,616)	(18,317)	(15,891)
Administrative expenses	(5,824)	(5,639)	(4,753)	(5,640)	(5,838)	(6,921)	(7,092)	(6,481)	(6,147)	(5,310)	(5,259)
Other operating income and expenses	(2,710)	(1,600)	(1,045)	(659)	(2,432)	(1,457)	249	(3,275)	(397)	7	(540)
Income from Volvo Financial Services	-	-	-	-	-	-	-	-	2,033	1,365	926
Income from investments in joint ventures and associated companies	96	(23)	(82)	(86)	(15)	23	428	61	(568)	2	166
Income from other investments	(31)	(46)	(225)	(57)	(13)	69	93	141	37	828	(3,581)
<b>Operating income</b>	<b>5,616</b>	<b>16,130</b>	<b>25,930</b>	<b>17,834</b>	<b>(16,333)</b>	<b>14,454</b>	<b>20,583</b>	<b>18,713</b>	<b>18,153</b>	<b>14,679</b>	<b>2,504</b>

**Consolidated balance sheets**

SEK M	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Intangible assets	36,588	40,373	39,507	40,714	41,628	43,958	36,508	19,117	20,421	17,612	16,756
Property, plant and equipment	52,233	55,004	54,540	54,242	55,280	57,270	47,210	34,379	35,068	31,151	30,640
Assets under operating leases	25,672	29,022	23,922	19,647	20,388	25,429	22,502	20,501	20,839	19,534	21,201
Shares and participations	6,327	2,890	1,874	2,098	2,044	1,953	2,219	6,890	751	2,003	22,206
Inventories	41,153	40,409	44,599	39,837	37,727	55,045	43,645	34,211	33,937	28,598	26,459
Customer-financing receivables	83,861	80,989	78,699	72,688	81,977	98,489	78,847	64,742	64,466	51,193	46,002
Interest-bearing receivables	1,389	5,635	3,638	2,757	3,044	5,101	4,530	4,116	1,897	3,384	6,632
Other receivables	59,943	55,531	59,877	53,154	50,575	61,560	55,152	42,567	42,881	35,747	32,621
Non-current assets held for sale	8,104	-	9,348	136	1,692	-	-	805	-	-	-
Cash and cash equivalents	29,559	28,889	37,241	32,733	37,910	23,614	31,034	31,099	36,947	34,746	28,735
<b>Assets</b>	<b>344,829</b>	<b>338,742</b>	<b>353,244</b>	<b>318,007</b>	<b>332,265</b>	<b>372,419</b>	<b>321,647</b>	<b>258,427</b>	<b>257,207</b>	<b>223,968</b>	<b>231,252</b>
Shareholders' equity <sup>1</sup>	77,365	86,914	85,681	74,121	67,034	84,640	82,781	87,188	78,760	70,155	72,636
Provision for post-employment benefits	12,322	6,697	6,665	7,510	8,051	11,705	9,774	8,692	11,986	14,703	15,288
Other provisions	19,900	21,787	20,815	18,992	19,485	29,076	27,084	20,970	18,556	14,993	15,048
Interest-bearing liabilities	135,001	131,842	130,479	123,695	156,852	145,727	108,318	66,957	74,885	61,807	74,092
Liabilities associated with assets held for sale	350	-	4,716	135	272	-	-	280	-	-	-
Other liabilities	99,891	91,502	104,888	93,554	80,571	101,271	93,690	74,340	73,020	62,310	54,188
<b>Shareholders' equity and liabilities</b>	<b>344,829</b>	<b>338,742</b>	<b>353,244</b>	<b>318,007</b>	<b>332,265</b>	<b>372,419</b>	<b>321,647</b>	<b>258,427</b>	<b>257,207</b>	<b>223,968</b>	<b>231,252</b>
of which minority interests	1,333	1,266	1,100	1,011	629	630	579	284	260	229	216
Assets pledged	5,078	4,099	1,832	3,339	958	1,380	1,556	1,960	3,255	3,046	3,809
Contingent liabilities	17,290	17,763	17,154	11,003	9,607	9,427	8,153	7,726	7,850	9,189	9,611

### Consolidated balance sheets, Industrial Operations

SEK M	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Intangible assets	36,479	40,267	39,385	40,613	41,532	43,909	36,441	19,054	20,348	17,570	16,662
Property, plant and equipment	52,146	54,899	54,446	54,169	55,208	57,185	47,132	30,493	31,330	27,260	27,248
Assets under operating leases	17,013	21,263	16,749	13,217	13,539	16,967	13,850	11,822	10,260	8,477	8,976
Shares and participations	6,321	2,884	1,871	2,080	2,025	1,935	2,189	16,565	10,357	10,116	30,022
Inventories	40,964	40,057	43,828	38,956	35,765	54,084	43,264	33,893	33,583	28,291	25,848
Customer-financing receivables	1,406	1,397	1,702	1,428	1,367	975	1,233	1,193	1,377	230	118
Interest-bearing receivables	2,195	11,011	6,734	11,153	8,010	6,056	13,701	13,214	7,691	12,127	9,413
Other receivables	60,679	54,324	59,062	52,358	49,008	60,586	55,970	43,335	43,992	36,535	33,079
Non-current assets held for sale	8,104	-	9,348	136	1,692	-	-	805	-	-	-
Cash and cash equivalents	28,230	27,146	35,951	31,491	37,404	22,575	30,026	29,907	36,047	34,628	28,102
<b>Assets</b>	<b>253,537</b>	<b>253,248</b>	<b>269,076</b>	<b>245,602</b>	<b>245,550</b>	<b>264,272</b>	<b>243,806</b>	<b>200,281</b>	<b>194,985</b>	<b>175,234</b>	<b>179,468</b>
Shareholders' equity	68,467	78,321	76,682	66,101	58,485	75,046	75,129	87,188	78,760	70,155	72,636
Provision for post-employment benefits	12,249	6,663	6,635	7,478	8,021	11,677	9,746	8,661	11,966	14,677	15,264
Other provisions	17,575	19,653	19,101	17,240	17,456	27,015	25,372	19,385	17,164	14,115	12,792
Interest-bearing liabilities	124,610	54,472	55,394	59,857	78,890	46,749	38,286	9,779	13,097	13,968	24,677
Liabilities associated with assets held for sale	350	-	4,716	135	272	-	-	280	-	-	-
Other liabilities	30,286	94,139	106,548	94,791	82,426	103,785	95,273	74,988	73,998	62,319	54,099
<b>Shareholders' equity and liabilities</b>	<b>253,537</b>	<b>253,248</b>	<b>269,076</b>	<b>245,602</b>	<b>245,550</b>	<b>264,272</b>	<b>243,806</b>	<b>200,281</b>	<b>194,985</b>	<b>175,234</b>	<b>179,468</b>