

- »» In the third quarter, net sales decreased by 5% to SEK 64.9 billion compared to SEK 68.3 billion in the third quarter of 2012. Adjusted for currency movements and acquired and divested units net sales increased by 3%.
- »» The third quarter operating income amounted to SEK 2,502 M (3,480) excluding restructuring charges of SEK 104 M (560). Compared with the third quarter of 2012, changes in currency exchange rates had a negative impact of SEK 1,068 M.
- »» Operating margin in the third quarter was 3.9% (5.1) excluding restructuring charges.
- »» In the third quarter, earnings per share were SEK 0.68 (0.69).
- »» In the third quarter, operating cash flow in the Industrial Operations was negative in an amount of SEK 5.3 billion (neg. 7.2).
- »» As part of the previously announced Group-wide efficiency program, a directional decision has been made to rationalize white collars in staff and support functions by approximately 2,000 employees and consultants. This rationalization comprises a large part of the announced SEK 5 billion of restructuring costs and SEK 4 billion of savings.



	Third quarter		First nine months	
	2013	2012 <sup>1</sup>	2013	2012 <sup>1</sup>
Net sales, SEK M	<b>64,880</b>	68,256	<b>195,980</b>	229,003
Operating income excl. restructuring charges, SEK M	<b>2,502</b>	3,480	<b>6,276</b>	17,428
Operating margin excl. restructuring charges, %	<b>3.9</b>	5.1	<b>3.2</b>	7.6
Restructuring charges, SEK M	<b>(104)<sup>2</sup></b>	(560) <sup>3</sup>	<b>(134)<sup>2</sup></b>	(560) <sup>3</sup>
Operating income, SEK M	<b>2,398</b>	2,920	<b>6,142</b>	16,868
Operating margin, %	<b>3.7</b>	4.3	<b>3.1</b>	7.4
Income after financial items, SEK M	<b>1,704</b>	2,370	<b>4,483</b>	14,789
Income for the period, SEK M	<b>1,415</b>	1,412	<b>3,253</b>	10,510
Diluted earnings per share, SEK	<b>0.68</b>	0.69	<b>1.53</b>	5.09
Operating Cash Flow in Industrial Operations, SEK Bn	<b>(5.3)</b>	(7.2)	<b>(8.8)</b>	(9.6)
Return on shareholders' equity, rolling 12 months, %			<b>5.4</b>	19.5

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

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

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

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# Quarter 3

## CEO'S COMMENTS

# Changeover to new generations of trucks



The Volvo Group's third quarter was characterized by the ongoing comprehensive product renewal in the Group's truck program and the fact that we entered a new phase of the Group's development focused on taking actions to streamline and enhance the efficiency of our operations.

The product renewal is the largest in the history of the Volvo Group, and it means that we are going to enter 2014 with a highly competitive product range. In the short term, profitability is impacted by an elevated cost level related to all the launches, the change-over to new products and the fact that we currently are producing both the old and the new generation of products for both Volvo and Renault Trucks. In a situation like this it is difficult to achieve optimum productivity in the industrial system. During the quarter profitability was also impacted by slightly more than SEK 1 billion in adverse currency effects and higher costs for research and development. Operating income amounted to SEK 2.5 billion and the operating margin to 3.9% excluding restructuring charges. The changeover to the new products will take another couple of quarters, but once we are through it, we will lower the Group's costs and get the productivity increase that the new products allow for.

### High pace in implementation of strategic measures

We also continue to have a high pace in the implementation of the measures connected to the Group's strategy for 2013–2015. We have decided to combine a number of measures under a Group-wide efficiency program, including cutbacks to the number of white collar employees and consultants and

efficiency enhancements in the global industrial system. These measures aim to increase the Group's efficiency and competitiveness. We estimate that the program will result in restructuring costs totaling approximately SEK 5 billion, most of which are expected to impact operating income in 2014. Annual savings are estimated at SEK 4 billion and will gradually generate results during 2014 and will achieve their full effect as of year-end 2015.

In October, we made a directional decision to implement changes in our European truck manufacturing operations in order to increase efficiency and strengthen our competitiveness. Our intention is to step-wise, over the next two years, relocate the cab trim operations from Umeå to Gothenburg, to concentrate the manufacturing of heavy-duty trucks from two assembly lines to one in Gothenburg and to concentrate the assembly of medium-duty trucks to one single assembly line in Blainville, France. By optimizing our industrial structure in Europe, we will be able to build trucks in a much more efficient way with lower cost per truck.

As part of the Group-wide efficiency program we have also made a directional decision to rationalize the Group's staff and support functions worldwide. Approximately 2,000 white collar employees and consultants are expected to be affected by this measure, which we intend to implement during 2014.

Within the framework of this program, we have also terminated our agreement regarding local assembly for Renault Trucks in the Turkish market. We have also decided to rationalize our spare parts operations in

South Africa and to implement a number of measures to further increase the efficiency in our engine manufacturing in Hagerstown in the US.

All the decided actions are part of the strategic plan we have put in place for 2013–2015 and we are currently taking decisions and implementing actions at a high pace to improve the Group's competitiveness and profitability.

### Massive product renewal in trucks continues

As said, the activity level in our truck operations is very high and during the third quarter the renewal of the Group's truck program continued with the launch of UD Quester, an all-new series of heavy-duty trucks developed specifically for growth markets in Asia and other areas. UD Quester is now in production at our plant in Bangkok, Thailand and in the future it will also be manufactured at facilities in China and India. While this year's UD Quester volumes will be modest, we plan to significantly increase our manufacturing rate in 2014.

The launch of UD Quester is part of the extensive product renewal of our truck program, which has been in progress since autumn 2012. We have launched the new Volvo FH, Volvo FM, Volvo FMX, Volvo FL and Volvo FE. In June, Renault Trucks presented a new, comprehensive truck program comprising its T, K, C and D series for long-distance haulage, construction and distribution. We are currently changing over production to the new products at the same time as the European system gradually switches to Euro 6 engines. In India, our joint venture has started

manufacturing the new 5 liter and 8 liter engines for UD Quester and our medium-duty truck program in Europe. In Brazil we announced a new Volvo VM. We are working intensely to secure the launches in all parts of the value chain. The new trucks, which shall contribute to the Group's long-term growth and profitability, have been very well received by both our dealers and our customers. They appreciate that we have invested considerable resources in order to contribute to the strengthening of their competitiveness. I can state that our new and stronger product programs have provided our dealers with stronger faith in the future and motivation for them to continue to invest and contribute to the development of our brands.

We have had a good order intake during the year. During the third quarter it was up by 7% compared to the third quarter last year and we have good order books for the fourth quarter. Order intake was, however, held back somewhat because of available production capacity for 2013 having been more or less sold out primarily in Europe and Brazil. Looking into 2014, we expect many of our markets to be on about the same level as this year. Specific forecasts are provided in the Truck section of this report.

We are closely monitoring how demand in Europe develops and have a high readiness to adjust the manufacturing output in the beginning of 2014.

Deliveries from the Group's wholly-owned operations rose 4% during the third quarter to slightly more than 48,000 trucks. Net sales in the truck operations amounted to SEK 43.2 billion and the operating margin was 4.4% excluding restructuring charges. Profitability was impacted by adverse currency movements, launch costs, higher costs for research and development and costs in the industrial system attributable to the production ramp-up of new models and parallel production of new and old models.

#### **Lower sales in the mining segment affecting Volvo CE**

During the third quarter, Volvo CE's net sales declined 7% to SEK 12.3 billion. In spite of a difficult market situation with weak demand, especially from the mining industry, and an unfavorable currency development, Volvo CE had an operating margin of 4% thanks to good cost control. Volvo CE also continues to have good control over their inventory levels, which are in balance with demand.

The markets in Asia and other areas continue to be negatively impacted by low demand from the mining industry. This has resulted in weak profitability for certain dealers with large exposure to the mining industry in China. The market in Europe increased slightly, while the market in North America moved sideways and the market in South America declined somewhat. Our base scenario for 2014 is that the markets will remain at largely the same level as in 2013.

A few days ago Pat Olney, President of Volvo CE, notified that he had decided to move on in his career and move back to North America. During his 16 years as CFO, Head of production and subsequently President, Pat has contributed to developing Volvo CE into one of the leading companies in the construction equipment industry.

#### **Continued difficulties for Buses while Volvo Penta shows good profitability**

The global bus market remains on a historically low level with continued price pressure, particularly in Europe. Volvo Buses reported a loss of SEK 164 M for the third quarter, compared with a loss of SEK 64 M in the year-earlier period. The decline in earnings was primarily due to an unfavorable product mix and a negative impact of SEK 95 M from weaker currency exchange rates. Through hard work Volvo Buses has been able to lower its structural costs at the same rate as the decline in demand and have a good starting point when demand picks up again. On another positive note, order intake was up 41% compared to the third quarter last year.

For Volvo Penta, global demand for leisure boats remains weak and on historically low levels, which impacts sales of marine engines. The market for industrial engines performs slightly better, with the exception of China. However, Volvo Penta is advancing its position, on the marine side with its IPS system and on the industrial engine side with its offering in off-road applications, and the company's net sales for the third quarter rose 3% to SEK 1.8 billion. The increased sales and a good cost control contributed to improved profitability, with an operating margin of 9.3%.

Volvo Financial Services continued to perform well in most markets and the company's gross profit improved as a result of a growing credit portfolio and improved margins. However, operating income declined to SEK 327 M due to increased credit provisions in Spain, where the slow legal system makes it difficult for us to repossess trucks from customers that have been unable to make payments since the 2009–2010 financial crisis. Despite weaker earnings during the quarter, the return on shareholder's equity was 12.6% on a rolling 12-month basis.

The Volvo Group is in an intense and exciting period. We have a portfolio of strong brands, we have launched new, competitive products and we have an organization with highly skilled employees. Over the coming two years we will furthermore work hard to increase productivity and cost efficiency in line with what we have set out in the strategic plan for 2013–2015. We have full focus on the execution of the actions which are necessary to improve the Volvo Group's competitiveness and overall profitability.



Olof Persson  
President and CEO

## IMPORTANT EVENTS

### Termination of local assembly of Renault Trucks in Turkey

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

### Volvo Group takes an important strategic step with the launch of Quester

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

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

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

### The Volvo Group announces comprehensive efficiency program linked to the strategy

On September 24 it was announced that the Volvo Group had decided to combine a number of actions into a Group-wide efficiency

program. The program encompasses both reduction of white collar employees and consultants and efficiency enhancements in the global industrial system. It is estimated that the program will entail restructuring costs totaling approximately SEK 5 billion, whereof approximately SEK 0.5 billion is expected to have no impact on cash flow. The majority of the restructuring charges are expected to impact operating income during 2014. Savings are expected to amount to approximately SEK 4 billion annually, and will generate results gradually in 2014, with full effect achieved by the end of 2015.

### Volvo Group to optimize truck manufacturing in Europe

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

### Staff and support function rationalization

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

### Previously reported important events

- New Volvo FM
- New Volvo FMX
- More fuel efficient engines launched in North America
- Annual General Meeting of AB Volvo
- New Renault Trucks Range
- Volvo Trucks has renewed its entire European truck range and launched Euro 6
- Volvo Group to increase warranty reserves

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

## ANTITRUST INVESTIGATIONS UPDATE

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 press release on July 29, 2013, declaring that a fine in the amount of approximately SEK 101 M is to be imposed on Volvo and a contingent liability in a corresponding amount has been disclosed due to that Volvo has not yet received and thus not yet had the opportunity to evaluate, the decision.

In January 2011, the Volvo Group and a number of other companies in the truck industry became part of an investigation by the European Commission regarding a possible violation of EU antitrust rules. The Volvo Group is currently of the view that it is probable that the Group's result and cash flow may be materially adversely affected as a result of the ongoing investigation initiated in Europe. It is too early to assess the amounts and timing of the possible fines, and hence to what amount and when it could be accounted for. The Volvo Group has therefore not reported any contingent liability or any provision for the investigation initiated in Europe.

The Volvo Group is cooperating fully with the authorities.



## FINANCIAL SUMMARY OF THE THIRD QUARTER

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

During the third quarter of 2013, Volvo Group's net sales decreased by 5% to SEK 64,880 M (68,256). Adjusted for both changes in exchange rates and acquired and divested units (primarily Volvo Aero) net sales increased by 3%. Operating income amounted to SEK 2,502 M excluding charges of SEK 104 M related to the Group-wide Efficiency Program. Including the charges, operating income amounted to SEK 2,398 M (2,920). For detailed information on the development, see separate sections below.

**Financial items**

Net interest expense in the third quarter was SEK 554 M compared with an expense of SEK 596 M in the previous year. In the second quarter of 2013 net interest expense amounted to SEK 611 M.

Other financial income and expenses amounted to a negative SEK 140 M compared with a positive SEK 45 M in the third quarter of 2012. The change is primarily an effect of the market valuation of derivatives used to hedge cash flow and interest rate exposure being negative in an amount of SEK 5 M compared to a positive SEK 157 M in the third quarter of 2012.

Income Statement Volvo Group SEK M	Third quarter		First nine months	
	2013	2012	2013	2012
<b>Net sales Volvo Group</b>	<b>64,880</b>	<b>68,256</b>	<b>195,980</b>	<b>229,003</b>
<b>Operating Income Volvo Group</b>	<b>2,398</b>	<b>2,920</b>	<b>6,142</b>	<b>16,868</b>
<i>Operating income excl. restructuring charges, Industrial operations</i>	<i>2,174</i>	<i>3,096</i>	<i>5,151</i>	<i>16,324</i>
<i>Restructuring charges</i>	<i>(104)<sup>1</sup></i>	<i>(560)<sup>2</sup></i>	<i>(134)<sup>1</sup></i>	<i>(560)<sup>2</sup></i>
<i>Operating income, Industrial operations</i>	<i>2,069</i>	<i>2,536</i>	<i>5,016</i>	<i>15,764</i>
<i>Operating income, Customer Finance</i>	<i>327</i>	<i>384</i>	<i>1,124</i>	<i>1,105</i>
Interest income and similar credits	93	9	292	170
Interest expense and similar charges	(647)	(605)	(1,917)	(2,122)
Other financial income and expenses	(140)	45	(34)	(127)
<b>Income after financial items</b>	<b>1,704</b>	<b>2,370</b>	<b>4,483</b>	<b>14,789</b>
Income taxes	(288)	(958)	(1,230)	(4,278)
<b>Income for the period</b>	<b>1,415</b>	<b>1,412</b>	<b>3,253</b>	<b>10,510</b>

1 Restructuring charges included in the efficiency program.

2 Other restructuring charges for comparison reasons.

**Income taxes**

The tax expense in the third quarter amounted to SEK 288 M (958), including a tax credit in Brazil amounting to SEK 274 M.

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

Income for the period amounted to SEK 1,415 M in the third quarter of 2013 compared with SEK 1,412 M in the third quarter of 2012.

Basic and diluted earnings per share in the third quarter amounted to SEK 0.68 compared with SEK 0.69 in the third quarter of 2012.



## VOLVO GROUP'S INDUSTRIAL OPERATIONS

# Lower sales and profitability

In the third quarter, net sales for the Volvo Group's Industrial Operations decreased by 4% to SEK 63,312 M (66,289). Adjusted for both changes in exchange rates and acquired and divested units (primarily Volvo Aero) net sales in the Industrial Operations increased by 3%. Sales increased in Western Europe and South America while they decreased in Eastern Europe, North America and Asia.

### Lower profitability compared to last year

In the third quarter of 2013, operating income for the Volvo Group's Industrial Operations amounted to SEK 2,174 M, excluding charges of SEK 104 M related to the Group-wide Efficiency Program. Operating income in the third quarter 2012 amounted to SEK 3,096 M, excluding restructuring charges of SEK 560 M. The operating margin, excluding restructuring charges, was 3.4% (4.7).

The lower profitability compared to the third quarter of 2012 is primarily an effect of a significant negative impact from movements in currency exchange rates and higher costs for research and development as a consequence of a net amortization of investments in research and development in an amount of SEK 226 M, compared to a net capitalization of SEK 651 M in the third quarter last year. Cash spend in research and development was reduced from SEK 3,928 M in the third quarter last year to SEK 3,485 M. Profitability was also affected by the ongoing comprehensive product renewal and related launch costs in the sales, production and after-market support organizations.

In the third quarter of 2013, a capital gain from a divestment of a dealership network in Volvo CE had a positive impact of SEK 92 M.

Compared with the third quarter of 2012, changes in currency exchange rates had a negative impact on operating income amounting to SEK 1,068 M.

In the third quarter of 2012 Volvo Aero, which has been divested, contributed with an operating income of SEK 228 M. Earnings in the third quarter of 2012 were also negatively impacted by restructuring charges in an

Net sales by market area							
SEK M	Third quarter			First nine months			Share of industrial operations' net sales, %
	2013	2012	Change in %	2013	2012	Change in %	
Western Europe	19,344	18,945	2	58,340	65,968	(12)	31
Eastern Europe	4,308	4,852	(11)	12,680	15,031	(16)	7
North America	14,831	16,206	(9)	43,604	54,543	(20)	23
South America	7,229	6,995	3	21,391	20,896	2	11
Asia	12,049	13,698	(12)	39,042	49,893	(22)	20
Other markets	5,550	5,593	(1)	15,466	16,934	(9)	8
<b>Total Industrial operations</b>	<b>63,312</b>	<b>66,289</b>	<b>(4)</b>	<b>190,522</b>	<b>223,265</b>	<b>(15)</b>	<b>100</b>

Income Statement Industrial operations				
SEK M	Third quarter		First nine months	
	2013	2012	2013	2012
<b>Net sales</b>	<b>63,312</b>	<b>66,289</b>	<b>190,522</b>	<b>223,265</b>
Cost of sales	(49,464)	(52,422)	(150,207)	(172,453)
<b>Gross income</b>	<b>13,848</b>	<b>13,867</b>	<b>40,315</b>	<b>50,812</b>
<i>Gross margin, %</i>	<i>21.9</i>	<i>20.9</i>	<i>21.2</i>	<i>22.8</i>
Research and development expenses	(3,711)	(3,277)	(10,933)	(10,830)
Selling expenses	(6,400)	(6,104)	(19,776)	(19,266)
Administrative expenses	(1,452)	(1,304)	(4,229)	(3,995)
Other operating income and expenses	(241)	(671)	(402)	(1,043)
Income (loss) from investments in joint ventures and associated companies	63	4	99	83
Income from other investments	(39)	21	(58)	3
<b>Operating income</b>	<b>2,069</b>	<b>2,536</b>	<b>5,016</b>	<b>15,764</b>
<i>Operating margin, %</i>	<i>3.3</i>	<i>3.8</i>	<i>2.6</i>	<i>7.1</i>
Operating income before depreciation and amortization (EBITDA)	5,345	5,460	14,267	24,200
<i>EBITDA margin, %</i>	<i>8.4</i>	<i>8.2</i>	<i>7.5</i>	<i>10.8</i>
<i>Whereof restructuring charges, SEK M</i>	<i>(104)<sup>1</sup></i>	<i>(560)<sup>2</sup></i>	<i>(134)<sup>1</sup></i>	<i>(560)<sup>2</sup></i>
<i>Operating income excl. restructuring charges, SEK M</i>	<i>2,174</i>	<i>3,096</i>	<i>5,151</i>	<i>16,324</i>
<i>Operating margin excl. restructuring charges, %</i>	<i>3.4</i>	<i>4.7</i>	<i>2.7</i>	<i>7.3</i>

1 Restructuring charges included in the efficiency program.

2 Other restructuring charges for comparison reasons.

amount of SEK 560 M related to the decision to stop production of UD trucks for the North American market and a restructuring in Japan, as well as increased warranty reserves in Trucks in an amount of SEK 500 M.

### Seasonally weak cash flow in the Industrial Operations

In the third quarter of 2013, operating cash flow from the Industrial Operations was negative in an amount of SEK 5.3 billion. The negative cash flow is primarily a consequence of

the seasonal reduction in trade payables in an amount of SEK 5.1 billion as a result of vacation shut-downs in the manufacturing system during the third quarter. In the third quarter of 2012 operating cash flow was negative in an amount of SEK 7.2 billion.

## VOLVO GROUP'S CUSTOMER FINANCE

# Higher earning assets and improved margins

The customer finance business delivered higher levels of gross income during the quarter as a result of continued growth in earning assets and positive margin development.

New financing volume during the quarter of SEK 11.1 billion was approximately the same as last year. Adjusting for movements in exchange rates, new financing volume increased by 5% compared to the third quarter of 2012. In total, 12,215 new Volvo Group units (12,253) were financed during the quarter. In the markets where financing is offered, the average market penetration rate in the third quarter was 26% (28%).

As of September 30, 2013, the gross credit portfolio amounted to SEK 101.3 billion (97.5). On a currency adjusted basis, the credit portfolio increased by 7.0% when compared to the third quarter of 2012.

Credit provisions in the quarter amounted to SEK 293 M (135) while write-offs of SEK 262 M (110) were recorded. The increased provisions relate to non-performing loans and

Income Statement Customer Finance SEK M	Third quarter		First nine months	
	2013	2012	2013	2012
Finance and lease income	<b>2,350</b>	2,421	<b>7,087</b>	7,276
Finance and lease expenses	<b>(1,331)</b>	(1,501)	<b>(4,137)</b>	(4,506)
<b>Gross income</b>	<b>1,019</b>	<b>920</b>	<b>2,950</b>	<b>2,770</b>
Selling and administrative expenses	<b>(396)</b>	(421)	<b>(1,201)</b>	(1,287)
Credit provision expenses	<b>(293)</b>	(135)	<b>(678)</b>	(455)
Other operating income and expenses	<b>(3)</b>	20	<b>53</b>	77
<b>Operating income</b>	<b>327</b>	<b>384</b>	<b>1,124</b>	<b>1,105</b>
Income taxes	<b>(110)</b>	(123)	<b>(340)</b>	(347)
<b>Income for the period</b>	<b>217</b>	<b>260</b>	<b>784</b>	<b>757</b>
<i>Return on Equity, 12 months rolling values</i>			<b>12.6%</b>	<b>10.9%</b>

leases in Spain stemming from the global financial crisis in 2009 and 2010. Due to the continuing recession and protracted legal processes in that country, collateral positions and values have deteriorated. Credit reserves remained stable at 1.34% of the credit portfolio. The annualized write-off ratio through September 30, 2013 was 0.66% (0.53%).

Operating income in the third quarter amounted to SEK 327 M (384). The decrease compared to the previous year is driven by

higher provisions in Spain which were partially offset by improvements in gross income and operating expenses.

During the quarter, VFS syndicated approximately SEK 0.8 billion of the credit portfolio. The result of the syndications is included in Other operating income and expenses.

## VOLVO GROUP FINANCIAL POSITION

Net financial debt, excluding provisions for post-employment benefits, in the Industrial Operations amounted to SEK 31.1 billion at September 30, 2013, an increase of SEK 4.4 billion compared to the end of the second quarter, and equal to 46.3% of shareholders' equity. Including provision for post-employment benefits, the Industrial Operations net debt amounted to SEK 42.8 billion, which is equal to 63.6% of shareholders' equity. The increase in net financial debt including provisions for post-employment benefits is mainly an effect of negative cash flow of SEK 5.3 billion partly offset by positive currency effects of SEK 1.1 billion and re-measurement of defined benefit plans of SEK 2.2 billion.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined, amounted to SEK 26.2 billion at September 30, 2013. In addition to this, granted but unutilized credit facilities amounted to SEK 30.5 billion.

During the third quarter, currency movements decreased the Volvo Group's total assets by SEK 8.6 billion related to revaluation of assets in foreign subsidiaries.

The equity ratio in the Volvo Group amounted to 22.4% on September 30, 2013 compared to 22.7% at year-end 2012 after restatement for the amendment to IAS 19 Employee benefits (For more information about the restatement please refer to note 31 in the 2012 annual report). On the same

date, the equity ratio in the Industrial Operations amounted to 26.7% (27.0).

At September 30, 2013 shareholder's equity in the Volvo Group amounted to SEK 76.0 billion.

### Number of employees

On September 30, 2013 the Volvo Group had 95,428 regular employees and 17,216 temporary employees and consultants, compared with 96,137 regular employees and 13,452 temporary employees and consultants at year-end 2012. The increase in temporary employees and consultants refers to blue collar employees and is related to the higher production levels compared to the end of last year.



## BUSINESS SEGMENT OVERVIEW

Net sales	Third quarter				First nine months		12 months rolling values	Jan-Dec 2012
	2013	2012	Change, %	Change, % <sup>1</sup>	2013	2012		
SEK M								
Trucks	43,248	43,634	(1)	6	126,513	142,166	173,503	189,156
Construction Equipment	12,278	13,272	(7)	(5)	40,432	50,986	53,004	63,558
Buses	3,705	4,076	(9)	(4)	11,195	14,202	16,579	19,586
Volvo Penta	1,775	1,720	3	5	5,773	5,877	7,527	7,631
Volvo Aero	-	1,592	-	-	-	5,219	-	5,219
Corporate Functions, Group Functions & Other	3,094	2,590	-	-	8,818	11,478	11,537	14,197
Eliminations	(787)	(596)	-	-	(2,209)	(6,663)	(2,695)	(7,149)
<b>Industrial operations</b>	<b>63,312</b>	<b>66,289</b>	<b>(4)</b>	<b>3</b>	<b>190,522</b>	<b>223,265</b>	<b>259,455</b>	<b>292,198</b>
Customer Finance	2,350	2,421	(3)	1	7,087	7,276	9,594	9,783
Reclassifications and eliminations	(783)	(452)	-	-	(1,629)	(1,539)	(2,257)	(2,167)
<b>Volvo Group</b>	<b>64,880</b>	<b>68,256</b>	<b>(5)</b>	<b>3</b>	<b>195,980</b>	<b>229,003</b>	<b>266,792</b>	<b>299,814</b>

Operating income excl. restructuring charges	Third quarter				First nine months		12 months rolling values	Jan-Dec 2012
	2013	2012	Change, %	Change, % <sup>1</sup>	2013	2012		
SEK M								
Trucks	1,893	2,375	(20)	3,859	10,337	5,741	12,219	
Construction Equipment	496	602	(18)	2,320	5,432	2,555	5,667	
Buses	(164)	(64)	(156)	(241)	169	(263)	147	
Volvo Penta	165	144	15	555	536	568	549	
Volvo Aero	-	228	-	-	775	-	775	
Corporate Functions, Group Functions & Other	(239)	(143)	-	(1,372)	(825)	(1,661)	(1,114)	
Eliminations	23	(42)	-	30	(98)	8	(120)	
<b>Industrial operations</b>	<b>2,174</b>	<b>3,096</b>	<b>(30)</b>	<b>5,151</b>	<b>16,324</b>	<b>6,950</b>	<b>18,123</b>	
Customer Finance	327	384	(15)	1,124	1,105	1,515	1,496	
<b>Volvo Group excl. restructuring charges</b>	<b>2,502</b>	<b>3,480</b>	<b>(28)</b>	<b>6,276</b>	<b>17,428</b>	<b>8,465</b>	<b>19,619</b>	

Restructuring charges							
Trucks	(100)	(560)		(130)	(560)	(1,010)	(1,440)
Construction Equipment	-	-		-	-	-	-
Buses	-	-		-	-	(110)	(110)
Volvo Penta	-	-		-	-	-	-
Corporate Functions, Group Functions & Other	(4)	-		(4)	-	(4)	-
<b>Industrial operations</b>	<b>(104)</b>	<b>(560)</b>		<b>(134)</b>	<b>(560)</b>	<b>(1,124)</b>	<b>(1,550)</b>
Customer Finance	-	-		-	-	-	-
<b>Total</b>	<b>(104)<sup>2</sup></b>	<b>(560)<sup>3</sup></b>		<b>(134)<sup>2</sup></b>	<b>(560)<sup>3</sup></b>	<b>(1,124)<sup>2,3</sup></b>	<b>(1,550)<sup>2,3</sup></b>
<b>Volvo Group</b>	<b>2,398</b>	<b>2,920</b>		<b>6,142</b>	<b>16,868</b>	<b>7,343</b>	<b>18,069</b>

Operating margin excl. restructuring charges	Third quarter		First nine months		12 months rolling values	Jan-Dec 2012
	2013	2012	2013	2012		
%						
Trucks	4.4	5.4	3.1	7.3	3.3	6.5
Construction Equipment	4.0	4.5	5.7	10.7	4.8	8.9
Buses	(4.4)	(1.6)	(2.2)	1.2	(1.6)	0.8
Volvo Penta	9.3	8.4	9.6	9.1	7.5	7.2
Volvo Aero	-	14.3	-	14.8	-	14.9
<b>Industrial operations</b>	<b>3.4</b>	<b>4.7</b>	<b>2.7</b>	<b>7.3</b>	<b>2.7</b>	<b>6.2</b>
<b>Volvo Group excl. restructuring charges</b>	<b>3.9<sup>2</sup></b>	<b>5.1<sup>3</sup></b>	<b>3.2<sup>2</sup></b>	<b>7.6<sup>3</sup></b>	<b>3.2<sup>2,3</sup></b>	<b>6.5<sup>2,3</sup></b>
<b>Volvo Group</b>	<b>3.7</b>	<b>4.3</b>	<b>3.1</b>	<b>7.4</b>	<b>2.8</b>	<b>6.0</b>

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

2 Restructuring charges included in the efficiency program.

3 Other restructuring charges for comparison reasons.

## OVERVIEW OF INDUSTRIAL OPERATIONS

**TRUCKS**

## Product renewal in Asia and South America

- »» Launch of the all-new UD Quester range and the new Volvo VM
- »» Good order books for the fourth quarter
- »» Stable markets expected for 2014

**Most markets for 2014 expected to be on about the level of 2013**

In the first eight months of 2013 a total of 136,966 new heavy-duty trucks were registered in Europe 29 (EU minus Bulgaria plus Norway and Switzerland) a decline of 8% compared with the year-earlier period. The outlook for the total market for heavy-duty trucks in Europe is that it will reach a level of about 230,000 heavy-duty trucks (unchanged forecast) with strong deliveries in the fourth quarter as a result of pre-buying ahead of the new emission regulations starting December 31, 2013. For 2014 the total market is expected to remain at the level of about 230,000 heavy-duty trucks.

Through September 2013, the total North American retail market for heavy-duty trucks decreased 9% to 171,666 vehicles, compared with 188,026 through the third quarter of 2012. Slow economic growth and weakness in the manufacturing sector during the second quarter affected third quarter retails. However, the construction market continues to recover and replacement demand remains high. In 2013, the total market for heavy-duty trucks in North America is expected to be at a level of about 240,000 trucks (previous forecast: 250,000). For 2014, the total market is expected to reach a level of about 250,000 heavy-duty trucks.

In the first nine months of 2013, the Brazilian market for heavy-duty trucks increased 22% to 76,615 vehicles, compared with 62,835 in the first nine months of 2012. Growth is driven by ongoing low financing rates, infrastructure investments and a strong crop season. The total Brazilian market for heavy-duty trucks is expected to increase and reach a level of about 105,000 trucks in 2013 (unchanged forecast). For 2014 the total market in Brazil is expected to remain at

SEK M	Third quarter		Change in %	First nine months		Change in %
	2013	2012		2013	2012	
Europe	<b>16,682</b>	16,146	3	<b>49,383</b>	55,898	(12)
North America	<b>10,072</b>	10,132	(1)	<b>29,390</b>	33,984	(14)
South America	<b>6,015</b>	5,555	8	<b>17,587</b>	15,721	12
Asia	<b>6,510</b>	7,931	(18)	<b>19,312</b>	24,770	(22)
Other markets	<b>3,968</b>	3,870	2	<b>10,842</b>	11,793	(8)
<b>Total</b>	<b>43,248</b>	<b>43,634</b>	<b>(1)</b>	<b>126,513</b>	<b>142,166</b>	<b>(11)</b>

Number of trucks	Third quarter		Change in %	First nine months		Change in %
	2013	2012		2013	2012	
Europe	<b>18,250</b>	18,130	1	<b>53,166</b>	60,695	(12)
North America	<b>11,072</b>	10,659	4	<b>31,982</b>	37,329	(14)
South America	<b>7,862</b>	6,332	24	<b>21,647</b>	16,950	28
Asia	<b>7,124</b>	7,267	(2)	<b>20,207</b>	23,030	(12)
Other markets	<b>3,953</b>	3,964	0	<b>11,659</b>	12,722	(8)
<b>Total Trucks</b>	<b>48,261</b>	<b>46,352</b>	<b>4</b>	<b>138,661</b>	<b>150,726</b>	<b>(8)</b>
Non-consolidated operations						
Eicher (100%)	<b>7,047</b>	8,228	(14)	<b>24,636</b>	28,984	(15)
DND (100%)	<b>46</b>	89	(48)	<b>181</b>	345	(48)
<b>Total volumes</b>	<b>55,354</b>	<b>54,669</b>	<b>1</b>	<b>163,478</b>	<b>180,055</b>	<b>(9)</b>

the level of about 105,000 heavy-duty trucks.

In China, the total market for heavy-duty trucks is expected to reach a level of about 710,000 trucks in 2013 compared with 636,000 trucks in 2012 (previous forecast 630,000). The total market for medium-duty trucks in China is expected to reach a level of about 290,000 trucks in 2013, compared with 290,000 trucks in 2012 (previous forecast 305,000). For 2014 the total market in China is expected to reach a level of about 700,000 heavy-duty trucks and about 280,000 medium-duty trucks.

In India, the total market for heavy-duty trucks remained subdued, and in the first nine months of 2013 declined by 34% to 105,566 trucks following a slowdown in the economy and decreases in fuel subsidies. The current

outlook for the total market for heavy-duty trucks in India is 145,000 trucks in 2013 (previous forecast 160,000 heavy-duty trucks). The total Indian market for medium-duty trucks has declined by 15% for the first nine months compared with 2012 and is expected to reach a level of about 80,000 trucks in 2013 (previous forecast: 85,000 trucks). For 2014 the total market in India is expected to reach a level of about 145,000 heavy-duty trucks and about 85,000 medium-duty trucks.

Through September, the Japanese heavy-duty truck market increased by 1% compared with the first nine months of 2012. Economic measures by the government have started and the significant ongoing investment into public works projects is likely to stimulate the

Japanese economy. For 2013, the total Japanese market for heavy-duty trucks is expected to increase to about 35,000 trucks (unchanged forecast). For 2014 the total market in Japan is expected to remain at the level of about 35,000 heavy-duty trucks.

#### Deliveries 4% higher than the third quarter 2012

In the third quarter of 2013, the Volvo Group delivered a total of 48,261 trucks, which was 4% more than in the third quarter of 2012.

#### Good order books for the fourth quarter

The total net orders were up by 7% in the third quarter compared with the year-earlier period. Net orders of 44,224 trucks and deliveries of 48,261 trucks resulted in a book-to-bill ratio of 92% for the Group's wholly-owned operations.

In the third quarter of 2013 European orders reached 17,902 trucks, which was 11% higher than in the third quarter last year. Orders for Volvo Trucks increased by 31% and orders for Renault Trucks decreased by 10% compared with the third quarter last year. The available slots for 2013 for Euro 5 trucks from Volvo were sold out during the third quarter, which had a dampening effect on order intake. Order intake for Renault Trucks was negatively impacted by the phase-out of the old generation of trucks and customers waiting to place orders for the new generation which is only available with Euro 6 engines.

#### Net order intake per market

Number of trucks	Third quarter			First nine months		
	2013	2012	Change in %	2013	2012	Change in %
Europe	<b>17,902</b>	16,091	11	<b>68,105</b>	61,045	12
Volvo	<b>10,949</b>	8,358	31	<b>41,000</b>	31,707	29
Renault Trucks	<b>6,952</b>	7,733	(10)	<b>27,104</b>	29,338	(8)
North America	<b>10,251</b>	7,929	29	<b>34,852</b>	29,751	17
Volvo	<b>5,223</b>	4,410	18	<b>20,337</b>	17,721	15
Mack	<b>4,964</b>	3,342	49	<b>14,148</b>	11,572	22
South America	<b>5,695</b>	7,322	(22)	<b>23,215</b>	19,082	22
Asia	<b>6,682</b>	6,990	(4)	<b>23,308</b>	23,609	(1)
Other markets	<b>3,694</b>	2,812	31	<b>12,138</b>	11,019	10
<b>Total Trucks</b>	<b>44,224</b>	<b>41,144</b>	<b>7</b>	<b>161,618</b>	<b>144,506</b>	<b>12</b>
Non-consolidated operations						
Eicher (100%)	<b>7,048</b>	8,255	(15)	<b>24,709</b>	28,836	(14)
DND (100%)	<b>21</b>	57	(63)	<b>146</b>	262	(44)
<b>Total volumes</b>	<b>51,293</b>	<b>49,456</b>	<b>4</b>	<b>186,473</b>	<b>173,604</b>	<b>7</b>

In North America, order intake during the third quarter increased by 29% compared with the third quarter last year with a particularly strong development for Mack.

In South America, orders decreased by 22% compared with the same quarter last year. The decline was a consequence of the order book for 2013 being filled during the quarter and anticipation of the Fenatran truck fair in late October.

Compared with the third quarter of 2012, orders in Asia declined by 4% while orders in Other markets rose by 31%.

#### Lower operating margin compared with last year

During the third quarter of 2013, the truck operation's net sales amounted to SEK

43,248 M, which was 1% lower than in the third quarter of 2012. Adjusted for changes in exchange rates net sales increased by 6% compared to the third quarter last year.

The truck operations posted a third-quarter operating income of SEK 1,893 M in 2013, excluding restructuring charges of SEK 100 M. In the third quarter of 2012, operating income amounted to SEK 2,375 M excluding restructuring charges of SEK 560 M. The operating margin, excluding restructuring charges was 4.4%, compared with 5.4% in the year-earlier period. The lower profitability compared to the third quarter of 2012 is an effect of high costs for research and development, unfavorable currency effects and costs related to the introduction of the new truck ranges in Europe and Asia.



Compared with the third quarter of 2012, costs for research and development increased by SEK 939 M as a consequence of a swing from net capitalization last year to net amortization this year. Compared with the third quarter of 2012, operating income was negatively impacted by changes in currency exchange rates in an amount of SEK 768 M.

In the third quarter of 2012, operating income was negatively impacted by an increase in warranty reserves of SEK 500 M.

#### **Quester - UD Trucks' new heavy-duty truck platform for growth markets**

On August 26, UD Trucks launched Quester, an all-new new heavy-duty truck range developed specifically for growth markets.

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

The production of Quester started during the third quarter of 2013 in Bangkok, Thailand. Besides serving the domestic market, the plant in Thailand will also serve as an export hub for South East Asia and beyond. In the near future, the range will be manufactured in China for the Chinese market and later on also in India.

#### **Introducing new Volvo VM line for Latin America**

On August 26, the new Volvo VM truck line for Latin America was introduced at an event in Trancoso, Brazil. The trucks have a redesigned cab exterior with features similar to the Volvo FH trucks launched in Europe last year. Two new 8x2 and 8x4 models have also been added to the line. The new trucks will be Volvo's main attractions at the Fenatran truck fair in São Paulo, Brazil, in late October.

## CONSTRUCTION EQUIPMENT

### Continued slow mining market

- » No clear signs of global market recovery in the construction equipment industry
- » Uptick in China driven by smaller equipment
- » Operating margin affected by product mix and negative currency movements



#### Most markets slightly down year-to-date

Measured in units, the total market for construction equipment in Europe decreased by 8% during January to August 2013 compared to the same period a year earlier. North America was up 1% while South America was flat. Asia, excluding China was down 2% and China decreased by 4%. In China the market is stabilizing. Compared to the weak third quarter of 2012, the Chinese market was up 10%, mainly driven by smaller equipment.

The outlook for the full year of 2013 remains unchanged compared to the previous forecast. The total market in Europe is expected to decline by 5% to 15% measured in units. North America, South America, Asia excluding China and China are expected to be in the range of minus 5% to plus 5%.

For 2014 the above mentioned markets are expected to be in the range of minus 5% to plus 10%, with the exception of China, which is expected to be at 0% to 10%.

In Europe, the market starts to show signs of stabilization at low levels, which is in alignment with the general economic trend. However, strong market fluctuations in individual countries are to be expected. Volvo CE gained market shares in the quarter due to a dedicated campaign to increase sales of compact equipment.

In North America, the total market year-to-date is on par with the same period in 2012. Demand in 2012 was strengthened by rental fleet renewal activities which have now been concluded leading to lower deliveries for Volvo CE in 2013.

#### Net sales by market area

SEK M	Third quarter		Change in %	First nine months		Change in %
	2013	2012		2013	2012	
Europe	<b>4,124</b>	3,803	8	<b>12,220</b>	12,656	(3)
North America	<b>1,892</b>	2,684	(30)	<b>6,206</b>	10,054	(38)
South America	<b>821</b>	931	(12)	<b>2,479</b>	3,027	(18)
Asia	<b>4,485</b>	4,718	(5)	<b>16,793</b>	21,890	(23)
Other markets	<b>957</b>	1,136	(16)	<b>2,733</b>	3,359	(19)
<b>Total</b>	<b>12,278</b>	<b>13,272</b>	<b>(7)</b>	<b>40,431</b>	<b>50,986</b>	<b>(21)</b>

#### Deliveries per market

Number of machines	Third quarter		Change in %	First nine months		Change in %
	2013	2012		2013	2012	
Europe	<b>3,387</b>	2,925	16	<b>10,366</b>	9,835	5
North America	<b>1,228</b>	1,592	(23)	<b>3,872</b>	5,667	(32)
South America	<b>976</b>	995	(2)	<b>2,692</b>	3,159	(15)
Asia	<b>8,528</b>	8,011	6	<b>33,783</b>	38,687	(13)
Other markets	<b>1,018</b>	915	11	<b>2,784</b>	2,303	21
<b>Total deliveries</b>	<b>15,137</b>	<b>14,438</b>	<b>5</b>	<b>53,497</b>	<b>59,651</b>	<b>(10)</b>
Of which:						
Volvo	<b>8,853</b>	8,810	0	<b>29,230</b>	32,468	(10)
SDLG	<b>6,284</b>	5,628	12	<b>24,267</b>	27,183	(11)
Of which in China	<b>4,966</b>	4,535	10	<b>20,248</b>	24,027	(16)

#### Net order intake per market

Number of machines	Third quarter		Change in %	First nine months		Change in %
	2013	2012		2013	2012	
Europe	<b>2,786</b>	2,382	17	<b>10,255</b>	8,952	15
North America	<b>1,043</b>	1,365	(24)	<b>4,048</b>	6,521	(38)
South America	<b>856</b>	887	(3)	<b>2,598</b>	3,172	(18)
Asia	<b>7,786</b>	7,736	1	<b>33,495</b>	38,171	(12)
Other markets	<b>928</b>	780	19	<b>2,957</b>	2,519	17
<b>Total orders</b>	<b>13,398</b>	<b>13,150</b>	<b>2</b>	<b>53,353</b>	<b>59,336</b>	<b>(10)</b>
Of which:						
Volvo	<b>7,134</b>	7,522	(5)	<b>29,086</b>	32,153	(10)
SDLG*	<b>6,284</b>	5,628	11	<b>24,267</b>	27,183	(11)
Of which in China	<b>4,966</b>	4,535	10	<b>20,248</b>	24,027	(16)

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



There is no sign of recovery in the mining segment around the world and the market for mining continues to be at low levels in Asia, including China.

**Negative product and market mix impacting earnings**

In the third quarter of 2013, net sales decreased by 7% to SEK 12,278 M (13,272). Adjusted for currency movements net sales decreased by 5%. Sales were negatively

impacted by lower activities in the global mining industry affecting sales of larger and more expensive products.

Operating income decreased to SEK 496 M (602) and operating margin was 4.0% (4.5). Earnings in the third quarter were negatively impacted versus the same quarter last year due to lower sales in general and into the higher margin mining segment in particular. Compared with the third quarter of 2012, operating income was negatively

impacted by changes in currency exchange rates in an amount of SEK 229 M. In the third quarter of 2013, a capital gain from a divestment of a dealership network had a positive impact of SEK 92 M.

**BUSES****Weak market impacts profitability**

- »» Low sales volumes on a weak market
- »» Operating loss of SEK 164 M
- »» Improving order intake

**Global bus market still on low level**

In Europe, the market in 2013 is expected to remain on the same levels as in 2012, with continuous price pressure as a result. In North America there are early indicators of a market recovery, both on the coach and transit market. Asia continues to show growth, but on low levels. In China higher quoting activity is expected towards the end of 2013, with the announcement of new transport policies. In India market demand is low in the coach market.

**Strong momentum in Electro mobility**

Volvo Buses continues to strengthen its global position in hybrid technology by the extension of the current range of hybrid buses with a Volvo Articulated Hybrid bus. In South America there is a noticeable trend towards electro mobility, with interest in hybrid and electric vehicles. During the third quarter Volvo Buses received a breakthrough order in the region for 200 hybrid buses to Colombia. In Europe, a strategic partnership within electrification of public transportation was signed with Hamburger Hochbahn in Germany. At the core of the cooperation are the Volvo Plug-in hybrid buses. In addition, Volvo Buses entered the French market with the first two hybrids delivered to Lyon during the third quarter.

Deliveries during the third quarter of 2013 amounted to 1,939 buses, compared to 1,766 units for the same period in 2012, which is an increase of 10%. Order intake in the third quarter totaled 2,780 buses, which was 41% higher than the same period last year.

**Net sales by market area**

SEK M	Third quarter		Change in %	First nine months		Change in %
	2013	2012		2013	2012	
Europe	<b>1,126</b>	1,197	(6)	<b>3,820</b>	4,375	(13)
North America	<b>1,365</b>	1,473	(7)	<b>3,767</b>	4,849	(22)
South America	<b>315</b>	473	(33)	<b>1,138</b>	1,991	(43)
Asia	<b>532</b>	514	4	<b>1,431</b>	1,641	(13)
Other markets	<b>367</b>	420	(13)	<b>1,039</b>	1,346	(23)
<b>Total</b>	<b>3,705</b>	<b>4,076</b>	<b>(9)</b>	<b>11,195</b>	<b>14,202</b>	<b>(21)</b>

**Deliveries per market**

Buses	Third quarter		Change in %	First nine months		Change in %
	2013	2012		2013	2012	
Europe	<b>458</b>	480	(5)	<b>1,480</b>	1,776	(17)
Western Europe	<b>456</b>	480	(5)	<b>1,431</b>	1,726	(17)
Eastern Europe	<b>2</b>	0	-	<b>49</b>	50	(2)
North America	<b>399</b>	349	14	<b>1,060</b>	1,290	(18)
South America	<b>372</b>	422	(12)	<b>1,485</b>	1,598	(7)
Asia	<b>518</b>	354	47	<b>1,269</b>	1,159	10
Other markets	<b>192</b>	161	19	<b>520</b>	625	(17)
<b>Total Buses</b>	<b>1,939</b>	<b>1,766</b>	<b>10</b>	<b>5,814</b>	<b>6,448</b>	<b>(10)</b>

**Operating loss in the quarter**

Net sales in the third quarter decreased by 9% to SEK 3,705 M (4,076). Adjusted for currency fluctuations, sales decreased by 4%. Buses reported an operating loss of SEK 164 M compared to an operating loss of SEK 64 M during the third quarter of 2012. Operating margin was a negative 4.4% (neg. 1.6). The result for the third quarter was affected by a negative market and product mix. Compared to the third quarter of 2012, operating income was negatively impacted by currency exchange rates in an amount of SEK 95 M.

Cost reduction measures are ongoing in Volvo Buses to offset the negative market

development and to compensate for the currency effects. Further efficiency improvement is expected from Volvo Buses' consolidation of bus manufacturing in Europe, with the discontinuation of bus production in Säfte, Sweden, during the second quarter 2013.

**VOLVO PENTA**

## Improved operating income

- » Continued weak demand for marine engines
- » Strengthened product portfolio in both marine and industrial engines
- » Operating margin of 9.3%

**Weak demand forces consolidation in boat builder industry**

Consolidation in the boat industry continues in the wake of the constant weak global demand for leisure boats. During the summer, ownership changes occurred in leading boat brands while most of the boat industry in general was forced to continue with cut-backs and rationalizations. The general assessment in the industry is that the total demand for marine engines in 2013 will not exceed the levels of the preceding year.

During the quarter, the global market for industrial engines was negatively impacted by reduced demand in the Chinese construction sector. The total market within power generation, Volvo Penta's largest segment in industrial engines, continues to expand due to increased demand in, for example, Western Europe, Turkey and the Middle East.

**Products for the luxury yacht segment**

Triple and quadruple installations of the large power classes of the IPS system make it possible for Volvo Penta to deliver engines to yachts in classes up to 100 feet. Successful IPS installations are currently available in the market in a large number of boat models up to 80-feet, which successively strengthens acceptance of the IPS in larger boat classes. Additional installations will be completed at leading boat builders at year-end,

**Net sales by market area**

SEK M	Third quarter			First nine months		
	2013	2012	Change in %	2013	2012	Change in %
Europe	<b>858</b>	787	9	<b>2,809</b>	2,812	0
North America	<b>343</b>	362	(5)	<b>1,174</b>	1,161	1
South America	<b>75</b>	71	6	<b>197</b>	223	(12)
Asia	<b>404</b>	418	(3)	<b>1,310</b>	1,415	(7)
Other markets	<b>94</b>	81	16	<b>282</b>	265	6
<b>Total</b>	<b>1,774</b>	<b>1,720</b>	<b>3</b>	<b>5,773</b>	<b>5,877</b>	<b>(2)</b>

while Volvo Penta will also be implementing more targeted marketing activities, including at the autumn boat trade fairs, to strengthen the positions in the luxury yacht segment.

In terms of industrial engines, promotion of Volvo Penta's product program for off-road engines, which meets emission legislation for 2014, continued. New delivery agreements were signed with European manufacturers of pumps and special vehicles during the third quarter.

The volume in the total order book at September 30, 2013 was 29% higher than a year earlier.

**Increased sales and improved profitability**

Net sales during the third quarter of 2013 rose 3% to SEK 1,774 M (1,720), compared with the year-earlier period. Adjusted for exchange-rate fluctuations, net sales increased by 5%. Sales were distributed

between both business segments as follows: Marine SEK 932 M (912) and Industrial SEK 842 M (808).

The operating income amounted to SEK 165 M, compared with SEK 144 M in the year-earlier period. Earnings were positively impacted by a favorable product mix. Compared with the third quarter of 2012, operating income was negatively impacted by changes in currency exchange rates in an amount of SEK 24 M. The operating margin was 9.3% (8.4)

**CONSOLIDATED INCOME STATEMENT**

## Third quarter

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Net sales</b>	<b>63,312</b>	<b>66,289</b>	<b>2,350</b>	<b>2,421</b>	<b>(783)</b>	<b>(452)</b>	<b>64,880</b>	<b>68,256</b>
Cost of sales	(49,464)	(52,422)	(1,331)	(1,501)	783	452	(50,012)	(53,468)
<b>Gross income</b>	<b>13,848</b>	<b>13,867</b>	<b>1,019</b>	<b>920</b>	<b>0</b>	<b>0</b>	<b>14,868</b>	<b>14,788</b>
Research and development expenses	(3,711)	(3,277)	0	0	0	0	(3,711)	(3,278)
Selling expenses	(6,400)	(6,104)	(387)	(414)	0	0	(6,786)	(6,519)
Administrative expenses	(1,452)	(1,304)	(9)	(7)	0	0	(1,461)	(1,310)
Other operating income and expenses	(241)	(671)	(295)	(115)	0	0	(536)	(787)
Income (loss) from investments in joint ventures and associated companies	63	4	0	0	0	0	63	5
Income from other investments	(39)	21	(1)	0	0	0	(38)	21
<b>Operating income</b>	<b>2,069</b>	<b>2,536</b>	<b>327</b>	<b>384</b>	<b>0</b>	<b>0</b>	<b>2,398</b>	<b>2,920</b>
Interest income and similar credits	93	70	0	0	0	(60)	93	9
Interest expenses and similar charges	(646)	(665)	0	0	0	60	(647)	(605)
Other financial income and expenses	(140)	45	0	0	0	0	(140)	45
<b>Income after financial items</b>	<b>1,376</b>	<b>1,987</b>	<b>327</b>	<b>384</b>	<b>0</b>	<b>0</b>	<b>1,704</b>	<b>2,370</b>
Income taxes	(178)	(835)	(110)	(123)	0	0	(288)	(958)
<b>Income for the period*</b>	<b>1,198</b>	<b>1,153</b>	<b>217</b>	<b>260</b>	<b>0</b>	<b>0</b>	<b>1,415</b>	<b>1,412</b>
* Attributable to:								
Equity holders of the parent company							1,387	1,400
Minority interests							28	11
							<b>1,415</b>	<b>1,412</b>
Basic earnings per share, SEK							0.68	0.69
Diluted earnings per share, SEK							0.68	0.69

**CONSOLIDATED OTHER COMPREHENSIVE INCOME**

## Third quarter

SEK M	2013	2012
<b>Income for the period</b>	<b>1,415</b>	<b>1,412</b>
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	1,668	(2,418)
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	(1,731)	(2,549)
Share of OCI related to joint ventures and associated companies	(33)	(5)
Exchange differences on hedge instruments of net investment in foreign operations	0	0
Accumulated translation difference reversed to income	(10)	0
Available for sale investments	(2)	64
Cash flow hedges	28	(3)
<b>Other comprehensive income, net of income taxes</b>	<b>(80)</b>	<b>(4,911)</b>
<b>Total comprehensive income for the period*</b>	<b>1,335</b>	<b>(3,499)</b>
* Attributable to:		
Equity holders of the parent company	1,360	(3,477)
Minority interests	(25)	(22)
	<b>1,335</b>	<b>(3,499)</b>

**CONSOLIDATED INCOME STATEMENT**

## First nine months

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Net sales</b>	<b>190,522</b>	<b>223,265</b>	<b>7,087</b>	<b>7,276</b>	<b>(1,629)</b>	<b>(1,539)</b>	<b>195,980</b>	<b>229,003</b>
Cost of sales	(150,207)	(172,453)	(4,137)	(4,506)	1,629	1,539	(152,715)	(175,422)
<b>Gross income</b>	<b>40,315</b>	<b>50,812</b>	<b>2,950</b>	<b>2,770</b>	<b>0</b>	<b>0</b>	<b>43,265</b>	<b>53,581</b>
Research and development expenses	(10,933)	(10,830)	0	0	0	0	(10,933)	(10,830)
Selling expenses	(19,776)	(19,266)	(1,173)	(1,264)	0	0	(20,948)	(20,530)
Administrative expenses	(4,229)	(3,995)	(28)	(23)	0	0	(4,257)	(4,016)
Other operating income and expenses	(402)	(1,043)	(625)	(378)	0	0	(1,026)	(1,422)
Income (loss) from investments in joint ventures and associated companies	99	83	0	0	0	0	99	84
Income from other investments	(58)	3	0	0	0	0	(57)	2
<b>Operating income</b>	<b>5,016</b>	<b>15,764</b>	<b>1,124</b>	<b>1,105</b>	<b>0</b>	<b>0</b>	<b>6,142</b>	<b>16,868</b>
Interest income and similar credits	292	318	0	0	0	(148)	292	170
Interest expenses and similar charges	(1,916)	(2,271)	0	0	0	148	(1,917)	(2,122)
Other financial income and expenses	(34)	(127)	0	0	0	0	(34)	(127)
<b>Income after financial items</b>	<b>3,358</b>	<b>13,684</b>	<b>1,124</b>	<b>1,105</b>	<b>0</b>	<b>0</b>	<b>4,483</b>	<b>14,789</b>
Income taxes	(890)	(3,931)	(340)	(347)	0	0	(1,230)	(4,278)
<b>Income for the period*</b>	<b>2,468</b>	<b>9,753</b>	<b>784</b>	<b>757</b>	<b>0</b>	<b>0</b>	<b>3,253</b>	<b>10,510</b>
* Attributable to:								
Equity holders of the parent company							3,098	10,338
Minority interests							155	172
							<b>3,253</b>	<b>10,510</b>
Basic earnings per share, SEK							1.53	5.10
Diluted earnings per share, SEK							1.53	5.09

**CONSOLIDATED OTHER COMPREHENSIVE INCOME**

## First nine months

SEK M	2013	2012
<b>Income for the period</b>	<b>3,253</b>	10,510
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	4,089	(3,030)
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	(2,118)	(3,553)
Share of OCI related to joint ventures and associated companies	(156)	(107)
Exchange differences on hedge instruments of net investment in foreign operations	0	0
Accumulated translation difference reversed to income	(10)	(66)
Available for sale investments	114	178
Cash flow hedges	32	(2)
<b>Other comprehensive income, net of income taxes</b>	<b>1,951</b>	(6,580)
<b>Total comprehensive income for the period*</b>	<b>5,204</b>	<b>3,929</b>
* Attributable to:		
Equity holders of the parent company	5,039	3,790
Minority interests	165	139
	<b>5,204</b>	<b>3,929</b>



## CONSOLIDATED BALANCE SHEET

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	Sep 30 2013	Dec 31 2012	Sep 30 2013	Dec 31 2012	Sep 30 2013	Dec 31 2012	Sep 30 2013	Dec 31 2012
<b>Assets</b>								
<b>Non-current assets</b>								
Intangible assets	38,124	38,592	117	106	0	0	38,241	38,698
Tangible assets								
Property, plant and equipment	53,399	54,084	79	105	0	0	53,478	54,189
Assets under operating leases	21,309	21,263	12,981	12,543	(5,115)	(4,784)	29,175	29,022
Financial assets								
Investments in joint ventures and associated companies	4,385	4,523	0	0	0	0	4,385	4,523
Other shares and participations	1,649	1,614	6	6	0	0	1,655	1,620
Non-current customer-financing receivables	645	600	47,353	47,329	(6,253)	(6,773)	41,745	41,156
Deferred tax assets	12,046	15,106	825	770	0	0	12,871	15,876
Prepaid pensions	146	0	0	0	0	0	146	0
Non-current interest-bearing receivables	574	653	37	0	(194)	(316)	417	337
Other non-current receivables	2,990	3,334	137	127	(200)	(373)	2,927	3,088
<b>Total non-current assets</b>	<b>135,267</b>	<b>139,769</b>	<b>61,535</b>	<b>60,986</b>	<b>(11,762)</b>	<b>(12,246)</b>	<b>185,040</b>	<b>188,510</b>
<b>Current assets</b>								
Inventories	44,278	39,741	244	352	0	0	44,522	40,093
Current receivables								
Customer-financing receivables	550	797	39,791	39,946	(1,412)	(910)	38,929	39,833
Tax assets	2,204	978	31	35	0	0	2,235	1,013
Interest-bearing receivables	2,043	3,038	374	0	(1,248)	(464)	1,169	2,574
Internal funding	1,167	4,612	0	0	(1,167)	(4,612)	0	0
Accounts receivable	28,277	26,395	205	121	0	0	28,482	26,516
Other receivables	12,718	11,753	1,327	2,651	(697)	(2,114)	13,348	12,290
Marketable securities	5,374	3,129	27	1	0	0	5,401	3,130
Cash and cash equivalents	19,662	23,465	1,621	2,116	(515)	(374)	20,768	25,207
<b>Total current assets</b>	<b>116,273</b>	<b>113,908</b>	<b>43,620</b>	<b>45,222</b>	<b>(5,039)</b>	<b>(8,474)</b>	<b>154,854</b>	<b>150,656</b>
<b>Total assets</b>	<b>251,540</b>	<b>253,678</b>	<b>105,155</b>	<b>106,208</b>	<b>(16,801)</b>	<b>(20,720)</b>	<b>339,894</b>	<b>339,166</b>
<b>Equity and liabilities</b>								
<b>Equity attributable to the equity holders of the parent company</b>								
Minority interests	66,030	67,227	8,774	8,558	(8)	0	74,796	75,785
Minority interests	1,239	1,266	0	0	0	0	1,239	1,266
<b>Total equity</b>	<b>67,269</b>	<b>68,493</b>	<b>8,774</b>	<b>8,558</b>	<b>(8)</b>	<b>0</b>	<b>76,035</b>	<b>77,051</b>
Non-current provisions								
Provisions for post-employment benefits	11,817	18,772	76	63	0	0	11,893	18,835
Provisions for deferred taxes	1,512	2,971	1,830	1,879	0	0	3,342	4,850
Other provisions	6,192	5,545	183	187	56	8	6,431	5,740
Non-current liabilities								
Bond loans	44,744	43,092	0	0	0	0	44,744	43,092
Other loans	32,489	33,351	13,247	11,630	(6,454)	(6,553)	39,282	38,428
Internal funding	(29,681)	(33,990)	34,503	34,298	(4,822)	(308)	0	0
Other liabilities	13,579	13,828	627	742	(3,622)	(3,856)	10,584	10,714
Current provisions	11,156	10,916	53	50	22	10	11,231	10,976
Current liabilities								
Loans	51,161	45,456	7,111	6,393	(2,219)	(1,836)	56,053	50,013
Internal funding	(38,775)	(33,746)	36,168	38,600	2,607	(4,854)	0	0
Trade payables	46,143	46,313	138	159	0	0	46,281	46,472
Tax liabilities	1,510	614	175	(154)	0	0	1,685	460
Other liabilities	32,424	32,063	2,270	3,803	(2,361)	(3,331)	32,333	32,535
<b>Total equity and liabilities</b>	<b>251,540</b>	<b>253,678</b>	<b>105,155</b>	<b>106,208</b>	<b>(16,801)</b>	<b>(20,720)</b>	<b>339,894</b>	<b>339,166</b>

## CONSOLIDATED CASH FLOW STATEMENT

### Third quarter

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Operating activities</b>								
Operating income (loss)	2.1	2.5	0.3	0.4	0.0	0.0	2.4	2.9
Depreciation tangible assets	1.5	1.5	0.0	0.0	0.0	0.0	1.5	1.5
Amortization intangible assets	0.9	0.8	0.0	0.0	0.0	0.0	0.9	0.8
Depreciation leasing vehicles	0.9	0.8	0.7	0.7	0.0	(0.1)	1.6	1.4
Other non-cash items	(0.1)	0.7	0.3	0.1	0.0	0.1	0.2	0.9
Total change in working capital whereof	(6.2)	(7.3)	0.2	(0.7)	(0.2)	(0.5)	(6.2)	(8.5)
<i>Change in accounts receivable</i>	2.1	1.6	0.0	0.0	0.0	(0.1)	2.1	1.5
<i>Change in customer financing receivables</i>	0.0	(0.2)	0.4	(0.6)	0.0	(0.5)	0.4	(1.3)
<i>Change in inventories</i>	(1.5)	(0.1)	0.0	0.0	(0.2)	0.0	(1.7)	(0.1)
<i>Change in trade payables</i>	(5.1)	(7.4)	0.0	0.0	(0.1)	0.0	(5.2)	(7.4)
<i>Other changes in working capital</i>	(1.7)	(1.2)	(0.2)	(0.1)	0.1	0.1	(1.8)	(1.2)
Interest and similar items received	0.1	0.2	0.0	0.0	0.0	(0.2)	0.1	0.0
Interest and similar items paid	(0.6)	(0.7)	0.0	0.0	(0.1)	0.1	(0.7)	(0.6)
Other financial items	(0.1)	(0.1)	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Income taxes paid	(0.6)	(0.8)	(0.1)	(0.1)	0.0	0.0	(0.7)	(0.9)
<b>Cash flow from operating activities</b>	<b>(2.1)</b>	<b>(2.4)</b>	<b>1.4</b>	<b>0.4</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(1.0)</b>	<b>(2.6)</b>
<b>Investing activities</b>								
Investments in tangible assets	(2.2)	(2.4)	0.0	0.0	0.0	0.0	(2.2)	(2.4)
Investments in intangible assets	(0.6)	(1.4)	0.0	0.0	0.0	0.0	(0.6)	(1.4)
Investment in leasing vehicles	(0.5)	(1.2)	(1.7)	(1.3)	0.1	0.1	(2.1)	(2.4)
Disposals of fixed assets and leasing vehicles	0.1	0.2	0.8	0.4	0.0	0.0	0.9	0.6
<b>Operating cash flow</b>	<b>(5.3)</b>	<b>(7.2)</b>	<b>0.5</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>(5.0)</b>	<b>(8.2)</b>
Investments and divestments of shares, net							0.0	(1.2)
Acquired and divested operations, net							0.3	(0.1)
Interest-bearing receivables incl marketable securities							0.5	4.2
<b>Cash-flow after net investments</b>							<b>(4.2)</b>	<b>(5.3)</b>
<b>Financing activities</b>								
Change in loans, net							2.7	1.5
Dividend to AB Volvo shareholders							0.0	0.0
Dividend to minority shareholders							(0.2)	0.0
Other							0.2	0.1
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>(1.5)</b>	<b>(3.7)</b>
Translation difference on cash and cash equivalents							(0.4)	(0.6)
<b>Change in cash and cash equivalents</b>							<b>(1.9)</b>	<b>(4.3)</b>

## CONSOLIDATED CASH FLOW STATEMENT

### First nine months

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Operating activities</b>								
Operating income (loss)	5.0	15.4	1.1	1.1	0.0	0.0	6.1	16.5
Depreciation tangible assets	4.2	4.3	0.0	0.0	0.0	0.0	4.2	4.3
Amortization intangible assets	2.5	2.3	0.0	0.0	0.0	0.0	2.5	2.3
Depreciation leasing vehicles	2.5	2.0	2.1	2.0	0.0	0.0	4.6	4.0
Other non-cash items	1.0	0.6	0.7	0.4	0.0	0.1	1.7	1.1
Total change in working capital whereof	(10.8)	(15.9)	(4.7)	(10.9)	(0.1)	0.6	(15.6)	(26.2)
<i>Change in accounts receivable</i>	(3.2)	(2.2)	(0.1)	0.0	0.0	(0.1)	(3.3)	(2.3)
<i>Change in customer financing receivables</i>	0.2	0.2	(4.4)	(11.0)	0.0	0.7	(4.2)	(10.1)
<i>Change in inventories</i>	(6.2)	(4.8)	0.1	0.3	(0.2)	0.0	(6.3)	(4.5)
<i>Change in trade payables</i>	0.6	(7.8)	0.0	0.0	(0.1)	0.0	0.5	(7.8)
<i>Other changes in working capital</i>	(2.2)	(1.3)	(0.3)	(0.2)	0.2	0.0	(2.3)	(1.5)
Interest and similar items received	0.3	0.4	0.0	0.0	0.0	(0.2)	0.3	0.2
Interest and similar items paid	(1.7)	(2.1)	0.0	0.0	(0.1)	0.1	(1.8)	(2.0)
Other financial items	(0.2)	(0.3)	0.0	0.0	0.0	0.0	(0.2)	(0.3)
Income taxes paid	(2.1)	(3.9)	(0.1)	(0.5)	0.0	0.0	(2.2)	(4.4)
<b>Cash flow from operating activities</b>	<b>0.7</b>	<b>2.8</b>	<b>(0.9)</b>	<b>(7.9)</b>	<b>(0.2)</b>	<b>0.6</b>	<b>(0.4)</b>	<b>(4.5)</b>
<b>Investing activities</b>								
Investments in tangible assets	(5.6)	(6.0)	0.0	0.0	0.0	0.0	(5.6)	(6.0)
Investments in intangible assets	(3.1)	(3.8)	0.0	0.0	0.0	0.0	(3.1)	(3.8)
Investment in leasing vehicles	(1.1)	(3.0)	(4.5)	(4.3)	0.1	0.1	(5.5)	(7.2)
Disposals of fixed assets and leasing vehicles	0.3	0.4	1.8	1.7	0.0	0.0	2.1	2.1
<b>Operating cash flow</b>	<b>(8.8)</b>	<b>(9.6)</b>	<b>(3.6)</b>	<b>(10.5)</b>	<b>(0.1)</b>	<b>0.7</b>	<b>(12.5)</b>	<b>(19.4)</b>
Investments and divestments of shares, net							(0.1)	(1.2)
Acquired and divested operations, net							0.8	(1.0)
Interest-bearing receivables incl marketable securities							(2.4)	5.7
<b>Cash-flow after net investments</b>							<b>(14.2)</b>	<b>(15.9)</b>
<b>Financing activities</b>								
Change in loans, net							16.5	14.0
Dividend to AB Volvo shareholders							(6.1)	(6.1)
Dividend to minority shareholders							(0.2)	0.0
Other							0.1	0.1
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>(3.9)</b>	<b>(7.9)</b>
Translation difference on cash and cash equivalents							(0.5)	(0.7)
<b>Change in cash and cash equivalents</b>							<b>(4.4)</b>	<b>(8.6)</b>

**CONSOLIDATED NET FINANCIAL POSITION**

SEK M	Industrial operations		Volvo Group	
	Sep 30 2013	Dec 31 2012	Sep 30 2013	Dec 31 2012
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	41,745	41,156
Non-current interest-bearing receivables	574	653	417	337
Current interest-bearing assets				
Customer-financing receivables	-	-	38,929	39,833
Interest-bearing receivables	2,043	3,038	1,169	2,574
Internal funding	1,167	4,612	-	-
Marketable securities	5,374	3,129	5,401	3,130
Cash and cash equivalents	19,662	23,465	20,768	25,207
<b>Total financial assets</b>	<b>28,820</b>	<b>34,897</b>	<b>108,429</b>	<b>112,237</b>
Non-current interest-bearing liabilities				
Bond loans	(44,744)	(43,092)	(44,744)	(43,092)
Other loans	(32,489)	(33,351)	(39,282)	(38,428)
Internal funding	29,681	33,990	-	-
Current interest-bearing liabilities				
Loans	(51,161)	(45,456)	(56,053)	(50,013)
Internal funding	38,775	33,746	-	-
<b>Total financial liabilities</b>	<b>(59,938)</b>	<b>(54,163)</b>	<b>(140,079)</b>	<b>(131,533)</b>
<b>Net financial position excl post-employment benefits</b>	<b>(31,118)</b>	<b>(19,266)</b>	<b>(31,650)</b>	<b>(19,296)</b>
Provisions for post-employment benefits, net	(11,671)	(18,772)	(11,747)	(18,835)
<b>Net financial position incl post-employment benefits</b>	<b>(42,789)</b>	<b>(38,038)</b>	<b>(43,397)</b>	<b>(38,131)</b>

## CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Third quarter 2013	First nine months 2013
<b>Beginning of period</b>	<b>(41.5)</b>	<b>(38.0)</b>
Cash flow from operating activities	(2.1)	0.7
Investments in fixed assets	(3.3)	(9.8)
Disposals	0.1	0.3
<b>Operating cash-flow</b>	<b>(5.3)</b>	<b>(8.8)</b>
Investments and divestments of shares, net	0.0	(0.1)
Acquired and divested operations, net	0.2	0.2
Capital injections to/from Customer Finance operations	0.0	0.4
Currency effect	1.1	2.8
Dividend paid to AB Volvo shareholders	0.0	(6.1)
Dividend paid to minority shareholders	(0.2)	(0.2)
Remeasurements of defined benefit pension plans	2.2	6.2
Contribution to pension plans, incl in operating cash flow	0.5	1.0
Other changes	0.2	(0.2)
<b>Total change</b>	<b>(1.3)</b>	<b>(4.8)</b>
<b>Net financial position at end of period</b>	<b>(42.8)</b>	<b>(42.8)</b>

## CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	First nine months	
	2013	2012
<b>Total equity at end of previous period</b>	<b>77.1</b>	<b>85.7</b>
<b>IFRS transition effect</b>	<b>-</b>	<b>(8.8)</b>
<b>Total equity at beginning of period</b>	<b>77.1</b>	<b>76.9</b>
<b>Shareholders' equity attributable to equity holders of the parent company at beginning of period</b>	<b>75.8</b>	<b>75.8</b>
Income for the period	3.1	10.3
Other comprehensive income	1.9	(6.5)
<b>Total comprehensive income</b>	<b>5.0</b>	<b>3.8</b>
Dividend to AB Volvo's shareholders	(6.1)	(6.1)
Share-based payments	0.1	0.0
Transactions with minority interests	0.0	0.0
Other changes	0.0	0.0
<b>Shareholders' equity attributable to equity holders of the parent company at end of period</b>	<b>74.8</b>	<b>73.5</b>
<b>Minority interests at beginning of period</b>	<b>1.3</b>	<b>1.1</b>
Income for the period	0.2	0.2
Other comprehensive income	0.0	(0.1)
<b>Total comprehensive income</b>	<b>0.2</b>	<b>0.1</b>
Dividend	(0.2)	0.0
Minority regarding acquisitions and divestments	(0.1)	0.0
Other changes	0.0	0.0
<b>Minority interests at end of period</b>	<b>1.2</b>	<b>1.2</b>
<b>Total equity at end of period</b>	<b>76.0</b>	<b>74.7</b>



**KEY RATIOS**

<b>Industrial operations</b>	First nine months	
	<b>2013</b>	2012
Gross margin, %	<b>21.2</b>	22.8
Research and development expenses in % of net sales	<b>5.7</b>	4.9
Selling expenses in % of net sales	<b>10.4</b>	8.6
Administrative expenses in % of net sales	<b>2.2</b>	1.8
Operating margin excl. restructuring charges, %	<b>2.7<sup>1</sup></b>	7.3 <sup>2</sup>
Operating margin, %	<b>2.6</b>	7.1

1 Restructuring charges included in the efficiency program.

2 Other restructuring charges for comparison reasons.

	<b>Sep 30 2013</b>	Dec 31 2012
Return on operating capital, %, 12 months rolling values	<b>6.0</b>	16.7
Net financial position at end of period, SEK billion	<b>(42.8)</b>	(38.0)
Net financial position excl. pensions at end of period, SEK billion	<b>(31.1)</b>	(19.3)
Net financial position in % of total equity at end of period	<b>(63.6)</b>	(55.5)
Net financial position excl. pensions in % of total equity at end of period	<b>(46.3)</b>	(28.1)
Total equity as percentage of total assets, end of period	<b>26.7</b>	27.0

<b>Customer Finance</b>	<b>Sep 30 2013</b>	Dec 31 2012
Return on shareholders' equity, %, 12 months rolling values	<b>12.6</b>	12.5
Equity ratio at end of period, %	<b>8.3</b>	8.1
Asset growth, % from preceding year end until end of period	<b>0.2</b>	5.9

<b>Volvo Group</b>	First nine months	
	<b>2013</b>	2012
Gross margin, %	<b>22.1</b>	23.4
Research and development expenses in % of net sales	<b>5.6</b>	4.7
Selling expenses in % of net sales	<b>10.7</b>	9.0
Administrative expenses in % of net sales	<b>2.2</b>	1.8
Operating margin excl. restructuring charges, %	<b>3.2<sup>1</sup></b>	7.6 <sup>2</sup>
Operating margin, %	<b>3.1</b>	7.4

1 Restructuring charges included in the efficiency program.

2 Other restructuring charges for comparison reasons.

	<b>Sep 30 2013</b>	Dec 31 2012
Basic earnings per share, SEK, 12 months rolling values	<b>1.93</b>	5.61
Shareholders' equity, excluding minority interests, per share, at end of period, SEK	<b>36.9</b>	42.2
Return on shareholders' equity, %, 12 months rolling values	<b>5.4</b>	14.7
Total equity as percentage of total assets, end of period	<b>22.4</b>	22.7

**SHARE DATA**

	First nine months	
	<b>2013</b>	2012
Basic earnings per share, SEK	<b>1.53</b>	5.10
Diluted earnings per share, SEK	<b>1.53</b>	5.09
Number of shares outstanding, million	<b>2,028</b>	2,028
Average number of shares during period, million	<b>2,028</b>	2,027
Average diluted number of shares during period, million	<b>2,030</b>	2,029
Number of company shares, held by AB Volvo, million	<b>100</b>	101
Average number of company shares, held by AB Volvo, million	<b>101</b>	101

## QUARTERLY VALUES

SEK M unless otherwise stated	3/2012	4/2012	1/2013	2/2013	3/2013
<b>Industrial operations</b>					
<b>Net sales</b>	<b>66,289</b>	<b>68,934</b>	<b>56,380</b>	<b>70,830</b>	<b>63,312</b>
Cost of sales	(52,422)	(55,292)	(44,800)	(55,943)	(49,464)
<b>Gross income</b>	<b>13,867</b>	<b>13,642</b>	<b>11,580</b>	<b>14,887</b>	<b>13,848</b>
Research and development expenses	(3,277)	(3,805)	(3,626)	(3,596)	(3,711)
Selling expenses	(6,104)	(6,964)	(6,395)	(6,981)	(6,400)
Administrative expenses	(1,304)	(1,540)	(1,295)	(1,482)	(1,452)
Other operating income and expenses	(671)	(496)	(184)	23	(241)
Income (loss) from investments in joint ventures and associated companies	4	16	42	(6)	63
Income from other investments	21	(44)	(20)	1	(39)
<b>Operating income Industrial operations</b>	<b>2,536</b>	<b>809</b>	<b>101</b>	<b>2,846</b>	<b>2,069</b>
<i>Whereof restructuring charges<sup>1</sup></i>	<i>(560)</i>	<i>(990)</i>	<i>(14)</i>	<i>(16)</i>	<i>(104)</i>
<b>Operating income excl. Restructuring charges, Industrial operations</b>	<b>3,096</b>	<b>1,799</b>	<b>115</b>	<b>2,862</b>	<b>2,174</b>
<b>Customer Finance</b>					
Finance and lease income	2,421	2,507	2,351	2,386	2,350
Finance and lease expenses	(1,501)	(1,530)	(1,413)	(1,393)	(1,331)
<b>Gross income</b>	<b>920</b>	<b>977</b>	<b>937</b>	<b>993</b>	<b>1,019</b>
Selling and administrative expenses	(421)	(408)	(403)	(401)	(396)
Credit provision expenses	(135)	(184)	(161)	(224)	(293)
Other operating income and expenses	20	6	8	48	(3)
<b>Operating income Customer Finance</b>	<b>384</b>	<b>391</b>	<b>381</b>	<b>416</b>	<b>327</b>
<b>Volvo Group</b>					
<b>Operating income</b>	<b>2,920</b>	<b>1,200</b>	<b>482</b>	<b>3,262</b>	<b>2,398</b>
Interest income and similar credits	9	284	98	101	93
Interest expense and similar charges	(605)	(826)	(558)	(712)	(647)
Other financial income and expenses	45	49	(123)	229	(140)
<b>Income after financial items</b>	<b>2,370</b>	<b>706</b>	<b>(101)</b>	<b>2,880</b>	<b>1,704</b>
Income taxes	(958)	163	(147)	(795)	(288)
<b>Income for the period*</b>	<b>1,412</b>	<b>869</b>	<b>(248)</b>	<b>2,086</b>	<b>1,415</b>
* Attributable to					
Equity holders of AB Volvo	1,400	821	(304)	2,015	1,387
Minority interests	11	48	56	71	28
	<b>1,412</b>	<b>869</b>	<b>(248)</b>	<b>2,086</b>	<b>1,415</b>
<b>Key operating ratios, Industrial operations</b>					
Gross margin, %	20.9	19.8	20.5	21.0	21.9
Research and development expenses in % of net sales	4.9	5.5	6.4	5.1	5.9
Selling expenses in % of net sales	9.2	10.1	11.3	9.9	10.1
Administrative expenses in % of net sales	2.0	2.2	2.3	2.1	2.3
Operating margin excl. restructuring charges, % <sup>1</sup>	4.7	2.6	0.2	4.0	3.4
Operating margin, %	3.8	1.2	0.2	4.0	3.3
<b>Depreciation and amortization, included above</b>					
Product and Software development, amortization	707	741	706	762	877
Other intangible assets, amortization	88	133	81	81	73
Tangible assets, depreciation	2,832	3,266	2,766	3,015	3,030
<b>Total</b>	<b>3,627</b>	<b>4,140</b>	<b>3,553</b>	<b>3,858</b>	<b>3,980</b>
Of which					
Industrial operations	2,924	3,423	2,849	3,127	3,276
Customer Finance	703	716	705	731	704
<b>Total</b>	<b>3,627</b>	<b>4,140</b>	<b>3,553</b>	<b>3,858</b>	<b>3,980</b>
<b>Research and development expenses</b>					
Capitalization	1,224	1,304	1,172	1,140	542
Amortization	(574)	(635)	(610)	(650)	(768)
<b>Net capitalization of research and development expenses</b>	<b>651</b>	<b>669</b>	<b>562</b>	<b>489</b>	<b>(226)</b>

## QUARTERLY VALUES

Share data	3/2012	4/2012	1/2013	2/2013	3/2013
Earnings per share, SEK <sup>2</sup>	0.69	0.41	(0.15)	0.99	<b>0.68</b>
Number of shares outstanding, million	2,028	2,028	2,028	2,028	<b>2,028</b>
Average number of shares during period, million	2,027	2,028	2,028	2,028	<b>2,028</b>
Number of company shares, held by AB Volvo, million	101	101	101	101	<b>100</b>

Net sales	3/2012	4/2012	1/2013	2/2013	3/2013
SEK M					
Trucks	43,634	46,990	37,031	46,234	<b>43,248</b>
Construction Equipment	13,272	12,572	12,136	16,019	<b>12,278</b>
Buses	4,076	5,384	3,482	4,008	<b>3,705</b>
Volvo Penta	1,720	1,754	1,839	2,159	<b>1,775</b>
Volvo Aero	1,592	-	-	-	-
Corporate Functions, Group Functions & Other	2,589	2,718	2,554	3,170	<b>3,094</b>
Eliminations	(594)	(485)	(662)	(760)	<b>(787)</b>
<b>Industrial operations</b>	<b>66,289</b>	<b>68,934</b>	<b>56,380</b>	<b>70,830</b>	<b>63,312</b>
Customer Finance	2,421	2,507	2,351	2,386	<b>2,350</b>
Reclassifications and eliminations	(452)	(630)	(387)	(459)	<b>(783)</b>
<b>Volvo Group</b>	<b>68,256</b>	<b>70,811</b>	<b>58,344</b>	<b>72,756</b>	<b>64,880</b>

Operating income excl. restructuring charges	3/2012	4/2012	1/2013	2/2013	3/2013
SEK M					
Trucks	2,375	1,882	115	1,851	<b>1,893</b>
Construction Equipment	602	235	500	1,324	<b>496</b>
Buses	(64)	(22)	(88)	11	<b>(164)</b>
Volvo Penta	144	13	100	290	<b>165</b>
Volvo Aero	228	-	-	-	-
Corporate Functions, Group Functions & Other	(143)	(290)	(516)	(617)	<b>(239)</b>
Eliminations	(43)	(17)	4	3	<b>23</b>
<b>Industrial operations</b>	<b>3,096</b>	<b>1,799</b>	<b>115</b>	<b>2,862</b>	<b>2,174</b>
Customer Finance	384	391	381	416	<b>327</b>
<b>Volvo Group excl. restructuring charges</b>	<b>3,480</b>	<b>2,190</b>	<b>496</b>	<b>3,278</b>	<b>2,502</b>

Restructuring charges, SEK M	3/2012	4/2012	1/2013	2/2013	3/2013
Trucks	(560)	(880)	(14)	(16)	<b>(100)</b>
Construction Equipment	-	-	-	-	-
Buses	-	(110)	-	-	-
Volvo Penta	-	-	-	-	-
Corporate Functions, Group Functions & Other	-	-	-	-	<b>(4)</b>
<b>Industrial operations<sup>1</sup></b>	<b>(560)</b>	<b>(990)</b>	<b>(14)</b>	<b>(16)</b>	<b>(104)</b>
Customer Finance	-	-	-	-	-
<b>Total</b>	<b>(560)</b>	<b>(990)</b>	<b>(14)</b>	<b>(16)</b>	<b>(104)</b>
<b>Volvo Group</b>	<b>2,920</b>	<b>1,200</b>	<b>482</b>	<b>3,262</b>	<b>2,398</b>

Operating margin excl. restructuring charges	3/2012	4/2012	1/2013	2/2013	3/2013
%					
Trucks	5.4	4.0	0.3	4.0	<b>4.4</b>
Construction Equipment	4.5	1.9	4.1	8.3	<b>4.0</b>
Buses	(1.6)	(0.4)	(2.5)	0.3	<b>(4.4)</b>
Volvo Penta	8.4	0.7	5.4	13.4	<b>9.3</b>
Volvo Aero	14.3	-	-	-	-
<b>Industrial operations</b>	<b>4.7</b>	<b>2.6</b>	<b>0.2</b>	<b>4.0</b>	<b>3.4</b>
<b>Volvo Group excl. restructuring charges<sup>1</sup></b>	<b>5.1</b>	<b>3.1</b>	<b>0.9</b>	<b>4.5</b>	<b>3.9</b>
<b>Volvo Group</b>	<b>4.3</b>	<b>1.7</b>	<b>0.8</b>	<b>4.5</b>	<b>3.7</b>

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

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

## ACCOUNTING PRINCIPLES

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

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

### New accounting principles in 2013

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

*IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interest in Other Entities, IFRS*

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

The major accounting changes are:

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

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

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

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

## EFFICIENCY PROGRAM

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

It is estimated that the program will entail restructuring costs totaling approximately SEK 5 billion, whereof approximately SEK 0.5 billion is expected to have no impact on cash flow. The majority of the restructuring charges are expected to impact operating income during 2014. Savings are expected to amount to approximately SEK 4 billion annually, and will generate results gradually in 2014, with full effect achieved by the end of 2015.

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

In the third quarter 2013, SEK 104 M related to the efficiency program is presented separately. Some of the, in previous quarters, recognized restructuring cost are included in the efficiency program. A major part of the restructuring cost recognized in the fourth quarter 2012, is related to the efficiency program. Of the SEK 990 M restructuring costs recognized in the fourth quarter 2012 approximately SEK 600 M is related to

the efficiency program and concerns Group Trucks Sales & Marketing EMEA. Of the SEK 104 M recognized in the third quarter 2013, a major part is related to the termination of the local assembly contract of Renault Trucks in Turkey with the external manufacturer Kar-san.

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

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

SEK bn	whereof items with no cash-flow effect	
<b>Total restructuring cost</b>		
Announced total restructuring cost	5.0	0.5
Cost recognized		
Previous quarters (fourth quarter 2012)	0.6	0.1
Current quarter	0.1	0.0
Total cost recognized	0.7	-
<b>Remaining restructuring cost to be recognized</b>	<b>4.3</b>	<b>0.4</b>
<b>Restructuring provision, efficiency program, third quarter 2013</b>		
Opening balance, third quarter 2013	0.5	
Utilized in third quarter 2013	(0.1)	
New provision in third quarter 2013	0.1	
<b>Closing balance third quarter 2013</b>	<b>0.5</b>	

## CORPORATE ACQUISITIONS AND DIVESTMENTS

In September 2013, the Volvo CE Central European distribution network operations was divested. The divestment includes the transfer of assets amounting to SEK 700 M, liabilities amounting to SEK 465 M and employees. The divestment resulted in a capital gain of SEK 92 M in the third quarter.

At the end of the third quarter there are no assets and liabilities reclassified as assets and liabilities held for sale.

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

## EXTENDED CURRENCY DISCLOSURES

Currency effect on operating income Industrial operations SEK M	Compared to third quarter 2012			Compared to second quarter 2013		
	Third quarter 2013	Third quarter 2012 <sup>1</sup>	Change	Third quarter 2013	Second quarter 2013	Change
Net flows in foreign currency			<b>(843)</b>			<b>(286)</b>
Realized gains and losses on hedging contracts <sup>1</sup>	6	(5)	<b>11</b>	6	4	<b>2</b>
Unrealized gains and losses on receivables and liabilities in foreign currency	(59)	(63)	<b>4</b>	(59)	(315)	<b>256</b>
Unrealized gains and losses on hedging contracts <sup>1</sup>	13	35	<b>(21)</b>	13	(5)	<b>18</b>
Translation effect on operating income in foreign subsidiaries			<b>(219)</b>			<b>(139)</b>
<b>Total currency effect on operating income Industrial operations</b>			<b>(1.068)</b>			<b>(149)</b>

<sup>1</sup> The currency effect from Volvo Aero has been excluded in the third quarter 2012.

Applicable currency rates	Quarterly exchange rates		Close rates	
	Third quarter 2013	Third quarter 2012	September 2013	December 2012
BRL	2.86754	3.33169	2.84920	3.18850
CNY	1.07002	1.06351	1.05080	1.04560
EUR	8.68746	8.45399	8.68495	8.62585
JPY	0.06632	0.08599	0.06577	0.07569
USD	6.55511	6.75637	6.43095	6.51685



## FINANCIAL INSTRUMENTS

SEK M	Sept 30, 2013	
	Carrying value	Fair value
<b>Assets</b>		
<b>Financial assets at fair value through profit and loss<sup>1</sup></b>		
The Volvo Group's outstanding interest and currency risk derivatives (A)	2,485	2,485
The Volvo Group's outstanding raw materials derivatives	9	9
Marketable securities	5,401	5,401
	<b>7,895</b>	<b>7,895</b>
<b>Loans receivable and other receivables</b>		
Accounts receivable	28,482	-
Customer financing receivables <sup>2</sup>	80,674	-
Other interest-bearing receivables	634	-
	<b>109,790</b>	<b>-</b>
<b>Financial assets available for sale</b>		
Holding of shares in listed companies	1,203	1,203
Holding of shares in non-listed companies	452	-
	<b>1,655</b>	<b>1,203</b>
<b>Cash and cash equivalents</b>		
	<b>20,768</b>	<b>20,768</b>
<b>Liabilities</b>		
<b>Financial liabilities at fair value through profit and loss<sup>1</sup></b>		
The Volvo Group's outstanding interest and currency risk derivatives <sup>3</sup>	2,553	2,553
The Volvo Group's outstanding raw materials derivatives	27	27
	<b>2,580</b>	<b>2,580</b>
<b>Financial liabilities valued at amortized cost<sup>4</sup></b>		
Long term bond loans and other loans	83,948	87,188
Short term bank loans and other loans	54,126	52,946
	<b>138,074</b>	<b>140,134</b>
<b>Trade Payables</b>		
	<b>46,281</b>	<b>-</b>

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 in the Volvo Group Annual Report 2012 for more information regarding valuation principles. None of these individual shareholdings is of significant value for Volvo. The valuation of level 2 instruments is based on market conditions using quoted market data existing at each balance sheet date. The basis for the interest is the zero-coupon-curve in each currency which calculates the present value of all the estimated future cash-flows. The fair value of forward exchange contracts is discounted to balance sheet date based on the forward rates for each currency as per balance sheet date.

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 1,142 M, netted against the derivative used to hedge the risk positive SEK 1,157 M (B).

4 In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives amounting to negative SEK 2,005 M. These derivatives are presented as financial liabilities at fair value through profit and loss in the table above.

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

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

gross exposure from positive derivatives, amounting to SEK 3,642 M (A+B), is reduced by 47 % to SEK 1,945 M by netting agreements and cash deposits, so called CSA agreements. The Volvo Group is actively working with limits per counterpart in order to reduce risk for high net amounts towards individual counterparts.

## RELATED-PARTY TRANSACTIONS

Sales to associated companies amounted to SEK 445 M (387) and purchases from associated companies amounted to SEK 635 M (13) during the third quarter of 2013. As of September 30, 2013, receivables from asso-

ciated companies amounted to SEK 258 M (242) and liabilities to associated companies to SEK 762 M (632). Sales to joint ventures amounted to SEK 214 M (166) and purchases from joint ventures amounted to SEK

19 M (21) during the third quarter of 2013. As of September 30, 2013, receivables from joint ventures amounted to SEK 81 M (91) and liabilities to joint ventures to SEK 38 M (108).

## RISKS AND UNCERTAINTIES

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favorable profitability. Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. Volvo works continuously to identify, measure and manage risk, and in some cases Volvo can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond Volvo's control, the aim is to minimize the consequences.

The risks to which the Volvo Group are exposed are classified into three main categories:

**External-related risks** – such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations;

**Financial risks** – such as currency fluctuations, interest levels fluctuations, valuations of shares or similar instruments, credit risk and liquidity risk and;

**Operational risks** – such as market reception of new products, reliance on suppliers, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital.

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

### Risk updates for the period

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

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

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

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas and other intangible assets for possible impairment. The size of the over-value differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. This is the case for Rents, included in segment Group functions and Other. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure.

An update regarding the ongoing antitrust investigations has been included on page 5 of this report.

It is otherwise referred to Note 24 of the Volvo Group Annual Report 2012, for a description of the legal proceedings and investigations the Group is currently involved in and subject to.

Total contingent liabilities as of September 30, 2013, amounted to SEK 17.8 billion, the same amount compared to December 31, 2012. A major part of the total contingent liabilities is related to credit guarantees issued as a result of sales in emerging markets.

## PARENT COMPANY

Income Statement SEK M	Third quarter		First nine months	
	2013	2012	2013	2012
<b>Net sales<sup>1</sup></b>	<b>170</b>	<b>181</b>	<b>415</b>	<b>467</b>
Cost of sales <sup>1</sup>	(170)	(181)	(415)	(467)
<b>Gross income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Operating expenses <sup>1</sup>	(206)	(216)	(743)	(747)
Income from investments in Group companies	63	427	564	(7)
Income from investments in joint ventures and associated companies	-	(12)	31	24
Income from other investments	-	-	5	5
<b>Operating income (loss)</b>	<b>(143)</b>	<b>199</b>	<b>(143)</b>	<b>(725)</b>
Interest income and expenses	(283)	(375)	(863)	(1,231)
Other financial income and expenses	4	(7)	(56)	(58)
<b>Income after financial items</b>	<b>(422)</b>	<b>(183)</b>	<b>(1,062)</b>	<b>(2,014)</b>
Income taxes	171	147	294	725
<b>Income for the period</b>	<b>(251)</b>	<b>(36)</b>	<b>(768)</b>	<b>(1,289)</b>

<sup>1</sup> Of net sales in the third quarter, SEK 143 M (152) pertained to Group companies, while purchases from Group companies amounted to SEK 71 M (45).

Other comprehensive income				
<b>Income for the period</b>	<b>(251)</b>	<b>(36)</b>	<b>(768)</b>	<b>(1,289)</b>
<i>Items that may be reclassified subsequently to income statement:</i>				
Available for-sale investments	(12)	80	56	179
<b>Other comprehensive income, net of income taxes</b>	<b>(12)</b>	<b>80</b>	<b>56</b>	<b>179</b>
<b>Total comprehensive income for the period</b>	<b>(263)</b>	<b>44</b>	<b>(712)</b>	<b>(1,110)</b>

Balance Sheet SEK M	Sep 30 2013	Dec 31 2012
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	41	52
Tangible assets	80	74
Financial assets		
Shares and participations in Group companies	61,035	56,832
Receivables from Group companies	154	83
Investments in joint ventures and associated companies	3,374	3,374
Other shares and participations	848	791
Deferred tax assets	2,511	1,964
<b>Total non-current assets</b>	<b>68,043</b>	<b>63,170</b>
<b>Current assets</b>		
Short-term receivables from Group companies	139	12,406
Other short-term receivables	353	1,078
Cash and bank accounts	0	0
<b>Total current assets</b>	<b>492</b>	<b>13,484</b>
<b>Total assets</b>	<b>68,535</b>	<b>76,654</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	25,163	31,889
Untaxed reserves	4	4
Provisions	162	175
Non-current liabilities <sup>1</sup>	7	7
Current liabilities <sup>2</sup>	33,308	34,688
<b>Total shareholders' equity and liabilities</b>	<b>68,535</b>	<b>76,654</b>

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

<sup>2</sup> Of which SEK 32,951 M (34,164) pertains to Group companies.

Income from investments in Group companies for the third quarter includes dividends amounting to SEK 408 M (604).

As from January 1, 2013 the holding in the listed company Eicher Motors Ltd was revaluated to market value. Revaluation during the year has increased the value by SEK 56 M, recognized in other comprehensive income. The comparative figures for 2012 have been restated, which during the first nine months resulted in an increase in other comprehensive income of SEK 213 M. Restatement of the value of the holding in Eicher Motors Ltd as of December 31 2012 has resulted in an increase of Other shares and participations and Unrestricted shareholders' equity by SEK 543 M.

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

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

Investments in tangible assets amounted to SEK 28 M (74).

Financial net debt amounted to SEK 32,650 M at the end of the third quarter (27,042).

### Events after the balance sheet date

See Important events on page 5 of this report. No other significant events have occurred after the end of the third quarter 2013 that are expected to have a substantial effect on the Volvo Group.

Göteborg, October 25, 2013

AB Volvo (publ)



Olof Persson  
President and CEO

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

## DELIVERIES

Delivered trucks	Third quarter		Change in %	First nine months		Change in %
	2013	2012		2013	2012	
<b>Group Trucks<sup>1</sup></b>						
Europe	<b>18,250</b>	18,130	1	<b>53,166</b>	60,695	(12)
Western Europe	<b>14,149</b>	13,163	7	<b>41,542</b>	45,982	(10)
Eastern Europe	<b>4,101</b>	4,967	(17)	<b>11,624</b>	14,713	(21)
North America	<b>11,072</b>	10,659	4	<b>31,982</b>	37,329	(14)
South America	<b>7,862</b>	6,332	24	<b>21,647</b>	16,950	28
Asia	<b>7,124</b>	7,267	(2)	<b>20,207</b>	23,030	(12)
Other markets	<b>3,953</b>	3,964	0	<b>11,659</b>	12,722	(8)
<b>Total Group Trucks</b>	<b>48,261</b>	<b>46,352</b>	<b>4</b>	<b>138,661</b>	<b>150,726</b>	<b>(8)</b>
Light duty (< 7 tons)	<b>3,134</b>	3,788	(17)	<b>9,269</b>	11,885	(22)
Medium duty (7-16 tons)	<b>4,046</b>	4,294	(6)	<b>11,930</b>	14,973	(20)
Heavy duty (>16 tons)	<b>41,081</b>	38,270	7	<b>117,462</b>	123,868	(5)
<b>Total Group Trucks</b>	<b>48,261</b>	<b>46,352</b>	<b>4</b>	<b>138,661</b>	<b>150,726</b>	<b>(8)</b>
<b>Non-consolidated operations</b>						
Eicher (100%)	<b>7,047</b>	8,228	(14)	<b>24,636</b>	28,984	(15)
DND (100%)	<b>46</b>	89	(48)	<b>181</b>	345	(48)
<b>Total volumes</b>	<b>55,354</b>	<b>54,669</b>	<b>1</b>	<b>163,478</b>	<b>180,055</b>	<b>(9)</b>
<b>Mack Trucks</b>						
Europe	-	26	-	<b>1</b>	26	(96)
Western Europe	-	-	-	<b>1</b>	-	-
Eastern Europe	-	26	-	-	26	(100)
North America	<b>4,401</b>	4,574	(4)	<b>13,548</b>	17,398	(22)
South America	<b>393</b>	886	(56)	<b>1,523</b>	1,940	(21)
Asia	<b>7</b>	5	40	<b>14</b>	30	(53)
Other markets	<b>238</b>	270	(12)	<b>709</b>	858	(17)
<b>Total Mack Trucks</b>	<b>5,039</b>	<b>5,761</b>	<b>(13)</b>	<b>15,795</b>	<b>20,252</b>	<b>(22)</b>
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	-	-	-	-	-	-
Heavy duty (>16 tons)	<b>5,039</b>	5,761	(13)	<b>15,795</b>	20,252	(22)
<b>Total Mack Trucks</b>	<b>5,039</b>	<b>5,761</b>	<b>(13)</b>	<b>15,795</b>	<b>20,252</b>	<b>(22)</b>
<b>Renault Trucks</b>						
Europe	<b>7,623</b>	9,002	(15)	<b>23,536</b>	29,751	(21)
Western Europe	<b>6,883</b>	7,705	(11)	<b>21,588</b>	26,076	(17)
Eastern Europe	<b>740</b>	1,297	(43)	<b>1,948</b>	3,675	(47)
North America	<b>68</b>	20	240	<b>124</b>	65	91
South America	<b>217</b>	264	(18)	<b>633</b>	852	(26)
Asia	<b>470</b>	954	(51)	<b>1,551</b>	2,851	(46)
Other markets	<b>1,234</b>	1,266	(3)	<b>3,595</b>	3,940	(9)
<b>Total Renault Trucks</b>	<b>9,612</b>	<b>11,506</b>	<b>(16)</b>	<b>29,439</b>	<b>37,459</b>	<b>(21)</b>
Light duty (< 7 tons)	<b>2,659</b>	3,242	(18)	<b>8,200</b>	10,398	(21)
Medium duty (7-16 tons)	<b>1,452</b>	1,463	(1)	<b>4,851</b>	5,231	(7)
Heavy duty (>16 tons)	<b>5,501</b>	6,801	(19)	<b>16,388</b>	21,830	(25)
<b>Total Renault Trucks</b>	<b>9,612</b>	<b>11,506</b>	<b>(16)</b>	<b>29,439</b>	<b>37,459</b>	<b>(21)</b>

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

The information is such that AB Volvo (publ) is obliged to make public pursuant to the Act on stock exchange and clearing activities (SFS 1992:543) and/or the Act on trade with financial instruments (SFS 1991:980). The information was distributed to media for publication on October 25, 2013 at 07:20 a.m.

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

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

	Third quarter			First nine months		
	2013	2012	Change in %	2013	2012	Change in %
<b>Volvo Trucks</b>						
Europe	10,627	9,102	17	29,629	30,918	(4)
Western Europe	7,266	5,458	33	19,953	19,906	0
Eastern Europe	3,361	3,644	(8)	9,676	11,012	(12)
North America	6,579	5,976	10	18,086	19,497	(7)
South America	7,174	5,162	39	19,356	14,066	38
Asia	2,673	2,591	3	8,457	7,773	9
Other markets	1,392	1,289	8	4,038	4,339	(7)
<b>Total Volvo Trucks</b>	<b>28,445</b>	<b>24,120</b>	<b>18</b>	<b>79,566</b>	<b>76,593</b>	<b>4</b>
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	361	366	(1)	1,165	1,247	(7)
Heavy duty (>16 tons)	28,084	23,754	18	78,401	75,346	4
<b>Total Volvo Trucks</b>	<b>28,445</b>	<b>24,120</b>	<b>18</b>	<b>79,566</b>	<b>76,593</b>	<b>4</b>
<b>UD Trucks<sup>1</sup></b>						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	24	89	(73)	224	369	(39)
South America	78	20	290	135	92	47
Asia	3,974	3,717	7	10,185	12,376	(18)
Other markets	1,089	1,139	(4)	3,317	3,585	(7)
<b>Total UD Trucks</b>	<b>5,165</b>	<b>4,965</b>	<b>4</b>	<b>13,861</b>	<b>16,422</b>	<b>(16)</b>
Light duty (< 7 tons)	475	546	(13)	1,069	1,487	(28)
Medium duty (7-16 tons)	2,233	2,465	9	5,914	8,495	(30)
Heavy duty (>16 tons)	2,457	1,954	26	6,878	6,440	7
<b>Total UD Trucks</b>	<b>5,165</b>	<b>4,965</b>	<b>4</b>	<b>13,861</b>	<b>16,422</b>	<b>(16)</b>
<b>Non-consolidated operations</b>						
DND (100%)	46	89	(48)	181	345	(48)
<b>Total volumes</b>	<b>5,211</b>	<b>5,054</b>	<b>3</b>	<b>14,042</b>	<b>16,767</b>	<b>(16)</b>
<b>Eicher<sup>2</sup></b>						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
South America	-	-	-	-	-	-
Asia	7,047	8,228	(14)	24,636	28,984	(15)
Other markets	-	-	-	-	-	-
<b>Total Eicher</b>	<b>7,047</b>	<b>8,228</b>	<b>(14)</b>	<b>24,636</b>	<b>28,984</b>	<b>(15)</b>
Light duty (< 7 tons)	995	995	0	3,361	3,504	(4)
Medium duty (7-16 tons)	4,268	5,550	(23)	15,733	19,494	(19)
Heavy duty (>16 tons)	1,784	1,683	6	5,542	5,986	(7)
<b>Total Eicher</b>	<b>7,047</b>	<b>8,228</b>	<b>(14)</b>	<b>24,636</b>	<b>28,984</b>	<b>(15)</b>

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

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

**Further publication dates**

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Report on the fourth quarter 2013	February 7, 2014
Annual Report 2013	March 2014
Annual General Meeting 2014	April 2, 2014
Report on the first quarter 2014	April 25, 2014
Report on the second quarter 2014	July 24, 2014 (preliminary)
Report on the third quarter 2014	October 24, 2014

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