

VOLVO GROUP REPORT ON THE FOURTH QUARTER 2014



- » In the fourth quarter net sales amounted to SEK 77.5 billion (76.6). Adjusted for currency movements and acquired and divested units sales decreased by 4%.
- » Operating income was negatively impacted by provisions related to the EU antitrust investigation and expected credit losses in China in a total amount of SEK 4,450 M.
- » Excluding above provisions and restructuring charges operating income amounted to SEK 3,021 M, compared with SEK 3,077 M last year (excluding a write-down of Volvo Rents of SEK 1,500 M). This corresponds to an operating margin of 3.9% (4.0). Currency exchange rates had a positive impact of SEK 373 M.
- » Operating cash flow in the Industrial Operations amounted to SEK 10.6 billion (10.3), which contributed to the reduction of net financial debt to 14% of equity in the Industrial Operations.
- » Truck order intake increased by 16% while order intake of construction equipment decreased by 33%.
- » The Board of Directors proposes a dividend of SEK 3.00 per share (3.00).

	Fourth quarter		Year	
	2014	2013	2014	2013
Net sales, SEK M	77,480	76,642	282,948	272,622
Operating income excl. restructuring charges, SEK M	(1,429)	1,577	8,393	7,854
Operating margin excl. restructuring charges, %	(1.8)	2.1	3.0	2.9
Restructuring charges, SEK M	(830)	(581)	(2,569)	(715)
Operating income, SEK M	(2,258)	996	5,824	7,138
Operating margin, %	(2.9)	1.3	2.1	2.6
Income after financial items, SEK M	(2,286)	237	5,089	4,721
Income for the period, SEK M	(2,984)	548	2,235	3,802
Diluted earnings per share, SEK	(1.46)	0.24	1.03	1.76
Operating Cash Flow in Industrial Operations, SEK bn	10.6	10.3	6.4	1.5
Return on shareholders' equity, rolling 12 months, %			2.8	5.0
Net order intake, number of trucks	61,222	52,683	219,791	214,301
Net order intake, number of construction equipment	12,056	18,055	60,575	71,408

CEO'S COMMENTS

Improved profitability in trucks but headwind for construction equipment



In the fourth quarter we saw an underlying profitability improvement in our truck business and continued traction in our activities to improve efficiency and reduce the Group's cost base. However, we also experienced strong headwinds in our construction equipment business where many markets outside of North America continued to deteriorate.

Improved underlying profitability in Trucks

The development on the Group's truck markets in the fourth quarter was characterized by strong growth in North America, somewhat increased activity level in Europe and a weak development in South America, Asia and Russia. In total, truck deliveries were down by 5,500 units, a decline of 9%. Despite a negative impact from lower volumes, lower capacity utilization and a negative market mix, our truck business improved its underlying operating income by 10% to SEK 3.2 billion, corresponding to an operating margin of 6% in the quarter. This is the result of our dedicated work to improve profitability in North America, achieve good price realization on the new Volvo range and lower our operating expenses.

Order intake improved by 16% to more than 61,000 trucks in total. In North America we had a good momentum for our Mack brand, with orders up more than 100%, and in Europe the order trend for our new Renault Trucks range was positive with an increase of 70%, although from low levels. We had a positive market share development in many of our markets, which proves that our efforts and focus to support our customers are successful.

Lower volumes and capacity utilization in Volvo CE

Volvo CE, on the other hand, experienced continued difficulties, with the decline in China accelerating even further. Combined with the weakness in other emerging markets, particularly those depending on commodities and mining, this resulted in a 30% reduction of machine deliveries.

In China demand for new equipment dropped significantly as a result of low machine utilization following the reduced mining and construction activity as well as high inventories of fairly new used equipment in the market. In order not to build inventory, we further reduced the production output, and capacity utilization was low in most of Volvo CE's plants during the quarter. We will continue to run production on low levels in China during the spring in order to bring down the inventories of machines throughout the distribution channel.

We have started the implementation of further measures in Volvo CE to adapt the cost structure and to address the

profitability of certain products. One of these measures is the decision to discontinue development and production of Volvo-branded backhoe loaders and motor graders and transfer design and manufacturing of some models to our operations in China. This results in the closure of Volvo CE's operations in Wroclaw and a substantial reduction in Pederneiras and Shippensburg. All in all these measures will lead to a reduction of 1,000 employees.

Looking to our bus business, it had a weak quarter as a result of production disturbances in one of the plants, while Volvo Penta showed good growth and profitability in the quarter, which is normally seasonally weak. Volvo Financial Services also had a good financial performance with low delinquencies.

Towards improved operational performance

Our work towards further improving operational performance and lower cost levels has good traction, and we can look back at a year of significant change and many improvement activities that are now paying off.

The measures to reduce the number of white-collar employees progressed as planned, and in the fourth quarter another 1,100 white-collars left. In total, 3,200 white-collars have left the Group since we initiated the program at the end of 2013. The restructuring programs in Europe and Japan are on track.

One of our priorities for 2014 was to strengthen our financial position and this has been achieved through a combination of activities to improve cash-flow as well as the divestment of Volvo Rents. All in all, we reduced the net financial debt by almost SEK 10 billion during the year.

Going forward, we still have a lot of hard work ahead of us, but continue to have a good momentum in our activities to improve efficiency and reduce costs across the Group.

A handwritten signature in black ink, appearing to be 'Olof Persson', written in a cursive style.

Olof Persson
President and CEO

FINANCIAL SUMMARY OF THE FOURTH QUARTER

Net sales on the same level as last year

In the fourth quarter, net sales for the Volvo Group amounted to SEK 77,480 M (76,642). Adjusted for changes in currency exchange rates net sales were down by 4% compared to last year. Sales increased significantly in North America whereas it decreased in all other main markets.

Operating income negatively impacted by provisioning for the EU antitrust investigation and credit losses

The Volvo Group's operating income was impacted by restructuring charges (SEK 830 M) and provisions for the EU Commission investigation (SEK 3,790 M) and credit losses in China (SEK 660 M). In the fourth quarter of 2013 operating income was impacted by a write-down of Volvo Rents (SEK 1,500 M) and restructuring charges (SEK 581 M).

Excluding these items, operating income amounted to SEK 3,021 M compared with SEK 3,077 M, corresponding

to an operating margin of 3.9% (4.0).

Compared to the fourth quarter 2013, the somewhat lower underlying operating income was primarily driven by lower sales volumes, lower capacity utilization in the industrial system as well as higher research and development expenses. This was partly off-set by improved gross margins for new products as well as services and aftermarket products in both Europe and North America. Lower selling and administrative expenses had a positive impact. Favorable currency development impacted operating income in an amount of SEK 373 M compared to the same quarter last year.

Research and development expenses were SEK 245 M higher compared to the same quarter last year. The increase relates to lower capitalization of research and development expenses. Cash spend in research and development was reduced by SEK 207 M compared to the fourth quarter of 2013.

Consolidated income statement, Volvo Group SEK M	Fourth quarter		Year	
	2014	2013	2014	2013
Net sales	77,480	76,642	282,948	272,622
Cost of sales	(60,883)	(59,789)	(220,012)	(212,504)
Gross income	16,597	16,853	62,937	60,118
Research and development expenses	(4,436)	(4,191)	(16,656)	(15,124)
Selling expenses	(7,255)	(7,558)	(27,448)	(28,506)
Administrative expenses	(1,520)	(1,605)	(5,408)	(5,862)
Other operating income and expenses	(5,694)	(2,528)	(7,697)	(3,554)
Income (loss) from investments in joint ventures and associated companies	17	(3)	46	96
Income from other investments	32	27	50	(30)
Operating income	(2,258)	996	5,824	7,138
Interest income and similar credits	78	89	328	381
Interest expense and similar charges	(517)	(893)	(1,994)	(2,810)
Other financial income and expenses	411	45	931	11
Income after financial items	(2,286)	237	5,089	4,721
Income taxes	(698)	311	(2,854)	(919)
Income for the period*	(2,984)	548	2,235	3,802
*Attributable to:				
Equity holders of the parent company	(2,957)	485	2,099	3,583
Minority interests	(27)	63	136	219
	(2,984)	548	2,235	3,802
Basic earnings per share, SEK	(1.46)	0.24	1.03	1.77
Diluted earnings per share, SEK	(1.46)	0.24	1.03	1.76

Net sales by market area SEK M	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Western Europe	24,563	26,341	(7)	87,679	86,131	2
Eastern Europe	4,699	6,097	(23)	18,497	19,190	(4)
North America	21,595	17,352	24	76,258	63,088	21
South America	7,179	7,604	(6)	26,958	29,758	(9)
Asia	13,568	13,948	(3)	52,076	53,512	(3)
Other markets	5,876	5,299	11	21,481	20,942	3
Volvo Group	77,480	76,642	1	282,948	272,622	4

Net financial items

Compared with the fourth quarter of 2013, net interest expense decreased due to lower financial liabilities and lower interest rates on outstanding debt and amounted to SEK 439 M (804). In the fourth quarter of 2013 net interest expense included an adjustment related to capitalized borrowing costs of SEK 156 M.

Net interest expense in the third quarter of 2014 amounted to SEK 395 M.

Other financial income and expenses was positively impacted in an amount of SEK 401 M (31) from revaluation of derivatives.

Income taxes

The tax expense amounted to SEK 698 M compared with an income of SEK 311 M in the preceding year. The high tax expense in relation to earnings is mainly a result of the provision for the EU Commission antitrust investigation not being tax deductible.

Income for the period and earnings per share

Income for the period amounted to negative SEK 2,984 M in the fourth quarter of 2014 compared with positive SEK 548 M in the fourth quarter of 2013.

Diluted earnings per share in the fourth quarter amounted to SEK -1.46 compared with SEK 0.24 in the fourth quarter of 2013.

Seasonally strong cash flow of SEK 10.6 billion in the Industrial Operations

In the fourth quarter of 2014, operating cash flow in the Industrial Operations amounted to SEK 10.6 billion (10.3), which is primarily a result of a reduction of working capital in an amount of SEK 8.9 billion.

Volvo Group financial position

By the end of the fourth quarter net financial debt, excluding provision for post-employment benefits, in the Industrial Operations amounted to SEK 9.9 billion, equal to 14.2% of shareholders' equity, which is a decrease of SEK 12.8 billion compared to the end of the third quarter. The

change is mainly explained by positive operating cash flow of SEK 10.6 billion. Including post-employment benefits the Industrial operations net debt amounted to SEK 26.4 billion which is equal to 37.6% of shareholders equity.

The Volvo Group's liquid funds, i.e. cash and cash equivalents and marketable securities combined amounted to SEK 33.6 billion on December 31, 2014. In addition to this, granted but unutilized credit facilities amounted to SEK 39.2 billion. Cash and cash equivalents as of December 31, 2014 include 0.2 (0.2) billion that is not available to use by the Volvo Group and SEK 6.1 (7.7) billion where other limitations exist, mainly liquid funds in countries where exchange controls or other legal restrictions apply. This means that it is not possible to immediately use the liquid funds in other parts of the Volvo Group, however normally there is no limitation for use for the Volvo Group's operation in the respective country.

During the fourth quarter, currency movements increased the Volvo Group's total assets by SEK 9.2 billion related to revaluation of assets in foreign subsidiaries.

At the end of the fourth quarter the shareholders' equity for the Volvo Group amounted to SEK 80.0 billion compared to SEK 77.4 billion at year-end 2013. The equity ratio was 20.9% compared to 22.4% on December 31 2013. At the same date the equity ratio in the industrial Operations amounted to 25.7% (27.0).

Number of employees

On December 31, 2014 the Volvo Group had 92,822 regular employees and 11,749 temporary employees and consultants, compared with 95,533 regular employees and 14,794 temporary employees and consultants at year-end 2013. During 2014 the total headcount was reduced by 5,756 people.

The divestment of Volvo Rents reduced the number of regular employees by 2,166, while the acquisition of the hauler business from Terex added 433 regular employees.

During the fourth quarter of 2014, the number of white-collar employees and consultants was reduced by 1,106 as a consequence of the efficiency program.

BUSINESS SEGMENT OVERVIEW

Net sales SEK M	Fourth quarter				Year	
	2014	2013	Change in %	Change in %*	2014	2013
Trucks	53,821	51,961	4	(2)	190,904	178,474
Construction Equipment	12,277	13,005	(6)	(13)	52,855	53,437
Buses	5,928	5,512	8	(0)	18,645	16,707
Volvo Penta	2,003	1,777	13	7	7,790	7,550
Corporate Functions, Group Functions & Other	2,369	3,592	(34)	(6)	8,162	12,410
Eliminations	(758)	(949)	20	20	(2,356)	(3,158)
Industrial operations	75,640	74,898	1	(4)	275,999	265,420
Customer Finance	2,714	2,452	11	4	10,111	9,539
Reclassifications and eliminations	(874)	(708)	(24)	23	(3,162)	(2,336)
Volvo Group	77,480	76,642	1	(4)	282,948	272,622

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

Operating income excl. restructuring charges SEK M	Fourth quarter		Year	
	2014	2013	2014	2013
Trucks ¹	(542)	2,965	5,622	6,824
Construction Equipment ²	(815)	272	1,231	2,592
Buses	(58)	50	98	(190)
Volvo Penta	90	72	729	626
Corporate Functions, Group Functions & Other ³	(582)	(2,198)	(1,180)	(3,570)
Eliminations	6	20	176	49
Industrial operations	(1,901)	1,181	6,676	6,332
Customer Finance	472	397	1,717	1,522
Volvo Group excl. restructuring charges	(1,429)	1,577	8,393	7,854

Restructuring charges				
Trucks	(199)	(549)	(1,464)	(679)
Construction Equipment	(579)	-	(579)	-
Buses	-	-	(6)	-
Volvo Penta	-	-	(5)	-
Other	(52)	(32)	(510)	(36)
Industrial operations	(830)	(581)	(2,564)	(715)
Customer Finance	-	-	(5)	-
Volvo Group restructuring charges	(830)	(581)	(2,569)	(715)
Volvo Group	(2,258)	996	5,824	7,138

¹ The fourth quarter of 2014 includes costs of SEK 3,790 M related to EU anti-trust investigation.

² The fourth quarter of 2014 includes costs of SEK 660 M related to expected credit losses.

³ A write-down of Volvo Rents had a negative impact on operating income of SEK 1,500 M in the fourth quarter of 2013.

Operating margin excl. restructuring charges %	Fourth quarter		Year	
	2014	2013	2014	2013
Trucks	(1.0)	5.7	2.9	3.8
Construction Equipment	(6.6)	2.1	2.3	4.9
Buses	(1.0)	0.9	0.5	(1.1)
Volvo Penta	4.5	4.0	9.4	8.3
Industrial operations	(2.5)	1.6	2.4	2.4
Volvo Group excl. restructuring charges	(1.8)	2.1	3.0	2.9
Volvo Group	(2.9)	1.3	2.1	2.6

TRUCKS

Improved underlying profitability on lower volumes

- » Strong demand in North America and weak markets in South America
- » Order intake increased by 16% compared to last year, driven by North America and Europe
- » Provision related to the EU antitrust investigation of SEK 3,790 M
- » Operating margin excluding restructuring charges and the EU antitrust provision amounted to 6.0% (5.7)



Good demand in North America and continued weakness in South America

During the fourth quarter demand developed favorably in North America and parts of Europe, while demand in South America, parts of Asia and Russia continued to decline.

During 2014 registrations of heavy-duty trucks in Europe decreased by 5% to 228,000 vehicles compared with 2013. The market development in 2014 is a reflection of the slow GDP growth across the Eurozone with continued weak demand in France and Italy as well as the uncertainty related to the geopolitical situation surrounding Russia. The fundamentals in the transport industry have improved slightly, and for 2015 the total market for heavy-duty trucks in Europe is expected to be on a level of about 240,000 trucks (previous forecast 230,000).

The total North American retail market for heavy-duty trucks increased by 14% to 270,000 vehicles. A robust manufacturing environment, along with a strong U.S. GDP and rising freight demand, positively affected fourth quarter retail sales. The total North American market for heavy-duty trucks is expected to show continued growth to a level of about 310,000 trucks in 2015 (previous forecast 280,000).

In 2014, the Brazilian market for heavy-duty trucks decreased by 11% vehicles compared with 2013. Truck demand in South America was affected by lower GDP growth and lower business activity across the continent. In

Brazil, the most important market in South America, demand is currently low as a result of a weak economy and changed conditions (increased interest rates and down payments) in the government's subsidized financing program for commercial vehicles. This means that the total market will have a weak start in 2015. For 2015 the total market for heavy-duty trucks in Brazil is expected to decline to a level of about 75,000 trucks (previous forecast 85,000).

The total market for heavy-duty and medium-duty trucks in Japan increased by 26% to 88,400 vehicles in 2014 as a result of an improving Japanese economy. For 2015, the market for heavy-duty and medium-duty trucks is expected to be on a level of 85,000 vehicles (unchanged forecast).

Order intake improved by 16% – book-to-bill of 109%

The total net orders increased by 16% in the fourth quarter compared with the year-earlier period. Net orders of 61,222 trucks and deliveries of 56,119 trucks resulted in a book-to-bill ratio of 109% for the Group's wholly-owned operations.

Orders posted large regional differences in the quarter, where orders in North America continued to improve with an increase of 48%.

Orders in Europe increased by 49%, with orders for Renault Trucks up by 70% compared to the fourth quarter of 2013, when order intake was weak as a consequence of the prebuy of trucks ahead of the change to new Euro 6

Total market development	Year		Change in %	Forecast 2015	Change vs. previous forecast
	2014	2013			
Registrations, number of trucks					
Europe 30 ¹ heavy-duty	227,612	240,443	(5)	240,000	+10,000
North America heavy-duty	270,275	236,809	14	310,000	+30,000
Brazil heavy-duty	92,665	103,829	(11)	75,000	-10,000
China heavy-duty	743,698	773,990	(4)	730,000	-40,000
China medium-duty	243,450	286,413	(15)	220,000	-20,000
India heavy-duty	154,782	131,713	18	160,000	Unchanged
India medium-duty	62,265	76,318	(18)	73,000	Unchanged
Japan heavy-duty	42,200	33,800	25	40,000	Unchanged
Japan medium-duty	46,155	36,365	27	45,000	Unchanged

¹ EU minus Bulgaria plus Norway and Switzerland

Net order intake per market	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Number of trucks						
Europe	21,395	14,322	49	79,731	82,427	(3)
Volvo	11,355	8,408	35	44,507	49,408	(10)
Renault	10,040	5,914	70	35,224	33,018	7
North America	24,703	16,690	48	71,795	51,542	39
whereof Volvo	12,023	10,972	10	39,132	31,309	25
whereof Mack	12,601	5,687	122	32,330	19,835	63
South America	3,556	7,612	(53)	19,549	30,827	(37)
Asia	8,316	9,494	(12)	32,808	32,802	0
Other markets	3,252	4,565	(29)	15,908	16,703	(5)
Total Trucks	61,222	52,683	16	219,791	214,301	3

Non-consolidated operations						
VECV/Eicher (100%)	7,473	6,740	11	30,400	31,449	(3)
DVT (100%)	41	28	46	120	174	(31)
Total volumes	68,736	59,451	16	250,311	245,924	2

emission legislation having ended earlier in the autumn.

Orders in South America declined to 3,556 trucks, down by 53% compared with the fourth quarter of last year. As a consequence of the transition to the new range of Volvo FH and Volvo FM trucks as well as the low order intake, the Brazilian operation will implement extra stop weeks during the first quarter.

Compared with the fourth quarter of 2013 orders in Asia declined by 12%.

Deliveries declined by 9% in the fourth quarter

In the fourth quarter of 2014, truck deliveries rose by 23% in North America, while deliveries declined by 28% in Europe compared with the high deliveries in 2013 caused by the prebuy of Euro 5 trucks. Deliveries in South

America were down by 18%. In total the Volvo Group's wholly-owned operations delivered 56,119 trucks, which was 9% fewer than in the fourth quarter of 2013.

Operating margin of 6.0% excluding restructuring charges and EU antitrust provision

During the fourth quarter of 2014, the truck operation's net sales amounted to SEK 53,821 M, which was 4% higher than in the fourth quarter of 2013. Adjusted for changes in exchange rates net sales decreased by 2%.

The truck operations operating income in the fourth quarter was negatively impacted by a provision of SEK 3,790 M related to the EU antitrust investigation and restructuring charges of SEK 199 M (549). Excluding these items operating income amounted to SEK 3,248 M

Deliveries per market	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Number of trucks						
Europe	20,805	28,922	(28)	72,458	82,088	(12)
North America	15,758	12,773	23	57,714	44,755	29
South America	6,177	7,490	(18)	23,741	29,137	(19)
Asia	8,940	8,485	5	32,399	28,692	13
Other markets	4,439	3,943	13	16,812	15,602	8
Total Trucks	56,119	61,613	(9)	203,124	200,274	1

Non-consolidated operations						
VECV/Eicher (100%)	7,604	6,786	12	30,375	31,422	(3)
DVT (100%)	49	32	53	107	213	(50)
Total	63,772	68,431	(7)	233,606	231,909	1

Net sales by market area	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
SEK M						
Europe	20,631	24,257	(15)	72,757	73,640	(1)
North America	15,377	10,934	41	53,696	40,314	33
South America	5,204	5,739	(9)	19,669	23,318	(16)
Asia	8,385	7,433	13	29,264	26,740	9
Other markets	4,224	3,597	17	15,518	14,462	7
Total	53,821	51,961	4	190,904	178,474	7

(2,965), corresponding to an operating margin of 6.0% (5.7).

The underlying improvement compared with the fourth quarter 2013 was mainly a result of improved gross margins from positive price realization in Europe, higher volumes and gross margins in North America, lower operating expenses from the efficiency program as well as higher earnings in the aftermarket. This was partly offset by lower capacity utilization in the plants in the industrial

system as well as lower volumes and gross margins in South America.

Earnings were negatively impacted by SEK 271 M from lower net capitalization of research and development expenses compared with the fourth quarter of 2013. Changes in currency exchange rates had a positive impact on operating income of SEK 398 M compared to the fourth quarter of 2013.

CONSTRUCTION EQUIPMENT

Operating loss due to low volumes and risk provision in China

- » Continued headwind on most markets – order intake down 33%
- » SEK 660 M provision for expected credit losses in China
- » Low capacity utilization in the industrial system
- » Restructuring program started – Volvo branded backhoe loaders and motor graders to be phased out; plant closure



Stagnation in Europe and accelerated decline in China

Through November 2014 the European market was up by 7% with growth coming mainly from the United Kingdom, Germany and France. However, towards the end of the year the European market stagnated, mainly as a consequence of a sharp decline in Russia as well as a slowdown in Germany and France.

The North American market continued to perform well in all product areas throughout 2014.

The decrease in South America was mainly caused by Brazil after the majority of the large government deals had been delivered during 2013 as well as economic instability in much of the region.

In Asia all markets, with the exception of Japan, were below 2013 levels with continued decline in South East Asia, India and Korea as a result of low mining activity.

The Chinese market started declining in March, and the downturn accelerated and resulted in a decline of 34% in September through November compared to the same

period in 2013. The decline was mainly caused by reduced construction and infrastructure projects and low machine utilization resulting in liquidity pressure on dealers and customers affecting their ability to pay leasing installments. Increased inventories of used equipment are having a negative impact on sales of new equipment.

Deliveries down 30%

In the fourth quarter of 2014, unit deliveries decreased by 30% compared to last year, mainly driven by lower demand in China and Russia, particularly impacting the SDLG brand.

Order intake down 33%

In the fourth quarter of 2014 net order intake was 33% lower than in the same period in 2013. Order intake was lower in all regions, especially in Asia and particularly in China.

Order intake in Asia was 46% below last year mainly

Total market development	Year-to-date Nov.		
	2014	Forecast 2015	Previous forecast
Change in % measured in units			
Europe	7	-10% to 0%	-5% to +5%
North America	11	-5% to +5%	-5% to +5%
South America	(16)	-10% to 0%	-10% to 0%
Asia excl. China	(2)	-10% to 0%	-10% to 0%
China	(15)	-15% to -5%	-15% to -5%

Deliveries per market	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Number of machines						
Europe	2,702	3,156	(14)	14,174	13,522	5
North America	1,510	1,368	10	7,127	5,240	36
South America	1,023	876	17	3,669	3,568	3
Asia	6,172	11,109	(44)	33,648	44,892	(25)
Other markets	671	780	(14)	2,699	3,564	(24)
Total deliveries	12,078	17,289	(30)	61,317	70,786	(13)

Of which:

Volvo	7,713	8,925	(14)	36,755	38,155	(4)
SDLG	4,296	8,364	(49)	24,445	32,631	(25)
Of which in China	3,313	7,311	(55)	19,964	27,559	(28)

driven by the rapid slowdown in China impacting both brands, Volvo and SDLG. Also in the rest of Asia demand was lower in the quarter.

In the fourth quarter order intake in North America was 8% lower than in 2013 mainly due to lower demand for additional units into rental fleets. For the full year 2014, order intake was still 25% higher than last year, driven by stable economic activity.

In Europe, order intake in the quarter was 17% lower than last year impacted by the sharp decline in the Russian market and an overall uncertainty about the economic development impacting large markets like France and Germany. For the full year 2014 the order intake was slightly below 2013.

Lower sales and substantial losses

In the fourth quarter of 2014, net sales decreased by 6% to SEK 12,277 M (13,005). Adjusted for currency movements net sales decreased by 13%.

Earnings were negatively impacted by lower sales volumes, low capacity utilization and the previously announced provision of SEK 660 M for expected credit

losses in China and restructuring charges of SEK 579 M (0). Excluding the provision and restructuring charges the operating loss amounted to SEK 155 M (income: 272), corresponding to an operating margin of -1.3% (2.1).

Currency exchange rates had a positive impact of SEK 39 M on operating income compared to the fourth quarter of 2013.

Capacity utilization was low as a consequence of significant cutbacks in production in order to adapt to declining sales volumes and to control inventory levels, and during the quarter Volvo CE managed to reduce its inventory.

In November Volvo CE announced restructuring measures, including that it is to cease production of motor graders and backhoe loaders in its European and Americas operations and shift the design and manufacturing responsibility for some models of such machines to the company's existing facilities in China. These measures, alongside other efficiency programs in operations, technology and sales and marketing, will result in a reduction in the workforce of 1,000 employees.

Net order intake per market	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Number of machines						
Europe	3,193	3,830	(17)	13,771	14,085	(2)
North America	1,426	1,547	(8)	6,974	5,595	25
South America	692	702	(1)	3,614	3,300	10
Asia	6,064	11,281	(46)	33,529	44,776	(25)
Other markets	680	695	(2)	2,687	3,652	(26)
Total orders	12,056	18,055	(33)	60,575	71,408	(15)
Of which:						
Volvo	7,691	9,691	(21)	36,013	38,777	(7)
SDLG	4,296	8,364	(49)	24,445	32,631	(25)
Of which in China	3,313	7,311	(55)	19,964	27,559	(28)

Net sales by market area	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
SEK M						
Europe	4,023	4,122	(2)	17,215	16,356	5
North America	2,595	2,105	23	10,784	8,319	30
South America	843	831	1	3,234	3,314	(2)
Asia	3,958	5,100	(22)	18,458	21,911	(16)
Other markets	857	846	1	3,164	3,539	(11)
Total	12,277	13,005	(6)	52,855	53,437	(1)

BUSES

Loss in the quarter, positive earnings for the full year

- » Operating loss of SEK 58 M in the fourth quarter
- » Operating income of SEK 98 M (-190) for the full year
- » Production disturbances in the quarter
- » Volvo 7900 Electric Hybrid in commercial service



The global bus market remained on low levels during 2014. Europe experienced a positive development during the first half of the year, but the market slowed down during the second half of 2014. The Asian market is slowly recovering, from low levels. In South America, the Brazilian city bus market is slow, while the coach market is gradually recovering. In North America, the coach and commuter markets continue to improve.

Volvo Buses delivered 2,722 buses during the fourth quarter 2014, compared to 3,096 units in the fourth quarter of 2013, a decrease of 12%. Order intake in the fourth quarter totaled 2,329 buses, which was 3% lower than last year.

The new Volvo 7900 Electric Hybrid commenced scheduled operation in Hamburg in December. The route will be used by the public transport company in Hamburg to run comparative tests of innovative drive technologies

under the strict everyday conditions of scheduled services. The Electric Hybrid reduces energy consumption by 60% and carbon dioxide by up to 75%, compared to a conventional Euro 6 diesel bus. It runs in electric mode in average 70% of the route and offers flexibility in operation. Charging at end stations takes less than six minutes.

Net sales in the fourth quarter increased by 8% to SEK 5,928 M (5,512). Adjusted for currency fluctuations, sales were flat, compared to the same period 2013.

Buses reported an operating loss of SEK 58 M (income: 50). The operating margin was -1.0% (0.9). The loss in the quarter is an effect of production disturbances in one of the plants. Measures are being implemented to correct the situation. Compared to the fourth quarter of 2013, operating income was positively impacted by currency exchange rates in an amount of SEK 55 M.

Net sales by market area SEK M	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Europe	1,894	1,620	17	6,139	5,429	13
North America	2,381	2,171	10	6,721	5,929	13
South America	729	701	4	2,559	1,836	39
Asia	527	628	(16)	1,892	2,055	(8)
Other markets	396	392	1	1,334	1,457	(8)
Total	5,928	5,512	8	18,645	16,707	12

VOLVO PENTA

Good sales growth

- » Highest fourth quarter sales since 2010
- » Improved operating margin due to favorable mix and currency effects
- » Pilot Boat equipped with forward-facing drive (IPS) named among "Top 10 Workboats 2014" in the U.S.



The global Marine market remains flat overall, with cautiously optimistic signals from European and American leisure boat builders. There is an increased activity in the Marine Commercial market. The industrial versatile engine market shows mixed signs. China is still at low levels. In Europe, the mining market is poor, construction is stable, and material handling is expected to grow. The overall industrial generator set market is growing, except in China.

The volume in the total order book at December 31, 2014 was 5,389 units (4,719).

Net sales in the fourth quarter of 2014 increased by 13% compared to last year and amounted to SEK 2,003 M

(1,777). Adjusted for exchange-rate fluctuations, net sales increased by 7%. Sales in the fourth quarter were distributed between business segments as follows: Marine SEK 1,115 M (923) and Industrial SEK 888 M (854).

Operating income amounted to SEK 90 M (72). The operating margin was 4.5% (4.0). Earnings were positively impacted by a favorable customer and product mix as well as currency effects. Compared with the fourth quarter of 2013, operating income was impacted positively by changes in currency exchange rates in an amount of SEK 69 M.

Net sales by market area SEK M	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Europe	917	901	2	3,779	3,714	2
North America	409	316	29	1,584	1,491	6
South America	125	99	25	386	297	30
Asia	438	381	15	1,615	1,692	(5)
Other markets	115	80	44	425	356	19
Total	2,003	1,777	13	7,790	7,550	3

VOLVO GROUP'S CUSTOMER FINANCE

Strong results

- » Profitable portfolio growth
- » Continued good portfolio performance
- » Improved profitability



The customer finance business recorded high levels of new business volume primarily due to increased finance penetration of Group products.

The gross credit portfolio increased, on a currency-adjusted basis, by 2% when compared to the fourth quarter of 2013 and is now at an all-time high. Credit reserves and portfolio performance remained stable during the quarter with continued strong performance noted in North America and improvements seen in Europe.

Operating income improved to SEK 472 M (397), mainly due to profitable growth, improved portfolio performance and operating expense control.

During the quarter, Volvo Financial Services syndicated approximately SEK 3.0 billion of the credit portfolio across a number of markets, including SEK 1.7 billion in Brazil, effectively reducing concentration risks and freeing up credit capacity to support sales.

Customer finance SEK M	Fourth quarter		Year	
	2014	2013	2014	2013
Number of financed units	15,660	16,450	54,819	51,466
Total penetration rate ¹ , %	29	28	28	27
New financing volume, SEK billion	16.2	15.0	54.7	47.0
Credit portfolio net, SEK billion	–	–	117	104
Credit provision expenses	208	244	858	923
Operating income, excl. restructuring charges	472	397	1,717	1,522
Credit reserves, % of credit portfolio	–	–	1.33	1.31
Return on shareholders' equity, rolling 12 month, %	–	–	12.5	12.1

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

IMPORTANT EVENTS

Volvo CE transfers backhoe loaders and motor graders to SDLG to improve profitability

As part of the Volvo Group's ongoing activities to improve profitability and reduce costs, Volvo CE on November 13, 2014 announced that it will discontinue development and production of its current product line of Volvo-branded backhoe loaders and motor graders. In the future, these products will instead be manufactured by Volvo CE's Chinese company SDLG. Combined with other efficiency enhancement measures, this will result in a workforce reduction of about 1,000 employees, of whom the majority is in Poland, the U.S. and Brazil.

Provision for expected credit losses for Volvo CE

On November 21, 2014 it was announced that Volvo CE's operating income for the fourth quarter of 2014 would be negatively impacted by a provision for expected credit losses in China. The provision impacted the operating income in the fourth quarter of 2014 in an amount of SEK 660 M.

Provision related to EU antitrust investigation

After an evaluation of the Statement of Objections, issued by the European Commission on November 20, 2014 in the on-going antitrust investigation relating to the time period prior to January 18, 2011, the Volvo Group on November 25, 2014 announced that it had decided to make a provision of EUR 400 M. The provision impacted the operating income negatively in the fourth quarter 2014.

Volvo issued hybrid bond

On December 4, 2014 AB Volvo announced that it had successfully issued a hybrid bond via its wholly-owned subsidiary Volvo Treasury AB, amounting to EUR 1.5 billion in order to further strengthen the Group's balance sheet and prolong the maturity structure of the debt portfolio. The hybrid bond is accounted for as a loan and subordinated to all other financial liabilities currently outstanding. The hybrid bond will be eligible for 50% equity treatment from both Moody's and S&P when calculating Volvo's credit ratios.

Completion of the acquisition of 45% of Dongfeng Commercial Vehicles

On January 5, 2015 AB Volvo announced that it had completed the acquisition of 45% of the Chinese automotive manufacturer Dongfeng Commercial Vehicles Co., Ltd (DFCV). The purchase consideration amounted to RMB 5.5 billion. DFCV includes most of Dongfeng's operations in heavy- and medium-duty commercial vehicles. The transaction strengthens the Volvo Group's position in medium-duty trucks significantly while the Group will become one of the world's largest manufacturers of both medium- and heavy-duty trucks.

Previously reported important events

- Chinese authority approves joint venture between the Volvo Group and Dongfeng Motor Group
- Divestiture of Volvo Rents completed
- Volvo Group divests commercial real estate
- Annual General Meeting of AB Volvo
- Volvo Construction Equipment finalizes acquisition of hauler business from Terex
- Volvo Group signs EUR 3.5 billion revolving credit facilities
- Volvo Group ordered by a U.S. Court to pay penalties in engine emission case
- Further cost-reductions and changed format for external follow-up

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

CONSOLIDATED INCOME STATEMENT **FOURTH QUARTER**

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Net sales	75,640	74,898	2,714	2,452	(874)	(708)	77,480	76,642
Cost of sales	(60,153)	(59,099)	(1,604)	(1,397)	874	708	(60,883)	(59,789)
Gross income	15,487	15,799	1,110	1,055	-	-	16,597	16,853
Research and development expenses	(4,436)	(4,191)	-	-	-	-	(4,436)	(4,191)
Selling expenses	(6,826)	(7,128)	(428)	(429)	-	-	(7,255)	(7,558)
Administrative expenses	(1,509)	(1,596)	(11)	(9)	-	-	(1,520)	(1,605)
Other operating income and expenses	(5,496)	(2,308)	(198)	(220)	-	-	(5,694)	(2,528)
Income (loss) from investments in joint ventures and associated companies	17	(3)	-	-	-	-	17	(3)
Income from other investments	33	27	(1)	-	-	-	32	27
Operating income	(2,731)	600	472	397	-	-	(2,258)	996
Interest income and similar credits	78	89	-	-	-	-	78	89
Interest expense and similar charges	(517)	(893)	-	-	-	-	(517)	(893)
Other financial income and expenses	411	45	-	-	-	-	411	45
Income after financial items	(2,758)	(160)	472	397	-	-	(2,286)	237
Income taxes	(579)	439	(119)	(128)	-	-	(698)	311
Income for the period*	(3,338)	279	354	270	-	-	(2,984)	548
<i>*Attributable to:</i>								
Equity holders of the parent							(2,957)	485
Minority interests							(27)	63
							(2,984)	548
Basic earnings per share, SEK							(1.46)	0.24
Diluted earnings per share, SEK							(1.46)	0.24
Key operating ratios, %								
Gross margin	20.5	21.1	-	-	-	-	21.4	22.0
Research and development expenses in % of net sales	5.9	5.6	-	-	-	-	5.7	5.5
Selling expenses in % of net sales	9.0	9.5	-	-	-	-	9.4	9.9
Administrative expenses in % of net sales	2.0	2.1	-	-	-	-	2.0	2.1
Operating margin	(3.6)	0.8	-	-	-	-	(2.9)	1.3

CONSOLIDATED OTHER COMPREHENSIVE INCOME **FOURTH QUARTER**

SEK M	2014	2013
Income for the period	(2,984)	548
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	(1,282)	(185)
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	2,080	484
Share of OCI related to joint ventures and associated companies	104	21
Accumulated translation difference reversed to income	(7)	47
Available for sale investments	1,046	356
Cash flow hedges	(5)	(23)
Other comprehensive income, net of income taxes	1,936	700
Total comprehensive income for the period*	(1,048)	1,248
<i>*Attributable to:</i>		
Equity holders of the parent company	(1,150)	1,156
Minority interests	102	92
	(1,048)	1,248

CONSOLIDATED INCOME STATEMENT YEAR

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Net sales	275,999	265,420	10,111	9,539	(3,162)	(2,337)	282,948	272,622
Cost of sales	(217,251)	(209,307)	(5,923)	(5,534)	3,162	2,337	(220,012)	(212,504)
Gross income	58,748	56,113	4,188	4,005	-	-	62,937	60,118
Research and development expenses	(16,656)	(15,124)	-	-	-	-	(16,656)	(15,124)
Selling expenses	(25,778)	(26,904)	(1,670)	(1,602)	-	-	(27,448)	(28,506)
Administrative expenses	(5,367)	(5,824)	(41)	(38)	-	-	(5,408)	(5,862)
Other operating income and expenses	(6,931)	(2,710)	(766)	(843)	-	-	(7,697)	(3,554)
Income (loss) from investments in joint ventures and associated companies	46	96	-	-	-	-	46	96
Income from other investments	49	(31)	1	-	-	-	50	(30)
Operating income	4,111	5,616	1,712	1,522	-	-	5,824	7,138
Interest income and similar credits	328	381	-	-	-	-	328	381
Interest expense and similar charges	(1,994)	(2,810)	-	-	-	-	(1,994)	(2,810)
Other financial income and expenses	931	11	-	-	-	-	931	11
Income after financial items	3,377	3,199	1,712	1,522	-	-	5,089	4,721
Income taxes	(2,287)	(451)	(568)	(468)	-	-	(2,854)	(919)
Income for the period*	1,091	2,748	1,145	1,054	-	-	2,235	3,802
*Attributable to:								
Equity holders of the parent							2,099	3,583
Minority interests							136	219
							2,235	3,802
Basic earnings per share, SEK							1.03	1.77
Diluted earnings per share, SEK							1.03	1.76
Key operating ratios								
Gross margin, %	21.3	21.1	-	-	-	-	22.2	22.1
Research and development expenses in % of net sales	6.0	5.7	-	-	-	-	5.9	5.5
Selling expenses in % of net sales	9.3	10.1	-	-	-	-	9.7	10.5
Administrative expenses in % of net sales	1.9	2.2	-	-	-	-	1.9	2.2
Operating margin, %	1.5	2.1	-	-	-	-	2.1	2.6

CONSOLIDATED OTHER COMPREHENSIVE INCOME YEAR

SEK M	2014	2013
Income for the period	2,235	3,802
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	(2,833)	3,904
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	5,998	(1,634)
Share of OCI related to joint ventures and associated companies	198	(135)
Accumulated translation difference reversed to income	33	37
Available for sale investments	3,067	470
Cash flow hedges	24	9
Other comprehensive income, net of income taxes	6,487	2,651
Total comprehensive income for the period*	8,722	6,453
*Attributable to:		
Equity holders of the parent company	8,334	6,196
Minority interests	388	257
	8,722	6,453

CONSOLIDATED BALANCE SHEET

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013
Assets								
Non-current assets								
Intangible assets	37,010	36,479	105	109	-	-	37,115	36,588
<i>Tangible assets</i>								
Property, plant and equipment	55,087	52,146	94	87	-	-	55,181	52,233
Assets under operating leases	19,484	17,013	17,872	13,714	(6,138)	(5,055)	31,218	25,672
<i>Financial assets</i>								
Investments in joint ventures and associated companies	4,821	4,377	-	-	-	-	4,821	4,377
Other shares and participations	5,004	1,944	13	6	-	-	5,017	1,950
Non-current customer-financing receivables	1,205	727	51,380	49,466	(1,254)	(6,401)	51,331	43,792
Deferred tax assets	15,022	12,326	809	840	-	-	15,831	13,166
Prepaid pensions	126	11	-	11	-	-	126	22
Non-current interest-bearing receivables	1,041	550	22	34	378	(104)	1,441	480
Other non-current receivables	3,528	3,017	150	128	(165)	(208)	3,513	2,937
Total non-current assets	142,328	128,590	70,445	64,395	(7,179)	(11,768)	205,594	181,217
Current assets								
Inventories	45,364	40,964	169	189	-	-	45,533	41,153
<i>Current receivables</i>								
Customer-financing receivables	623	679	48,063	40,854	(850)	(1,464)	47,836	40,069
Tax assets	2,918	1,692	496	57	-	-	3,414	1,749
Interest-bearing receivables	1,736	1,645	345	473	(968)	(1,209)	1,113	909
Internal funding	4,374	2,256	-	-	(4,374)	(2,256)	-	-
Accounts receivable	30,495	29,170	400	245	-	-	30,895	29,415
Other receivables	13,950	12,207	1,984	1,383	(1,265)	(936)	14,669	12,654
Non interest-bearing assets held for sale	288	8,102	-	-	-	-	288	8,102
Interest-bearing assets held for sale	-	2	-	-	-	-	-	2
Marketable securities	6,927	2,570	385	21	-	-	7,312	2,591
Cash and cash equivalents	24,178	25,660	2,470	1,679	(406)	(371)	26,242	26,968
Total current assets	130,853	124,947	54,312	44,901	(7,863)	(6,236)	177,302	163,612
Total assets	273,181	253,537	124,757	109,296	(15,042)	(18,004)	382,896	344,829
Equity and liabilities								
Equity attributable to the equity holders of the parent company								
Minority interests	1,723	1,333	-	-	-	-	1,723	1,333
Total equity	70,105	68,467	9,943	8,906	-	(8)	80,048	77,365
<i>Non-current provisions</i>								
Provisions for post-employment benefits	16,580	12,249	103	73	-	-	16,683	12,322
Provisions for deferred taxes	201	324	2,595	2,082	-	-	2,796	2,406
Other provisions	12,463	6,005	231	183	46	2	12,740	6,190
<i>Non-current liabilities</i>								
Bond loans	68,877	46,585	-	-	-	-	68,877	46,585
Other loans	27,395	31,219	13,013	12,182	(1,254)	(6,537)	39,154	36,864
Internal funding	(59,955)	(34,027)	42,997	35,761	16,958	(1,734)	-	-
Other liabilities	17,549	14,315	607	665	(4,424)	(3,503)	13,732	11,477
Current provisions	12,390	11,246	76	58	7	-	12,473	11,304
<i>Current liabilities</i>								
Loans	32,130	46,806	9,266	6,705	(1,443)	(1,959)	39,953	51,552
Internal funding	(20,267)	(38,090)	42,002	39,659	(21,735)	(1,569)	-	-
Non interest-bearing liabilities held for sale	130	332	-	-	-	-	130	332
Interest-bearing liabilities held for sale	-	18	-	-	-	-	-	18
Trade payables	56,351	53,685	296	216	-	-	56,647	53,901
Tax liabilities	2,558	1,072	135	48	-	-	2,693	1,120
Other liabilities	36,674	33,331	3,493	2,758	(3,197)	(2,696)	36,970	33,393
Total equity and liabilities	273,181	253,537	124,757	109,296	(15,042)	(18,004)	382,896	344,829
Key ratios, %								
Total equity as percentage of total assets	25.7	27.0	8.0	8.1	-	-	20.9	22.4
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	38.6	37.5
Return on operating capital, 12 months rolling values	4.5	5.9	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling values	-	-	12.5	12.1	-	-	2.8	5.0

CONSOLIDATED CASH FLOW STATEMENT **FOURTH QUARTER**

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Operating activities								
Operating income (loss)	(2.7)	0.6	0.5	0.4	0.0	0.0	(2.3)	1.0
Depreciation tangible assets	1.7	2.0	0.0	0.0	0.0	0.0	1.7	2.0
Amortization intangible assets	0.9	2.5	0.0	0.0	0.0	0.1	0.9	2.6
Depreciation leasing vehicles	0.6	0.7	0.7	0.8	0.0	0.0	1.3	1.5
Other non-cash items	5.2	0.5	0.2	0.2	0.0	0.0	5.4	0.7
Total change in working capital whereof	8.9	8.8	(2.5)	(4.0)	(0.2)	0.0	6.2	4.8
<i>Change in accounts receivable</i>	(0.2)	(1.6)	0.0	0.0	0.0	0.0	(0.2)	(1.6)
<i>Change in customer financing receivable</i>	0.0	(0.3)	(2.6)	(4.5)	0.0	0.3	(2.5)	(4.5)
<i>Change in inventories</i>	3.0	3.0	0.1	0.0	0.0	0.0	3.1	3.0
<i>Change in trade payables</i>	6.0	7.3	(0.1)	0.1	0.1	0.1	6.0	7.5
<i>Other changes in working capital</i>	0.2	0.4	0.1	0.4	(0.4)	(0.4)	(0.2)	0.4
Interest and similar items received	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Interest and similar items paid	(0.5)	(0.7)	0.0	0.0	0.0	0.1	(0.5)	(0.6)
Other financial items	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.1)
Income taxes paid	(0.9)	(0.5)	(0.2)	(0.1)	0.0	0.0	(1.1)	(0.6)
Cash flow from operating activities	13.2	13.9	(1.3)	(2.7)	(0.2)	0.2	11.8	11.4
Investing activities								
Investments in tangible assets	(2.4)	(2.7)	0.0	0.0	0.0	0.0	(2.5)	(2.7)
Investments in intangible assets	(0.3)	(0.8)	0.0	0.0	0.0	0.0	(0.3)	(0.8)
Investment in leasing vehicles	(0.2)	(0.4)	(3.5)	(2.3)	0.0	0.0	(3.7)	(2.7)
Disposals of fixed assets and leasing vehicles	0.2	0.3	1.2	1.0	0.0	0.0	1.4	1.3
Operating cash flow	10.6	10.3	(3.5)	(4.0)	(0.3)	0.2	6.8	6.5
Investments and divestments of shares, net							0.1	0.1
Acquired and divested operations, net							0.2	0.1
Interest-bearing receivables incl marketable securities							(1.4)	2.9
Cash-flow after net investments							5.6	9.6
Financing activities								
Change in loans, net							3.9	(3.5)
Dividend to AB Volvo shareholders							0.0	0.0
Dividend to minority shareholders							0.0	0.0
Other							0.0	0.0
Change in cash and cash equivalents excl. translation differences							9.5	6.1
Translation difference on cash and cash equivalents							0.4	0.0
Change in cash and cash equivalents							9.9	6.1

CONSOLIDATED CASH FLOW STATEMENT YEAR

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Operating activities								
Operating income (loss)	4.1	5.6	1.7	1.5	0.0	0.0	5.8	7.1
Depreciation tangible assets	6.7	6.2	0.0	0.0	0.0	0.0	6.7	6.2
Amortization intangible assets	3.5	5.0	0.0	0.0	0.0	0.1	3.5	5.1
Depreciation leasing vehicles	2.5	3.2	3.2	2.9	0.0	0.0	5.7	6.1
Other non-cash items	5.3	1.5	0.9	0.9	0.0	0.0	6.1	2.4
Total change in working capital whereof	(3.3)	(2.0)	(4.8)	(8.7)	(6.1)	(0.1)	(14.1)	(10.8)
<i>Change in accounts receivable</i>	1.3	(4.8)	(0.1)	(0.1)	0.0	0.0	1.2	(4.9)
<i>Change in customer financing receivables</i>	(0.1)	(0.1)	(4.7)	(8.9)	(5.8)	0.3	(10.6)	(8.7)
<i>Change in inventories</i>	(1.6)	(3.2)	(0.0)	0.1	0.0	(0.2)	(1.6)	(3.3)
<i>Change in trade payables</i>	(1.0)	7.9	0.1	0.1	0.1	0.0	(0.8)	8.0
<i>Other changes in working capital</i>	(1.9)	(1.8)	0.1	0.1	(0.4)	(0.2)	(2.3)	(1.9)
Interest and similar items received	0.3	0.4	0.0	0.0	0.0	0.0	0.3	0.4
Interest and similar items paid	(1.9)	(2.4)	0.0	0.0	0.0	0.0	(1.8)	(2.4)
Other financial items	(0.2)	(0.3)	0.0	0.0	0.0	0.0	(0.2)	(0.3)
Income taxes paid	(2.7)	(2.6)	(0.6)	(0.2)	0.0	0.0	(3.3)	(2.8)
Cash flow from operating activities	14.3	14.6	0.5	(3.6)	(6.1)	0.0	8.7	11.0
Investing activities								
Investments in tangible assets	(7.1)	(8.3)	0.0	0.0	0.0	0.0	(7.1)	(8.3)
Investments in intangible assets	(1.5)	(3.9)	0.0	0.0	0.0	0.0	(1.5)	(3.9)
Investment in leasing vehicles	(0.5)	(1.5)	(9.6)	(6.8)	0.0	0.1	(10.1)	(8.2)
Disposals of fixed assets and leasing vehicles	1.1	0.6	3.9	2.8	0.0	0.0	5.0	3.4
Operating cash flow	6.4	1.5	(5.3)	(7.6)	(6.1)	0.1	(5.0)	(6.0)
Investments and divestments of shares, net							0.1	0.0
Acquired and divested operations, net							7.4	0.9
Interest-bearing receivables incl marketable securities							(4.8)	0.5
Cash-flow after net investments							(2.3)	(4.6)
Financing activities								
Change in loans, net							6.7	13.0
Dividend to AB Volvo shareholders							(6.1)	(6.1)
Dividend to minority shareholders							0.0	(0.2)
Other							(0.1)	0.1
Change in cash and cash equivalents excl. translation differences							(1.8)	2.2
Translation difference on cash and cash equivalents							1.0	(0.5)
Change in cash and cash equivalents							(0.7)	1.7

CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial operations		Volvo Group	
	Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	51.3	43.8
Non-current interest-bearing receivables	1.0	0.6	1.4	0.5
Current interest-bearing assets				
Customer-financing receivables	-	-	47.8	40.1
Interest-bearing receivables	1.7	1.6	1.1	0.9
Internal funding	4.4	2.3	-	-
Marketable securities	6.9	2.6	7.3	2.6
Cash and cash equivalents	24.2	25.7	26.2	27.0
Total financial assets	38.3	32.7	135.1	114.8
Non-current interest-bearing liabilities				
Bond loans	(68.9)	(46.6)	(68.9)	(46.6)
Other loans	(27.4)	(31.2)	(39.2)	(36.9)
Internal funding	60.0	34.0	-	-
Current interest-bearing liabilities				
Loans	(32.1)	(46.8)	(40.0)	(51.6)
Internal funding	20.3	38.1	-	-
Total financial liabilities	(48.2)	(52.5)	(148.0)	(135.0)
Net financial position excl post-employment benefits	(9.9)	(19.8)	(12.7)	(20.2)
Provisions for post-employment benefits, net	(16.5)	(12.2)	(16.6)	(12.3)
Net financial position incl post-employment benefits	(26.4)	(32.1)	(29.3)	(32.5)
Key ratios, %				
Net financial position in % of total equity	(37.6)	(46.8)		
Net financial position excl. pensions in % of total equity	(14.2)	(29.0)		

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Fourth quarter 2014	Year 2014
Beginning of period	(37.4)	(32.1)
Cash flow from operating activities	13.2	14.3
Investments in fixed assets	(2.9)	(9.1)
Disposals	0.2	1.1
Operating cash-flow	10.6	6.4
Investments and divestments of shares, net	0.1	0.1
Acquired and divested operations, net	0.2	7.7
Capital injections to/from Customer Finance operations	0.0	0.7
Currency effect	0.8	(0.5)
Dividend paid to AB Volvo shareholders	0.0	(6.1)
Remeasurements of defined benefit pension plans	(1.6)	(3.6)
Pension payments and costs, net	0.4	0.7
Other changes	0.4	0.2
Total change	11.0	5.7
Net financial position at end of period	(26.4)	(26.4)

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Year 2014	Year 2013
Total equity at end of previous period	77.4	77.1
Total equity at beginning of period	77.4	77.1
Shareholders' equity attributable to equity holders of the parent company at beginning of period	76.0	75.8
Income for the period	2.1	3.6
Other comprehensive income	6.2	2.6
Total comprehensive income	8.3	6.2
Dividend to AB Volvo's shareholders	(6.1)	(6.1)
Share-based payments	0.1	0.1
Shareholders' equity attributable to equity holders of the parent company at end of period	78.3	76.0
Minority interests at beginning of period	1.4	1.3
Income for the period	0.1	0.2
Other comprehensive income	0.3	0.1
Total comprehensive income	0.4	0.3
Dividend	0.0	(0.2)
Minority interests at end of period	1.7	1.4
Total equity at end of period	80.0	77.4

QUARTERLY FIGURES

Income statement, Volvo Group							
SEK M unless otherwise stated	4/2013	1/2014	2/2014	3/2014	4/2014	Year 2014	Year 2013
Net sales	76,642	65,646	72,601	67,222	77,480	282,948	272,622
Cost of Sales	(59,789)	(50,687)	(56,451)	(51,991)	(60,883)	(220,012)	(212,504)
Gross income	16,853	14,959	16,150	15,231	16,597	62,937	60,118
Research and development expenses	(4,191)	(4,137)	(4,280)	(3,803)	(4,436)	(16,656)	(15,124)
Selling expenses	(7,558)	(6,646)	(7,008)	(6,539)	(7,255)	(27,448)	(28,506)
Administrative expenses	(1,605)	(1,380)	(1,369)	(1,139)	(1,520)	(5,408)	(5,862)
Other operating income and expenses	(2,528)	(555)	64	(1,511)	(5,694)	(7,697)	(3,554)
Income (loss) from investments in joint ventures and associated companies	(3)	21	-	9	17	46	96
Income from other investments	27	8	6	3	32	50	(30)
Operating income	996	2,269	3,563	2,250	(2,258)	5,824	7,138
<i>Whereof restructuring charges</i>	<i>(581)</i>	<i>(318)</i>	<i>(762)</i>	<i>(659)</i>	<i>(830)</i>	<i>(2,569)</i>	<i>(715)</i>
<i>Operating income excl. restructuring charges</i>	<i>1,577</i>	<i>2,588</i>	<i>4,325</i>	<i>2,908</i>	<i>(1,429)</i>	<i>8,393</i>	<i>7,854</i>
Interest income and similar credits	89	89	78	83	78	328	381
Interest expense and similar charges	(893)	(534)	(465)	(478)	(517)	(1,994)	(2,810)
Other financial income and expenses	45	(97)	187	430	411	931	11
Income after financial items	237	1,727	3,364	2,285	(2,286)	5,089	4,721
Income taxes	311	(586)	(830)	(740)	(698)	(2,854)	(919)
Income for the period*	548	1,141	2,534	1,545	(2,984)	2,235	3,802
*Attributable to:							
Equity holders of the parent company	485	1,084	2,472	1,500	(2,957)	2,099	3,583
Minority interests	63	57	62	45	(27)	136	219
	548	1,141	2,534	1,545	(2,984)	2,235	3,802
Key operating ratios, Volvo Group, %							
Gross margin	22.0	22.8	22.2	22.7	21.4	22.2	22.1
Research and development expenses in % of net sales	5.5	6.3	5.9	5.7	5.7	5.9	5.5
Selling expenses in % of net sales	9.9	10.1	9.7	9.7	9.4	9.7	10.5
Administrative expenses in % of net sales	2.1	2.1	1.9	1.7	2.0	1.9	2.2
Operating margin excl. restructuring charges	2.1	3.9	6.0	4.3	(1.8)	3.0	2.9
Operating margin	1.3	3.5	4.9	3.3	(2.9)	2.1	2.6
Key operating ratios, Industrial operations, %							
Gross margin	21.1	21.8	21.3	21.7	20.5	21.3	21.1
Research and development expenses in % of net sales	5.6	6.5	6.0	5.8	5.9	6.0	5.7
Selling expenses in % of net sales	9.5	9.8	9.3	9.4	9.0	9.3	10.1
Administrative expenses in % of net sales	2.1	2.1	1.9	1.7	2.0	1.9	2.2
Operating margin excl. restructuring charges	1.6	3.4	5.5	3.8	(2.5)	2.4	2.4
Operating margin	0.8	2.9	4.5	2.8	(3.6)	1.5	2.1
EBITDA, Industrial operations, %							
Operating income Industrial operations	600	1,874	3,170	1,798	(2,731)	4,111	5,616
Product and Software development, amortization	924	743	767	813	851	3,173	3,253
Goodwill, revaluation for Volvo Rents	1,458	-	-	-	-	-	1,458
Other intangible assets, amortization	79	72	80	86	89	328	310
Tangible assets, depreciation	2,761	2,329	2,335	2,173	2,334	9,171	9,452
Total depreciation and amortization	5,221	3,145	3,182	3,072	3,275	12,673	14,472
Operating income before depreciation and amortization (EBITDA)	5,821	5,019	6,353	4,870	544	16,784	20,088
<i>EBITDA margin, %</i>	<i>7.8</i>	<i>7.8</i>	<i>9.0</i>	<i>7.5</i>	<i>0.7</i>	<i>6.1</i>	<i>7.6</i>
Net capitalization of research and development							
Capitalization	766	461	397	196	225	1,279	3,619
Amortization	(804)	(623)	(668)	(715)	(715)	(2,720)	(2,832)
Net capitalization/ amortization	(38)	(162)	(271)	(519)	(490)	(1,441)	787

QUARTERLY FIGURES

Net sales, SEK M						Year	Year
	4/2013	1/2014	2/2014	3/2014	4/2014	2014	2013
Trucks	51,961	43,845	48,179	45,059	53,821	190,904	178,474
Construction Equipment	13,005	13,371	14,624	12,582	12,277	52,855	53,437
Buses	5,512	3,367	4,775	4,575	5,928	18,645	16,707
Volvo Penta	1,777	1,804	2,002	1,981	2,003	7,790	7,550
Corporate Functions, Group Functions & Other	3,592	2,206	1,910	1,678	2,369	8,162	12,410
Eliminations	(949)	(471)	(589)	(538)	(758)	(2,356)	(3,158)
Industrial operations	74,898	64,123	70,899	65,337	75,640	275,999	265,420
Customer Finance	2,452	2,351	2,468	2,578	2,714	10,111	9,539
Reclassifications and eliminations	(708)	(828)	(766)	(694)	(874)	(3,162)	(2,336)
Volvo Group	76,642	65,646	72,601	67,222	77,480	282,948	272,622

Operating income excl. restructuring charges, SEK M						Year	Year
	4/2013	1/2014	2/2014	3/2014	4/2014	2014	2013
Trucks	2,965	1,798	2,173	2,193	(542)	5,622	6,824
Construction Equipment	272	647	751	648	(815)	1,231	2,592
Buses	50	36	70	50	(58)	98	(190)
Volvo Penta	72	151	235	253	90	729	626
Corporate Functions, Group Functions & Other	(2,198)	(592) ¹	688	(694)	(582)	(1,180)	(3,570)
Eliminations	20	152	12	6	6	176	49
Industrial operations	1,181	2,192	3,928	2,456	(1,901)	6,676	6,332
Customer Finance	397	395	397	452	472	1,717	1,522
Volvo Group excl. restructuring charges	1,577	2,588	4,325	2,908	(1,429)	8,393	7,854

¹ Included in the amount is a negative SEK 139 M pertaining to an elimination of internal profit in connection to the Volvo Rents divestment. This is offset by an equal positive amount in the Eliminations line. Hence no effect on Group total.

Restructuring charges (see Note 6 Efficiency program)							
Trucks	(549)	(318)	(370)	(578)	(199)	(1,464)	(679)
Construction Equipment	-	-	(1)	-	(579)	(579)	-
Buses	-	-	(6)	-	-	(6)	-
Volvo Penta	-	-	(5)	-	-	(5)	-
Corporate Functions, Group Functions & Other	(32)	-	(376)	(81)	(52)	(510)	(36)
Industrial operations	(581)	(318)	(758)	(659)	(830)	(2,564)	(715)
Customer Finance	-	-	(4)	-	-	(5)	-
Volvo Group restructuring charges	(581)	(318)	(762)	(659)	(830)	(2,569)	(715)
Volvo Group	996	2,269	3,563	2,250	(2,258)	5,824	7,138

Operating margin excl. restructuring charges, %						Year	Year
	4/2013	1/2014	2/2014	3/2014	4/2014	2014	2013
Trucks	5.7	4.1	4.5	4.9	(1.0)	2.9	3.8
Construction Equipment	2.1	4.8	5.1	5.1	(6.6)	2.3	4.9
Buses	0.9	1.1	1.5	1.1	(1.0)	0.5	(1.1)
Volvo Penta	4.0	8.4	11.7	12.8	4.5	9.4	8.3
Industrial operations	1.6	3.4	5.5	3.8	(2.5)	2.4	2.4
Volvo Group excl. restructuring charges	2.1	3.9	6.0	4.3	(1.8)	3.0	2.9
Volvo Group	1.3	3.5	4.9	3.3	(2.9)	2.1	2.6

QUARTERLY FIGURES

Share data	4/2013	1/2014	2/2014	3/2014	4/2014	Year 2014	Year 2013
Earnings per share, SEK ¹	0.24	0.53	1.22	0.74	(1.46)	1.03	1.77
Earnings per share, SEK ¹ , 12 months rolling values	1.77	2.45	2.68	2.73	1.03	-	-
Diluted earnings per share	0.24	0.53	1.22	0.74	(1.46)	1.03	1.76
Number of shares outstanding, million	2,028	2,028	2,028	2,029	2,029	2,029	2,028
Average number of shares during period, million	2,028	2,028	2,028	2,028	2,029	2,028	2,028
Average diluted number of shares during period, million	2,031	2,030	2,031	2,031	2,031	2,031	2,030
Number of company shares, held by AB Volvo, million	100	100	100	100	99	99	100
Average number of company shares, held by AB Volvo, million	100	100	100	100	99	100	101

¹ 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

NOTE 1 | 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 Volvo Group Annual Report 2013 note 1 (available at volvogroup.com). There are no new accounting principles applicable from 2014 that significantly affects the Volvo Group. Volvo Group has adopted IFRS 10, 11 and 12 from January 1, 2013.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The parent company applies the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities.

NOTE 2 | RISKS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 is 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 86-87 in the Volvo Group Annual Report 2013 (available at volvogroup.com).

Risk updates for the period

Short-term risks, when applicable, are also described in the respective segment section of this report.

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

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

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 surplus value differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities as of December 31, 2014, amounted to SEK 15.9 Billion compared to SEK 17.3 Billion as of December 31, 2013. The gross exposure of SEK 15.9 Billion is partly reduced by counter guarantees and collaterals. A significant part of the contingent liabilities are related to credit guarantees issued as a result of sales in emerging markets, in particular sales of construction equipment in China, where SEK 660 M of the exposure was recognized in the fourth quarter by Volvo Construction Equipment as cost for expected future credit losses in China.

Please refer to the Volvo Group Annual Report 2013 note 24 for a description of the nature of contingent liabilities including information on the legal proceedings and investigations that the Group is currently involved in and subject to. In the dispute between Volvo Powertrain Corporation and the U.S. Environmental Protection Agency (EPA) regarding a Consent Decree on emission compliance of diesel engines, the U.S. Court of Appeals for the District of Columbia Circuit rendered a ruling on July 18, 2014, affirming the District Court's ruling of 2012, ordering the Volvo Group to pay penalties and interest of approximately USD 72 M. The Volvo Group has appealed the ruling and is expecting a response from the Supreme Court on whether review will be granted. The Volvo Group has previously accounted for a provision amounting to SEK 560 M as per 31 December, 2014.

In the on-going investigation by the European Commission against the Volvo Group and a number of other companies in the European truck industry, the European Commission issued a Statement of Objections on 20 November, 2014, stating its preliminary view that the Volvo Group and several other European truck companies may have violated the European competition rules. After an evaluation of the Statement of Objections, the Volvo Group decided to recognize a provision of EUR 400 M (SEK 3.8 Billion as per 31 December, 2014) which has impacted the Group's operating income in the fourth quarter of 2014 negatively with the same amount. The proceedings are still at an early stage and there are a number of uncertainties associated with the final outcome of the European Commission's investigation as well as the amount of a potential fine. The Volvo Group will re-assess

the size of the provision regularly following the development of the proceedings.

The other legal proceedings and investigations are progressing but no material change has occurred in these

matters in 2014 compared to the description provided in note 24 of the Volvo Group Annual Report 2013.

NOTE 3 | CORPORATE ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments

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

Assets and liabilities held for sale

Assets amounting to SEK 288 M and liabilities amounting to SEK 130 M classified as held for sale at the end of the fourth quarter 2014, mainly pertain to a planned dealer divestment and divestment activities within the efficiency program.

Events after the balance sheet date

In the beginning of January 2015 Volvo Group completed the acquisition of 45% of the shares in Dongfeng Commercial Vehicles Co., Ltd, DFCV, in China. The ownership in DFCV will be classified as an associated company and consolidated with the equity method as of January 2015 and will be included in the Trucks segment. The result of DFCV will, from the beginning, be included in the Volvo consolidation with a time lag of one month. When Volvo and DFCV have aligned the book closing

procedures a catch up will take place and the result will then be recognized without a time lag. Consequently, when the catch up occurs, the result of four separate months will be included within one quarter.

The purchase consideration amounted to approximately SEK 7 billion and will in the first quarter be recognized as Investments in joint ventures and associated companies within Financial assets. The Cash flow after net investments will be negatively affected by the same amount and the purchase consideration will also have the same negative impact on net financial debt. The purchase consideration was hedged and positive effects of the hedge have been recognized within Other financial income and expenses. The total positive effect of the hedge is SEK 1.5 billion, SEK 300 M was recognized in 2013, SEK 1.1 billion in 2014 and the remaining part will be recognized in the first quarter 2015. This is an effect of Volvo Group not applying hedge accounting. The hedge is presented in the cash-flow statement as Changes in loans, net, none of these two items will hence impact the Operating cash flow.

NOTE 4 | CURRENCY AND FINANCIAL INSTRUMENTS

Fair value of financial instruments

Valuation principles and principles for hedge accounting for Volvo Group financial instruments, as described in Volvo Group Annual Report 2013 Note 30 (available at volvogroup.com), have been consistently applied throughout the reporting period.

Financial instruments in the Volvo Group reported at fair value through profit and loss consist of marketable securities (see balance sheet) and interest-, currency- and raw material derivatives. Derivatives with positive fair values amounted to SEK 2.9 billion and derivatives with negative fair values amounted to SEK 1.6 billion as of

December 31, 2014. The derivatives are accounted for on gross-basis, with the exception of derivatives with positive fair values amounting to SEK 1.0 billion, netted against a fair value of a loan of negative 1.0 billion, related to hedge accounting.

Financial liabilities valued at amortized cost, reported as Current and non-current bond loans and other loans, amounted to SEK 147.0 billion in reported carrying value with a fair value of SEK 151.6 billion. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 1.0 billion.

Currency effect on operating income Industrial operations SEK M	Compared to fourth quarter 2013			Compared to third quarter 2014		
	Fourth quarter 2014	Fourth quarter 2013	Change	Fourth quarter 2014	Third quarter 2014	Change
	Net flow in foreign currency			535		
Realized gains and losses on hedging contracts	(3)	3	(6)	(3)	2	(5)
Unrealized gains and losses on receivables and liabilities in foreign currency	(303)	(162)	(141)	(303)	117	(420)
Unrealized gains and losses on hedging contracts	(11)	16	(27)	(11)	(8)	(3)
Translation effect on operating income in foreign subsidiaries			11			(59)
Total currency effect on operating income Industrial operations			373			(328)

Applicable currency rates	Quarterly exchange rates			
	Fourth quarter		Close rates	
	2014	2013	Dec 31 2014	Dec 31 2013
BRL	2,92	2,87	2,89	2,78
CNY	1,20	1,07	1,26	1,07
EUR	9,27	8,86	9,52	8,95
USD	7,40	6,51	7,81	6,51
JPY	0,0651	0,0651	0,0654	0,0619

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 669 M (515) and purchases from associated companies amounted to SEK 859 M (716) during the fourth quarter of 2014. As of December 31, 2014, receivables from associated companies amounted to SEK 598 M (301) and liabilities to associated companies to SEK 510 M (707).

Sales to joint ventures amounted to SEK 364 M (240) and purchases from joint ventures amounted to SEK 130 M (102) during the fourth quarter of 2014. As of December 31, 2014, receivables from joint ventures amounted to SEK 178 M (143) and liabilities to joint ventures to SEK 78 M (58).

NOTE 6 | EFFICIENCY PROGRAM

Increased scope for the strategic program 2013-2015 and changed format for external follow-up

The Volvo Group's current strategic program for the period 2013-2015 is ongoing and there is a high speed in the implementation of the activities that have been launched. The overall aim of the activities is to improve the profitability of the Volvo Group. Potential to reduce structural costs further has been identified, among other things by creating a more efficient truck sales organization, further cost reduction activities in Volvo CE in order to right-size the cost structure and address product profitability as well as a review of what is core and non-core in the IT operations.

The ongoing activities in the Strategic Program 2013-2015 is targeted to reduce the Group's structural costs by SEK 6.5 billion by the end of 2015, compared to 2012. The additional activities mentioned above, are targeted to reduce the Group's structural costs by SEK 3.5 billion by the end of 2015, compared to 2012. In total, the ambition is to reduce the Group's structural costs by SEK 10 billion and have all activities implemented by the end of 2015, resulting in a full-year savings-effect in 2016.

The total restructuring charges are expected to amount to approximately SEK 6-7 billion. A significant part of the

restructuring charges still to be recognized, currently amounting to SEK 2-3 billion, are expected to impact earnings in 2015. The non-cash portion of the total restructuring charges is expected to be approximately SEK 1.5-2.0 billion.

Format for external follow-up

In order to simplify the external follow-up of the program, the following changes have been done:

1. Follow-up as a structural cost reduction program, instead of a profit improvement program

Only structural cost reductions are included in the external follow-up of the program. Profit improvements impacted by changes in volume and in market or product mix will be excluded from the external follow-up of the program.

2. External follow-up

Progress in the structural cost reduction will be reported on a quarterly basis, in the regular earnings reports, as reductions in Cash R&D, Selling expenses and Administrative expenses and Structural cost reduction in Gross Income. The latter will be reported on a separate line in the follow-up metrics.

Follow-up of the program, SEK bn

	2012	2013	2014	Target reduction 2016 vs 2012
Structural cost reduction in Gross Income	-	-	-1.0	
Cash R&D*	16.9	15.9	15.2	
Selling expenses	27.9	28.5	27.4	
Administrative expenses	5.6	5.9	5.4	
Total reduction vs. 2012		-0.1	-3.3	-10.0

* Cash R&D is research and development expenses including capitalization and excluding amortization.

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 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 fourth quarter 2014, SEK 830 M related to the efficiency program is presented separately. A major part of the quarterly cost is related to Volvo CE.

Efficiency program cost, provision and cash-flow, SEK bn		whereof items with no cash-flow effect
Total restructuring cost, efficiency program		
Announced total restructuring cost	6.0 - 7.0	1.5 - 2.0
Cost recognized		
Previous quarters*	3.1	1.1
Current quarter	0.8	0.3
Total cost recognized	3.9	
Remaining restructuring cost	2.1 - 3.1	0.1 - 0.6
Restructuring provision, efficiency program fourth quarter 2014		
Opening balance	0.8	
Utilized	(0.4)	
New provision	0.5	
Closing balance	0.9	

* From fourth quarter 2012

PARENT COMPANY

Income from investments in Group companies for the fourth quarter includes dividends amounting to SEK 40 M (201) and write-downs of shareholdings of SEK 134 M (996). Allocations include Group contributions, net, of SEK 3,504 M (832).

Revaluation of the holding in the listed company Eicher Motors Ltd to market value has increased the value during the year by SEK 3,037 M. The amount is recognized in

other comprehensive income and in other shares and participations.

Shareholders' contribution has been given to Volvo Powertrain AB by SEK 400 M.

Investments in tangible assets amounted to SEK 29 M (37).

Financial net debt amounted to SEK 35,967 M (33,685) at the end of the fourth quarter.

Income Statement	Fourth quarter		Year	
	2014	2013	2014	2013
SEK M				
Net sales¹	234	244	696	659
Cost of sales ¹	(234)	(244)	(696)	(659)
Gross income	0	0	0	0
Operating expenses ¹	(367)	(314)	(1,076)	(1,057)
Income from investments in Group companies	(404)	(1,105)	5,572	(541)
Income from investments in joint ventures and associated companies	(21)	(31)	26	0
Income from other investments	–	(4)	7	1
Operating income (loss)	(792)	(1,454)	4,529	(1,597)
Interest income and expenses	(171)	(268)	(946)	(1,131)
Other financial income and expenses	(4)	(1)	(19)	(57)
Income after financial items	(967)	(1,723)	3,564	(2,785)
Allocations	3,505	831	3,505	831
Income taxes	(593)	39	(379)	333
Income for the period	1,945	(853)	6,690	(1,621)

¹ Of net sales in the fourth quarter, SEK 209 M (200) pertained to Group companies, while purchases from Group companies amounted to SEK 230 M (111).

Other comprehensive income				
Income for the period	1,945	(853)	6,690	(1,621)
<i>Items that may be reclassified subsequently to income statement:</i>				
Available-for-sale investments	1,019	359	3,037	415
Other comprehensive income, net of income taxes	1,019	359	3,037	415
Total comprehensive income for the period	2,964	(494)	9,727	(1,206)

CONT. PARENT COMPANY

Balance Sheet	Dec 31	Dec 31
SEK M	2014	2013
Assets		
Non-current assets		
Intangible assets	23	38
Tangible assets	54	72
Financial assets		
Shares and participations in Group companies	61,283	60,763
Receivables from Group companies	59	59
Investments in joint ventures and associated companies	3,322	3,343
Other shares and participations	4,241	1,203
Deferred tax assets	2,191	2,550
Other long-term receivables	27	27
Total non-current assets	71,200	68,055
Current assets		
Short-term receivables from Group companies	11,682	8,951
Other short-term receivables	300	311
Cash and bank accounts	0	0
Total current assets	11,982	9,262
Total assets	83,182	77,317
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	28,395	24,693
Untaxed reserves	4	5
Provisions	142	164
Non-current liabilities ¹	7	7
Current liabilities ²	44,743	42,557
Total shareholders' equity and liabilities	83,182	77,317

¹ Of which SEK 7 M (7) pertains to Group companies.

² Of which SEK 44,269 M (42,032) pertains to Group companies.

EVENTS AFTER THE BALANCE SHEET DATE

For important events after the balance sheet date, see page 14 of this report. No other significant events have occurred after the end of the fourth quarter 2014 that are expected to have a substantial effect on the Volvo Group.

Proposed ordinary dividend of SEK 3.00 per share

For the full-year 2014, the Board proposes a dividend of SEK 3.00 per share, compared to SEK 3.00 per share the preceding year.

Göteborg, February 5, 2015
AB Volvo (publ)

The Board of Directors

This report has not been reviewed
By AB Volvo's auditors

DELIVERIES

Delivered trucks	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Trucks¹						
Europe	20,805	28,922	(28)	72,458	82,088	(12)
Western Europe	16,824	22,733	(26)	57,038	64,275	(11)
Eastern Europe	3,981	6,189	(36)	15,420	17,813	(13)
North America	15,758	12,773	23	57,714	44,755	29
South America	6,177	7,490	(18)	23,741	29,137	(19)
Asia	8,940	8,485	6	32,399	28,692	13
Other markets	4,439	3,943	13	16,812	15,602	8
Total Trucks	56,119	61,613	(9)	203,124	200,274	1
Light duty (<7 tons)	3,883	3,919	(1)	14,360	13,188	9
Medium duty (7-16 tons)	4,261	4,849	(12)	15,114	16,779	(10)
Heavy duty (>16 tons)	47,975	52,845	(9)	173,650	170,307	2
Total Trucks	56,119	61,613	(9)	203,124	200,274	1
Non-consolidated operations						
VECV/Eicher (100%)	7,604	6,786	12	30,375	31,422	(3)
DVT (100%)	49	32	53	107	213	(50)
Total volumes	63,772	68,431	(7)	233,606	231,909	1
Mack Trucks						
Europe	-	-	-	-	1	-
Western Europe	-	-	-	-	1	-
Eastern Europe	-	-	-	-	-	-
North America	6,498	4,696	38	23,634	18,244	30
South America	390	539	(28)	941	2,062	(54)
Asia	8	7	14	17	21	(19)
Other markets	271	262	3	1,052	971	8
Total Mack Trucks	7,167	5,504	30	25,644	21,299	20
Light duty (<7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	-	-	-	-	-	-
Heavy duty (>16 tons)	7,167	5,504	30	25,644	21,299	20
Total Mack Trucks	7,167	5,504	30	25,644	21,299	20
Renault Trucks						
Europe	8,582	12,202	(30)	29,980	35,738	(16)
Western Europe	7,769	11,032	(30)	26,870	32,620	(18)
Eastern Europe	813	1,170	(31)	3,110	3,118	(0)
North America	67	72	(7)	170	196	(13)
South America	108	222	(51)	632	855	(26)
Asia	557	732	(24)	3,020	2,283	32
Other markets	1,379	1,289	7	4,846	4,884	(1)
Total Renault Trucks	10,693	14,517	(26)	38,648	43,956	(12)
Light duty (<7 tons)	3,641	3,461	5	12,946	11,661	11
Medium duty (7-16 tons)	1,511	2,142	(29)	4,436	6,993	(37)
Heavy duty (>16 tons)	5,541	8,914	(38)	21,266	25,302	(16)
Total Renault Trucks	10,693	14,517	(26)	38,648	43,956	(12)

¹ 50/50 joint-ventures are consolidated using the equity method.

DELIVERIES CONT.

Delivered trucks	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Volvo Trucks						
Europe	12,223	16,720	(27)	42,478	46,349	(8)
Western Europe	9,055	11,701	(23)	30,168	31,654	(5)
Eastern Europe	3,168	5,019	(37)	12,310	14,695	(16)
North America	9,142	7,980	15	33,800	26,066	30
South America	5,622	6,682	(16)	21,843	26,038	(16)
Asia	3,932	3,693	6	12,985	12,150	7
Other markets	1,648	1,331	24	6,088	5,369	13
Total Volvo Trucks	32,567	36,406	(11)	117,194	115,972	1
Light duty (< 7 tons)	-	-	-	-	-	-
Medium duty (7-16 tons)	568	700	(19)	2,054	1,865	10
Heavy duty (>16 tons)	31,999	35,706	(10)	115,140	114,107	1
Total Volvo Trucks	32,567	36,406	(11)	117,194	115,972	1
UD Trucks¹						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	51	25	104	110	249	(56)
South America	57	47	21	325	182	79
Asia	4,443	4,053	10	16,377	14,238	15
Other markets	1,141	1,061	8	4,826	4,378	10
Total UD Trucks	5,692	5,186	10	21,638	19,047	14
Light duty (< 7 tons)	242	458	(47)	1,414	1,527	(7)
Medium duty (7-16 tons)	2,182	2,007	9	8,624	7,921	9
Heavy duty (>16 tons)	3,268	2,721	20	11,600	9,599	21
Total UD Trucks	5,692	5,186	10	21,638	19,047	14
Non-consolidated operations						
DVT (100%)	49	32	53	107	213	(50)
Total volumes	5,741	5,218	10	21,745	19,260	13
Eicher²						
Europe	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-
Eastern Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
South America	-	-	-	-	-	-
Asia	7,604	6,786	12	30,375	31,422	(3)
Other markets	-	-	-	-	-	-
Total Eicher	7,604	6,786	12	30,375	31,422	(3)
Light duty (< 7 tons)	1,034	1,154	(10)	4,764	4,515	6
Medium duty (7-16 tons)	4,805	4,370	10	18,129	20,103	(10)
Heavy duty (>16 tons)	1,765	1,262	40	7,482	6,804	10
Total Eicher	7,604	6,786	12	30,375	31,422	(3)

¹ 50/50 joint-ventures are consolidated using the equity method.

² Eicher is reported under the equity method and consequently sales and deliveries are not consolidated in the Volvo Group.

DELIVERIES CONT.

Delivered buses	Fourth quarter		Change in %	Year		Change in %
	2014	2013		2014	2013	
Europe	715	666	7	2,221	2,146	3
Western Europe	645	642	0	2,054	2,073	(1)
Eastern Europe	70	24	192	167	73	129
North America	553	692	(20)	1,590	1,752	(9)
South America	895	949	(6)	2,985	2,434	23
Asia	343	553	(38)	1,242	1,822	(32)
Other markets	216	236	(8)	721	756	(5)
Total Buses	2,722	3,096	(12)	8,759	8,910	(2)

AB Volvo (publ) is obliged to disclose the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 07.20 a.m. February 5, 2015.

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 Nasdaq Stockholm, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Financial calendar

Annual Report 2014	March 2015
Annual General Meeting 2015	April 1, 2015
Report on the first quarter 2015	April 24, 2015
Report on the second quarter 2015	July 17, 2015
Report on the third quarter 2015	October 23, 2015
Report on the fourth quarter 2015	February 5, 2016

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