

## REPORT ON THE FOURTH QUARTER AND FULL YEAR 2018



### THE FOURTH QUARTER 2018

- » In Q4, net sales increased by 16% to SEK 105.8 bn (91.6). Adjusted for currency movements and acquired and divested units net sales increased by 10%.
- » Adjusted operating income amounted to SEK 10,597 M (7,105), corresponding to an adjusted operating margin of 10.0% (7.8). Adjusted operating income in Q4 2018 excludes the previously announced provision of SEK 7 bn.
- » Reported operating income amounted to SEK 3,597 M (7,105).
- » Currency movements had a positive impact on operating income of SEK 1,225 M.
- » Operating cash flow in the Industrial Operations amounted to SEK 15.5 bn (14.4).

### THE FULL YEAR 2018

- » For the full year 2018 net sales increased by 17% to SEK 390.8 bn (332.7).
- » Adjusted operating income amounted to SEK 40,660 M (29,278) corresponding to an operating margin of 10.4% (8.8).
- » Reported operating income amounted to SEK 34,478 M (29,678).
- » Operating cash flow in the Industrial Operations amounted to SEK 26.6 bn (28.4).
- » The Board of Directors proposes an ordinary dividend of SEK 5.00 per share (4.25) and an extra dividend of SEK 5.00 per share.

SEK M unless otherwise stated	Fourth quarter		Year	
	2018	2017	2018	2017
Net sales	105,786	91,554	390,834	332,738
Adjusted operating income <sup>1</sup>	10,597	7,105	40,660	29,278
Adjusted operating margin, %	10.0	7.8	10.4	8.8
Operating income	3,597	7,105	34,478	29,678
Operating margin, %	3.4	7.8	8.8	8.9
Income after financial items	3,038	6,528	32,148	27,605
Income for the period	2,664	4,767	25,363	20,786
Diluted earnings per share, SEK	1.26	2.30	12.24	10.07
Operating cash flow in Industrial Operations	15,471	14,352	26,597	28,372
Return on shareholders' equity, 12 months rolling, %			21.3	20.5
Net order intake, number of trucks	59,535	69,597	257,504	232,439
Deliveries, number of trucks	62,352	59,814	226,490	202,402
Net order intake, number of construction equipment	21,464	19,678	84,531	66,795
Deliveries, number of construction equipment	19,583	15,855	82,654	64,127

<sup>1</sup> For more information on adjusted operating income, please see note 7.

## CEO'S COMMENTS

## A good finish to a strong year

2018 was a record year for the Volvo Group. For the full year, we grew net sales by 17% to SEK 391 billion (333) and improved our adjusted operating income to SEK 40.7 billion (29.3), with a margin of 10.4% (8.8). Trucks, Construction Equipment, Volvo Penta and Financial Services all recorded their highest adjusted operating income ever. During the year we also continued to increase our financial strength. With an operating cash flow of SEK 26.6 billion we ended the year with a net cash position of SEK 43.9 billion in the Industrial Operations, excluding pension liabilities. This enables us to take on the future from a position of strength.

Looking at Q4 2018 isolated, both our vehicle and service business continued to grow at a good pace. We increased net sales to SEK 106 billion, with a currency-adjusted growth of 10%. We also improved the adjusted operating income by SEK 3.5 billion to SEK 10.6 billion, excluding the provision of SEK 7 billion related to the issue with an emissions control component that may degrade quicker than expected. The adjusted operating margin rose to 10.0% (7.8).

In Europe, transport activity remains high and customer profitability is good, which together with the expansion of the installed truck fleet in recent years is positive for our service business. We expect demand for trucks to be on historically good levels also in 2019. Growth in the North American economy, with high transport volumes and good freight rates, is expected to support the truck market also in 2019. Order intake in North America has moderated, which was expected as the order book is close to full for 2019. With the Brazilian economy back on a growth track, the need for fleet renewal drives an increase in demand for trucks in our biggest market in South America. In Japan, activity levels among customers and in our workshops remained high. After some good years, demand is expected to be somewhat lower in 2019.

Despite some continued capacity constraints, the Group delivered 4% more trucks in Q4 2018 than we did in the same quarter 2017. Trucks improved the adjusted operating income to SEK 7.5 billion (5.6) and the margin to 10.9% (9.2).

Construction, infrastructure and mining activity continues to be good in most parts of the world, supporting demand for our construction equipment. In Q4, equipment deliveries increased by 24%, compared to a year earlier, with growth in all major regions. Net sales increased to SEK 20.3 billion (16.7) and operating income rose to SEK 2.2 billion (1.8), corresponding to an operating margin of 10.6% (10.9).

Bus deliveries declined by 13% in Q4, while order intake rose by 56% with a positive impact from a large order of 700 buses. Buses adjusted operating margin amounted to 3.6% (3.7).

Volvo Penta ended the year strongly, partly related to pre-buying ahead of new emission regulations. In Q4, net sales increased by 43%, operating income more than doubled to



SEK 493 M (187) and the operating margin improved to 12.9% (7.0).

Financial Services increased the new financing volume and had continued low credit losses on the back of good customer profitability and prudent credit approvals. Return on equity rose to 15.1% (14.3).

During 2018 we continued our drive to develop next-generation transport solutions. We moved our positions forward in electrification, automation and connectivity. For instance, both Volvo Trucks and Renault Trucks will begin selling electric trucks in Europe this year and Mack Trucks will have an electric refuse truck in operation in New York City. Volvo Construction Equipment demonstrated electric machine prototypes and in the beginning of 2019 we announced that we will stop developing diesel-powered smaller compact equipment in favor of fully-electric machines. Supporting the Volvo Group's offer is an accumulated knowledge in electrified transport solutions, spearheaded by Volvo Buses.

During ten weeks Volvo Construction Equipment together with our customer Skanska tested the Electric Site concept. It is based on autonomous, electric and connected Volvo machines running in a quarry. The test showed that Electric Site can deliver significant reductions in carbon emissions as well as operator costs. Volvo Trucks also took an important step within automation with an agreement for a commercial autonomous solution with Brønnøy Kalk in Norway.

Going forward, we see further potential to increase volume flexibility in the overall supply chain, to improve quality and to grow our service business. An even stronger service business means that we can provide better support for our customers and also better balance the cyclical nature in new truck and construction equipment sales.

I am proud of the hard and dedicated work from the whole organization that contributed to making 2018 the best year so far for the Volvo Group. After a successful year, we stand strong and are eager to continue to push forward with innovations and new technologies to the benefit of our customers and society.

Martin Lundstedt  
President and CEO

## FINANCIAL SUMMARY OF THE FOURTH QUARTER AND FULL YEAR 2018

**Net sales**

In Q4 2018, the Volvo Group's net sales increased by 16% to SEK 105,786 M (91,554). Adjusted for currency movements and acquired and divested units, net sales increased by 10%.

Vehicle sales increased by 11% adjusted for currency movements, primarily driven by higher volumes of trucks and construction equipment. All regions contributed to the sales growth. Adjusted for currency movements, service sales increased by 6%, reflecting a growing installed population and good utilization of customer fleets.

**Operating income**

Adjusted operating income in Q4 2018 amounted to SEK 10,597 M (7,105), corresponding to an adjusted operating margin of 10.0% (7.8). The adjustment in Q4 2018 refers to a provision of SEK 7,000 M relating to estimated costs to address the issue of an emission control component that may degrade more quickly than expected, of which SEK 6,810 M in Trucks and SEK 190 M in Buses. The provision is recorded in Gross income. There were no

adjustments in Q4 2017.

Compared with Q4 2017, the higher adjusted operating income is primarily an effect of higher truck and construction equipment volumes, increased service sales, improved capacity utilization and lower R&D expenses as a result of higher capitalization of R&D expenses. This was partly offset by higher selling expenses. Currency movements, compared to Q4 2017, had a positive impact of SEK 1,225 M.

Earnings in Q4 2017 were negatively impacted by a provision of SEK 308 M for a loss on a contract in business area Arquus recorded in business segment Group Functions & Other.

Reported operating income in Q4 2018 amounted to SEK 3,597 M (7,105).

For the full year 2018, adjusted operating income amounted to SEK 40,660 M (29,278) corresponding to an adjusted operating margin of 10.4% (8.8). Reported operating income amounted to SEK 34,478 M (29,678). For adjustments, please refer to note 7.

Net sales SEK M	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Europe	44,002	39,964	10	160,591	141,597	13
North America	29,600	21,783	36	106,948	83,998	27
South America	5,629	4,867	16	21,138	17,241	23
Asia	19,445	19,210	1	76,976	68,511	12
Africa and Oceania	7,111	5,730	24	25,182	21,391	18
<b>Total</b>	<b>105,786</b>	<b>91,554</b>	<b>16</b>	<b>390,834</b>	<b>332,738</b>	<b>17</b>
<b>Of which:</b>						
Vehicles <sup>1</sup>	81,925	70,424	16	299,356	250,052	20
Services	20,482	18,349	12	78,963	71,747	10
Financial Services revenue	3,437	3,078	12	13,070	11,812	11
Eliminations	-59	-296	80	-555	-873	36

<sup>1</sup> Including construction equipment and Volvo Penta engines

Consolidated Income Statement, Volvo Group SEK M	Fourth quarter		Year	
	2018	2017	2018	2017
<b>Net sales</b>	<b>105,786</b>	<b>91,554</b>	<b>390,834</b>	<b>332,738</b>
Cost of sales	-87,707	-70,785	-303,478	-253,220
<b>Gross income</b>	<b>18,079</b>	<b>20,769</b>	<b>87,357</b>	<b>79,518</b>
Research and development expenses	-4,112	-4,533	-15,899	-16,098
Selling expenses	-8,234	-7,602	-30,890	-28,582
Administrative expenses	-1,470	-1,640	-5,798	-5,642
Other operating income and expenses	-821	-45	-2,273	-1,061
Income/loss from investments in joint ventures and associated companies	144	166	1,948	1,407
Income from other investments	11	-10	33	135
<b>Operating income</b>	<b>3,597</b>	<b>7,105</b>	<b>34,478</b>	<b>29,678</b>
Interest income and similar credits	58	39	199	164
Interest expenses and similar charges	-416	-484	-1,658	-1,852
Other financial income and expenses	-201	-132	-870	-385
<b>Income after financial items</b>	<b>3,038</b>	<b>6,528</b>	<b>32,148</b>	<b>27,605</b>
Income taxes	-374	-1,761	-6,785	-6,818
<b>Income for the period *</b>	<b>2,664</b>	<b>4,767</b>	<b>25,363</b>	<b>20,786</b>
* Attributable to:				
Equity holders of the parent company	2,563	4,686	24,897	20,484
Minority interests	101	81	466	302
	<b>2,664</b>	<b>4,767</b>	<b>25,363</b>	<b>20,786</b>
Basic earnings per share, SEK	1.26	2.31	12.25	10.08
Diluted earnings per share, SEK	1.26	2.30	12.24	10.07

### Financial items

Compared with Q4 2017 interest income increased by SEK 19 M to SEK 58 M. Interest expenses decreased by SEK 68 M to SEK 416 M, as a result of lower outstanding debt.

In Q4 2018 Other financial income and expenses amounted to SEK -201 M (-132). The change compared with the previous year is primarily related to unrealized revaluations and realized results on derivatives.

### Income taxes

In Q4 2018 the tax expense amounted to SEK 374 M (1,761) corresponding to a tax rate of 12% (27). The lower tax rate in Q4 2018 mainly relates to favorable effects from regulatory changes, improved profitability in certain markets resulting in positive adjustments of the tax allowance reserve as well as reduced corporate tax rates in certain countries.

### Income for the period and earnings per share

In Q4 2018 income for the period amounted to SEK 2,664 M (4,767). Diluted earnings per share amounted to SEK 1.26 (2.30).

### Operating cash flow in the Industrial Operations

During Q4 2018, operating cash flow in the Industrial Operations was positive in an amount of SEK 15,471 M (14,352). The higher cash flow compared to Q4 2017 is primarily related to an increased adjusted operating income of SEK 3,475 M, which was partly off-set by a lower reduction of working capital during Q4 2018 compared to Q4 2017 in an amount of SEK 518 M and higher investments of SEK 1,458 M.

### Volvo Group financial position

During Q4 2018, net financial assets in the Industrial Operations, excluding provisions for post-employment benefits, increased by SEK 14.4 billion, resulting in a net financial asset position of SEK 43.9 billion on December 31, 2018. This equals 38.8% of shareholders' equity.

Including provisions for post-employment benefits, the Industrial Operations' net financial assets amounted to SEK 29.1 billion which equals 25.7% of shareholders' equity. The change is mainly explained by a positive operating cash flow of SEK 15.5 billion and a negative impact from remeasurements of the defined benefit obligations of SEK 2.0 billion. The increase in the defined benefit obligations is primarily an effect of lower discount rates, mainly in Sweden and the US, and a lower return on assets. During Q4, currency movements decreased net financial assets by SEK 0.8 billion.

The Volvo Group's cash and cash equivalents amounted to SEK 46.9 billion on December 31, 2018 compared to SEK 36.1 billion on December 31, 2017. In addition to this granted, but unutilized credit facilities, amounted to SEK 44.0 (45.4) billion. Cash and cash equivalents include 1.9 (1.3) billion that is not available to use by the Volvo Group and SEK 5.6 (5.0) billion where other limitations exist, mainly liquid funds in countries where exchange controls or other legal restrictions apply.

Total assets in the Volvo Group increased by SEK 55.7 billion compared to year-end 2017. Currency effects from revaluation of assets in foreign subsidiaries had a positive impact of SEK 14.8 billion.

On December 31, 2018 shareholders' equity for the Volvo Group amounted to SEK 125.8 billion compared to SEK 107.8 billion at year-end 2017. The equity ratio was 26.5% (25.7). On the same date the equity ratio in the Industrial Operations amounted to 31.9% (31.1).

### Number of employees

On December 31, 2018, the Volvo Group had 105,175 employees, including temporary employees and consultants, which was an increase of 5,687 employees compared with December 31, 2017. The number of blue-collar employees increased by 3,757 and the number of white-collar employees increased by 1,930. The increase in white-collar employees is primarily related to Trucks.

Number of employees	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
	2018	2018	2018	2018	2017
Blue-collar	<b>53,065</b>	53,506	52,953	51,790	49,308
Whereof temporary employees and consultants	<b>6,501</b>	7,726	8,072	7,497	6,222
White-collar	<b>52,110</b>	51,844	51,636	50,919	50,180
Whereof temporary employees and consultants	<b>6,545</b>	6,528	6,556	6,354	6,162
<b>Total number of employees</b>	<b>105,175</b>	<b>105,350</b>	<b>104,589</b>	<b>102,709</b>	<b>99,488</b>
Whereof temporary employees and consultants	<b>13,046</b>	14,254	14,628	13,851	12,384

## BUSINESS SEGMENT OVERVIEW

Net sales SEK M	Fourth quarter		Change		Year		Change	
	2018	2017	%	% <sup>1</sup>	2018	2017	%	% <sup>1</sup>
Trucks	68,532	60,622	13	7	250,358	214,854	17	13
Construction Equipment	20,323	16,730	21	16	84,238	66,313	27	25
Buses	7,487	7,055	6	1	25,826	25,878	0	-2
Volvo Penta	3,832	2,676	43	37	13,741	11,119	24	19
Group Functions & Other	3,269	1,892	73	66	7,568	6,449	17	13
Eliminations	-1,035	-202	-	-	-3,411	-2,814	-21	-21
<b>Industrial Operations</b>	<b>102,407</b>	<b>88,773</b>	<b>15</b>	<b>9</b>	<b>378,320</b>	<b>321,799</b>	<b>18</b>	<b>14</b>
Financial Services	3,437	3,078	12	7	13,070	11,812	11	9
Reclassifications and eliminations	-59	-296	80	80	-555	-873	36	36
<b>Volvo Group</b>	<b>105,786</b>	<b>91,554</b>	<b>16</b>	<b>10</b>	<b>390,834</b>	<b>332,738</b>	<b>17</b>	<b>14</b>

<sup>1</sup> Adjusted for exchange rate fluctuations and acquired and divested units.

Adjusted operating income <sup>1</sup> SEK M	Fourth quarter		Change		Year		Change	
	2018	2017	%	% <sup>1</sup>	2018	2017	%	% <sup>1</sup>
Trucks	7,450	5,590	33		26,351	19,785	33	
Construction Equipment	2,157	1,820	19		11,306	7,917	43	
Buses	266	261	2		765	876	-13	
Volvo Penta	493	187	164		2,341	1,439	63	
Group Functions & Other	-373	-1,353	72		-2,503	-2,934	15	
Eliminations	-3	11	-127		-12	2	-700	
<b>Industrial Operations</b>	<b>9,991</b>	<b>6,516</b>	<b>53</b>		<b>38,249</b>	<b>27,085</b>	<b>41</b>	
Financial Services	605	588	3		2,411	2,192	10	
<b>Volvo Group</b>	<b>10,597</b>	<b>7,105</b>	<b>49</b>		<b>40,660</b>	<b>29,278</b>	<b>39</b>	
Adjustments <sup>1</sup>	-7,000	-	-		-6,182	400	-	
<b>Volvo Group operating income</b>	<b>3,597</b>	<b>7,105</b>	<b>-49</b>		<b>34,478</b>	<b>29,678</b>	<b>16</b>	

<sup>1</sup> For more information on adjusted operating income, please see note 7.

Adjusted operating margin %	Fourth quarter		Year	
	2018	2017	2018	2017
Trucks	10.9	9.2	10.5	9.2
Construction Equipment	10.6	10.9	13.4	11.9
Buses	3.6	3.7	3.0	3.4
Volvo Penta	12.9	7.0	17.0	12.9
<b>Industrial Operations</b>	<b>9.8</b>	<b>7.3</b>	<b>10.1</b>	<b>8.4</b>
<b>Volvo Group</b>	<b>10.0</b>	<b>7.8</b>	<b>10.4</b>	<b>8.8</b>
<b>Volvo Group operating margin</b>	<b>3.4</b>	<b>7.8</b>	<b>8.8</b>	<b>8.9</b>

## TRUCKS

## Continued good sales and profitability growth

- » In Q4, net sales grew (13%) to a record of SEK 68,532 M while order intake weakened from high levels (-14%)
- » Adjusted operating income:
  - SEK 7,450 M (5,590) for Q4 2018
  - SEK 26,351 M (19,785) for FY 2018
- » Volvo Trucks signed an agreement to provide its first commercial autonomous solution



### Market development

In Q4, high transport volumes continued to drive fleet utilization, freight rates and customer profitability, which together supported demand for trucks in Europe. The market forecast for 2019 remains unchanged at 300,000 heavy-duty trucks.

In North America, the underlying economic activity is strong with a continued good freight demand, especially for the highway segment. The forecast for 2019 remains unchanged at 310,000 heavy-duty trucks.

In Brazil, the need for fleet renewal is driving demand for new trucks. The increased demand is broad-based across several customer segments. The heavy-duty truck market for 2019 is expected to grow to 70,000 heavy-duty trucks.

In India, the truck market continued on a high level for most of the year, but demand weakened towards the end of the year impacted by tighter credit conditions. The market forecast for 2019 is adjusted down with 30,000 units to 400,000 heavy- and medium-duty trucks.

In 2018, the Chinese heavy- and medium-duty truck market maintained the high levels of 2017 with a shift towards more heavy-duty trucks. The forecast for the total truck market for 2019 remains unchanged at 1,150,000 vehicles.

In Japan, activity levels among customers and in UD Trucks' workshops remain high. The 2019 forecast remains unchanged at 45,000 heavy-duty trucks.

### Orders and deliveries

Total truck net order intake in Q4 2018 decreased by 14% to 59,535 trucks while deliveries increased by 4% to 62,352 vehicles.

European order intake of heavy- and medium-duty trucks decreased by 13% to 26,284 vehicles in Q4 2018, while deliveries were on par with the previous year at 26,485 vehicles. The order intake decline is an effect of large fleet deals in Eastern Europe in Q4 2017 and some pre-buy effect following price increases announcements for Q1 2018. Volvo Trucks' heavy-duty market share through November was 16.0% compared to 16.8% in the same period in the preceding year. Renault Trucks' market share was 8.8% (8.6).

North American order intake decreased by 24% to 14,014 vehicles while deliveries increased by 35% to 14,072 vehicles. The order intake decline in the quarter is because a large part of the 2019 order book being sold out as well as activities together with dealers to secure order book quality. Volvo Trucks has gained heavy-duty truck market shares with its new range and recorded 10.3% (8.3) for 2018. Mack Trucks heavy-duty market share declined to 6.7% (7.3) due to continued supply chain constraints in a growing market.

Total market development	Year		Change %	Forecast 2019	Change vs. previous forecast
	2018	2017			
Registrations, number of trucks					
Europe 28 <sup>1</sup> heavy-duty (as of November )	265,569	249,806	6	-	-
Europe 30 <sup>1</sup> heavy-duty (Estimate full year 2018)	320,000	308,959	4	300,000	unchanged
North America heavy-duty	310,577	244,417	27	310,000	unchanged
Brazil heavy-duty	53,800	32,289	67	70,000	+15,000
China heavy-duty	1,147,884	1,116,851	3	970,000	unchanged
China medium-duty	177,206	229,113	-23	180,000	unchanged
India heavy-duty	306,113	251,448	22	290,000	-30,000
India medium-duty	114,270	82,185	39	110,000	unchanged
Japan heavy-duty	48,242	46,781	3	45,000	unchanged

<sup>1</sup> EU 28 includes Norway and Switzerland but excludes the UK and Bulgaria. Forecast for EU 30 includes the UK and Bulgaria.

Net order intake	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Number of trucks						
Europe	30,643	35,606	-14	113,594	115,863	-2
Heavy- and medium-duty	26,284	30,249	-13	94,026	97,430	-3
Light-duty	4,359	5,357	-19	19,568	18,433	6
North America	14,014	18,543	-24	79,364	51,693	54
South America	4,927	4,644	6	18,576	15,504	20
Asia	6,358	7,627	-17	31,633	35,144	-10
Africa and Oceania	3,593	3,177	13	14,337	14,235	1
<b>Total orders</b>	<b>59,535</b>	<b>69,597</b>	<b>-14</b>	<b>257,504</b>	<b>232,439</b>	<b>11</b>
Heavy-duty (>16 tons)	51,288	60,217	-15	223,089	198,135	13
Medium-duty (7-16 tons)	3,736	3,924	-5	13,963	15,379	-9
Light-duty (<7 tons)	4,511	5,456	-17	20,452	18,925	8
<b>Total orders</b>	<b>59,535</b>	<b>69,597</b>	<b>-14</b>	<b>257,504</b>	<b>232,439</b>	<b>11</b>
Volvo	32,595	40,610	-20	147,525	129,186	14
UD	4,459	4,986	-11	20,120	21,198	-5
Renault Trucks	14,372	16,431	-13	58,587	56,733	3
Heavy- and medium-duty	9,912	11,013	-10	38,582	38,026	1
Light-duty	4,460	5,418	-18	20,005	18,707	7
Mack	8,109	7,570	7	31,272	25,322	23
<b>Total orders</b>	<b>59,535</b>	<b>69,597</b>	<b>-14</b>	<b>257,504</b>	<b>232,439</b>	<b>11</b>
<b>Non-consolidated operations</b>						
VE Commercial Vehicles (Eicher)	15,772	14,453	9	63,769	47,353	35

South American order intake increased by 6% to 4,927 vehicles and deliveries increased by 24% to 4,282 vehicles. Volvo Trucks' market share in heavy-duty trucks in Brazil increased to 20.1% (18.4).

In Asia, order intake for the Group's wholly-owned operations declined by 17% to 6,358 vehicles primarily driven by a decline in the Middle East, while deliveries declined by 21% to 8,566 vehicles. In Japan, UD Trucks recorded a heavy-duty market share of 18.0% (19.0) for 2018. The Group's Indian joint venture, VECV, increased deliveries by 8% to 15,299 vehicles while the Chinese joint venture, DFCV, decreased deliveries by 1% to 54,236 vehicles.

#### Net sales and operating income

The truck operation's net sales amounted to SEK 68,532 M, which was 13% higher than in Q4 2017. Net sales adjusted for currency increased by 7%, with sales of vehicles increasing by 8% and service sales increasing by 5%.

Adjusted operating income in Q4 2018 amounted to SEK 7,450 M (5,590) corresponding to a margin of 10.9% (9.2). Adjusted operating income excludes a provision of SEK 6,810 M relating to estimated costs to address the issue of an emission control component that may degrade quicker than expected.

Deliveries	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Number of trucks						
Europe	31,818	31,843	0	110,349	105,432	5
Heavy- and medium-duty	26,485	27,135	-2	92,379	89,748	3
Light-duty	5,333	4,708	13	17,970	15,684	15
North America	14,072	10,409	35	53,877	37,941	42
South America	4,282	3,446	24	16,146	11,073	46
Asia	8,566	10,845	-21	32,276	35,476	-9
Africa and Oceania	3,614	3,271	10	13,842	12,480	11
<b>Total deliveries</b>	<b>62,352</b>	<b>59,814</b>	<b>4</b>	<b>226,490</b>	<b>202,402</b>	<b>12</b>
Heavy-duty (>16 tons)	53,049	51,242	4	193,886	171,963	13
Medium-duty (7-16 tons)	3,791	3,709	2	14,065	14,331	-2
Light-duty (<7 tons)	5,512	4,863	13	18,539	16,108	15
<b>Total deliveries</b>	<b>62,352</b>	<b>59,814</b>	<b>4</b>	<b>226,490</b>	<b>202,402</b>	<b>12</b>
Volvo	33,826	34,293	-1	127,466	112,245	14
UD	5,947	5,652	5	20,636	20,583	0
Renault Trucks	16,395	14,757	11	54,868	49,930	10
Heavy- and medium-duty	10,991	9,949	10	36,621	34,026	8
Light-duty	5,404	4,808	12	18,247	15,904	15
Mack	6,184	5,112	21	23,520	19,644	20
<b>Total deliveries</b>	<b>62,352</b>	<b>59,814</b>	<b>4</b>	<b>226,490</b>	<b>202,402</b>	<b>12</b>
<b>Non-consolidated operations</b>						
VE Commercial Vehicles (Eicher)	15,299	14,221	8	63,210	47,376	33
Dongfeng Commercial Vehicle Company (Dongfeng Trucks) <sup>1</sup>	54,236	54,796	-1	171,769	170,655	1

<sup>1</sup> Fourth quarter includes 4 months of deliveries.

Net sales and operating income SEK M	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Europe	30,901	28,982	7	111,237	98,203	13
North America	19,211	13,601	41	70,233	52,518	34
South America	4,300	3,659	18	16,021	12,789	25
Asia	9,754	10,744	-9	36,664	37,117	-1
Africa and Oceania	4,366	3,637	20	16,203	14,226	14
<b>Total net sales</b>	<b>68,532</b>	<b>60,622</b>	<b>13</b>	<b>250,358</b>	<b>214,854</b>	<b>17</b>
<b>Of which:</b>						
Vehicles	53,412	47,012	14	192,157	162,270	18
Services	15,120	13,611	11	58,201	52,584	11
<b>Adjusted operating income<sup>1</sup></b>	<b>7,450</b>	<b>5,590</b>	<b>33</b>	<b>26,351</b>	<b>19,785</b>	<b>33</b>
Adjustments <sup>1</sup>	-6,810	-		-6,810	-	-
<b>Operating income</b>	<b>640</b>	<b>5,590</b>	<b>-89</b>	<b>19,541</b>	<b>19,785</b>	<b>-1</b>
Adjusted operating margin, %	10.9	9.2		10.5	9.2	
Operating margin, %	0.9	9.2		7.8	9.2	

<sup>1</sup> For more information on adjusted operating income, please see note 7.

Compared with Q4 2017, adjusted operating income was positively impacted by higher vehicle and service sales, higher capacity utilization in the industrial system and lower R&D expenses as a result of higher capitalization of R&D costs. This was partly offset by higher selling expenses. Compared with Q4 2017, currency movements had a positive impact of SEK 841 M. Reported operating income was SEK 640 M (5,590).

For the full year 2018, net sales amounted to SEK 250,358 M (214,854). Adjusted operating income amounted to SEK 26,351 M (19,785), corresponding to a margin of 10.5% (9.2). Reported operating income amounted to SEK 19,541 M (19,785).

#### Important events

On November 20, Volvo Trucks signed an agreement with Brønnøy Kalk AS in Norway, to provide its first commercial autonomous transport solution for a limestone mining site.

On December 12, Volvo Trucks announced that it plans to introduce all-electric Volvo VNR demonstrators in California in 2019, operating in distribution, regional-haul and drayage operations. Sales of the Volvo VNR Electric in North America is planned to begin in 2020.

UD Trucks demonstrated self-driving (level 4) automation for heavy-duty trucks to an audience of media and business partners at the UD Experience Center in Ageo, Japan, on December 12. In late December, production of the UD Quon with the Volvo Group's 8-liter engine began. The new truck broadens the UD range in Japan and selected international markets.

On January 6, Dongfeng Trucks' new generation of trucks was launched in Wuhan, China. Heavy-duty Dongfeng KL and medium-duty Dongfeng KR are brand new truck platforms carefully designed for demanding customers.



## CONSTRUCTION EQUIPMENT

## Continued good sales growth

- » In Q4, net sales grew by 21% and order intake by 9%
- » Adjusted operating income:
  - SEK 2,157 M (1,820) for Q4 2018
  - SEK 11,306 M (7,917) for FY 2018
- » Volvo CE goes electric for smaller compact wheel loaders and compact excavators



Volvo CE goes electric on smaller machines.

**Market development**

Through November, the European market was up by 12%, driven by strong growth in Russia and moderate growth in major European markets including Germany, France, Italy and the UK.

The North American market was 16% above 2017 mainly due to increased sales of excavators (compact excavators +10% and larger excavators +23%).

In South America the market was 20% above the previous year's historically low levels mainly due to growth in Brazil, while Asia (excl. China) grew by 11% mainly driven by India.

The Chinese market was 35% above 2017 with continued positive development in large excavators, compact excavators and wheel loaders.

**Orders and deliveries**

In Q4 2018 net order intake increased by 9%, primarily driven by SDLG in China.

Order intake in Europe increased by 2% compared to Q4 2017. In North America order intake declined by 24%, due to lower orders on medium and large machines after a strong third quarter 2018 and also because of the comparison with Q4 2017, when orders were up 86%.

In Asia order intake increased by 26% driven by growth in China. In South America order intake declined by 5% and in Africa and Oceania by 22%.

Deliveries increased by 24% in Q4 2018, primarily as a result of higher sales in China on SDLG products, but also because of good growth in all major regions.

Total market development	Year-to-date Nov		
	2018	Forecast 2019	Previous forecast
Change in % measured in units			
Europe	12	-5% to +5%	-5% to +5%
North America	16	0% to +10%	0% to +10%
South America	20	-5% to +5%	-5% to +5%
Asia excl. China	11	-10% to 0%	-10% to 0%
China	35	-10% to 0%	-10% to 0%

Net order intake	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Number of construction equipment						
Europe	6,166	6,059	2	21,374	18,216	17
North America	1,818	2,396	-24	7,548	6,826	11
South America	488	514	-5	1,964	1,544	27
Asia	12,182	9,668	26	50,453	36,648	38
Africa and Oceania	810	1,041	-22	3,192	3,561	-10
<b>Total orders</b>	<b>21,464</b>	<b>19,678</b>	<b>9</b>	<b>84,531</b>	<b>66,795</b>	<b>27</b>
Large and medium construction equipment	15,206	14,647	4	63,058	50,857	24
Compact construction equipment	6,258	5,031	24	21,473	15,938	35
<b>Total orders</b>	<b>21,464</b>	<b>19,678</b>	<b>9</b>	<b>84,531</b>	<b>66,795</b>	<b>27</b>
<b>Of which:</b>						
Volvo	11,570	12,572	-8	45,531	40,544	12
SDLG	9,832	7,060	39	38,768	26,046	49
Of which in China	8,651	5,729	51	33,851	21,698	56

Deliveries	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Number of construction equipment						
Europe	4,225	3,594	18	19,567	17,519	12
North America	1,567	1,084	45	7,218	5,685	27
South America	539	377	43	2,023	1,372	47
Asia	12,397	9,666	28	50,716	36,254	40
Africa and Oceania	855	1,134	-25	3,130	3,297	-5
<b>Total deliveries</b>	<b>19,583</b>	<b>15,855</b>	<b>24</b>	<b>82,654</b>	<b>64,127</b>	<b>29</b>
Large and medium construction equipment	14,585	12,528	16	62,143	48,139	29
Compact construction equipment	4,998	3,327	50	20,511	15,988	28
<b>Total deliveries</b>	<b>19,583</b>	<b>15,855</b>	<b>24</b>	<b>82,654</b>	<b>64,127</b>	<b>29</b>
<b>Of which:</b>						
Volvo	9,689	8,749	11	43,654	37,876	15
SDLG	9,832	7,060	39	38,768	26,046	49
Of which in China	8,651	5,729	51	33,851	21,698	56

Net sales and operating income	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
SEK M						
Europe	6,729	5,368	25	27,291	22,965	19
North America	3,836	2,470	55	15,575	12,084	29
South America	605	493	23	2,304	1,744	32
Asia	7,571	6,930	9	33,781	25,052	35
Africa and Oceania	1,581	1,469	8	5,287	4,468	18
<b>Total net sales</b>	<b>20,323</b>	<b>16,730</b>	<b>21</b>	<b>84,238</b>	<b>66,313</b>	<b>27</b>
<b>Of which:</b>						
Construction equipment	17,491	14,113	24	72,797	55,912	30
Services	2,833	2,617	8	11,441	10,401	10
<b>Adjusted operating income<sup>1</sup></b>	<b>2,157</b>	<b>1,820</b>	<b>19</b>	<b>11,306</b>	<b>7,917</b>	<b>43</b>
Adjustments <sup>1</sup>	-	-		818	-	
<b>Operating income</b>	<b>2,157</b>	<b>1,820</b>	<b>19</b>	<b>12,125</b>	<b>7,917</b>	<b>53</b>
Adjusted operating margin, %	10.6	10.9		13.4	11.9	
Operating margin, %	10.6	10.9		14.4	11.9	

<sup>1</sup> For more information on adjusted operating income, please see note 7.

### Net sales and operating income

In Q4 2018, net sales increased by 21% to SEK 20,323 M (16,730). Adjusted for currency movements net sales increased by 16%, of which net sales of machines increased by 19% and service sales by 3%.

Both adjusted and reported operating income amounted to 2,157 M (1,820), corresponding to an operating margin of 10.6% (10.9). Earnings were positively impacted by the higher sales, which were partly off-set by higher production costs and selling expenses. Currency movements had a positive impact of SEK 155 M.

For the full year, net sales increased by 27% to SEK 84,238 M (66,313). Adjusted operating income increased to SEK 11,306 M (7,917), corresponding to a margin of 13.4% (11.9). Reported operating income amounted to SEK 12,125 M (7,917). For adjustments, please refer to note 7.

### Important events

During Q4, Volvo CE and its customer Skanska tested the viability of the Electric Site research project over 10 weeks at Skanska's Vikan Kross quarry, near Gothenburg, Sweden. The project aims to electrify each transport stage in a quarry and the results showed a reduction of 98% in carbon emissions, 70% in energy costs and 40% in operator costs.

In November, Volvo CE attended the industry's second largest show – Bauma China 2018 – where it exhibited the 100-ton rigid hauler, an 18-ton excavator, upgraded Volvo Services and China IV compliant engines.

In early 2019 the company announced plans to introduce fully electric compact excavators and wheel loaders in selected compact machine ranges. The first market pilots will be delivered to customers in April 2019 with serial production expected to start in mid-2020.

## BUSES

## Strong order intake

- » In Q4, order intake improved by 56%, including an order for 700 buses to Bogota
- » Adjusted operating income:
  - SEK 266 M (261) for Q4 2018
  - SEK 765 M (876) for FY 2018
- » Service sales grew by 11% in Q4



In Q4 2018, the European market remained stable on a high level and the North American market remained good for both coach and transit buses. Market demand in Brazil continued to improve and the Asian and Middle Eastern markets showed strong demand for transit buses in particular.

Compared to Q4 2017, net order intake increased by 56% to 2,760 units in Q4 2018. The increase was mainly driven by South America and Africa and Oceania. Major orders in Q4 include 700 units to Bogota, Colombia, 130 units to Australia and 120 units to Santiago, Chile.

Volvo Buses delivered 2,472 units in Q4 2018, 13% fewer than in the same period last year, mainly due to lower deliveries in the UK and North America.

In Q4 2018, net sales increased by 6% to SEK 7,487 M (7,055) compared to the same period in 2017. Adjusted for currency movements, sales increased by 1%, whereof vehicle sales remained on the same level as the previous year, while service sales increased by 5%.

Adjusted operating income amounted to SEK 266 M (261), corresponding to a margin of 3.6% (3.7). Adjusted operating

income excludes a provision of SEK 190 M relating to estimated costs to address the issue of an emission control component that may degrade quicker than expected. Earnings were positively impacted by improved product mix, which was offset by a negative impact from lower vehicle volumes. Compared with Q4 2017, currency movements had a positive impact on operating income in an amount of SEK 112 M. Reported operating income amounted to SEK 76 M (261).

For the full year 2018 the net sales of SEK 25,826 M were on the same level as in the previous year (25,878). Adjusted operating income amounted to SEK 765 M (876), corresponding to a margin of 3.0% (3.4). Reported operating income amounted to SEK 575 M (876).

In December, Volvo Buses co-initiated a research project, which will explore reuse of batteries from Volvo Buses in other applications than buses, possibly leading to better resource utilization and less environmental impact. During the United Nations climate change conference in Katowice, Poland in December, Volvo Polska was awarded "Leaders of electromobility 2018".

Net order intake and deliveries	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Number of buses						
Total orders	2,760	1,774	56	10,202	8,984	14
Total deliveries	2,472	2,826	-13	8,426	9,393	-10

Net sales and operating income	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
SEK M						
Europe	1,636	2,284	-28	7,036	7,565	-7
North America	4,248	3,330	28	13,244	12,500	6
South America	346	338	2	1,393	1,148	21
Asia	752	760	-1	2,094	3,135	-33
Africa and Oceania	506	342	48	2,060	1,530	35
<b>Total net sales</b>	<b>7,487</b>	<b>7,055</b>	<b>6</b>	<b>25,826</b>	<b>25,878</b>	<b>0</b>
<b>Of which:</b>						
Vehicles	6,270	5,961	5	20,943	21,512	-3
Services	1,218	1,094	11	4,883	4,367	12
<b>Adjusted operating income</b> <sup>1</sup>	<b>266</b>	<b>261</b>	<b>2</b>	<b>765</b>	<b>876</b>	<b>-13</b>
Adjustments <sup>1</sup>	-190	-	-	-190	-	-
<b>Operating income</b>	<b>76</b>	<b>261</b>	<b>-71</b>	<b>575</b>	<b>876</b>	<b>-34</b>
Adjusted operating margin, %	3.6	3.7		3.0	3.4	
Operating margin, %	1.0	3.7		2.2	3.4	

<sup>1</sup> For more information on adjusted operating income, please see note 7.

## VOLVO PENTA

## Continued strong development

- » Continued sales growth, especially for industrial off-road engines
- » Adjusted and reported operating income:
  - SEK 493 M (187) for Q4 2018
  - SEK 2,341 M (1,439) for FY 2018
- » Solutions for upcoming off-road emissions regulations in China and India presented



The marine leisure market continued to grow in 2018 and Volvo Penta grew in new customer segments, such as large yachts. The marine commercial market showed a positive development in several sub-segments, such as offshore energy in Asia. There is increased customer interest for hybrid and electrified solutions, particularly within the people transportation and coast guard & patrol segments.

The market for industrial off-road engines continued to grow and Volvo Penta gained new business in the segment. The market for industrial power generation engines improved further, with construction and data centers/e-commerce as drivers. Demand in Europe was also driven by pre-buying ahead of new EU Stage V emissions legislation in 2019 for off-road and power generation engines.

Net order intake in Q4 2018 decreased by 19% to 9,554 units as the pre-buy ahead of EU Stage V for the industrial segments came to an end. However, the pre-buy continued to support deliveries, which were up by 47% to 14,648 units.

Net sales increased by 43% to SEK 3,832 M (2,676). Adjusted for currency movements, net sales increased by

37%, whereof sales of engines increased by 46% and sales of services by 7%.

In Q4 2018, both adjusted and reported operating income amounted to SEK 493 M (187). The operating margin was 12.9% (7.0). Earnings were positively impacted by higher volumes. Compared with Q4 2017, the currency impact on operating income was positive in an amount of SEK 94 M.

For the full year 2018, net sales increased by 24% to SEK 13,741 M (11,119). Both adjusted and reported operating income amounted to SEK 2,341 (1,439), which corresponds to a margin of 17.0% (12.9).

During Q4, Volvo Penta presented solutions for upcoming off-road emissions regulations in China and India. These engines offer ease of installation, operation and maintenance, improved fuel efficiency and lower emissions.

Additionally, Volvo Penta's Inboard Performance System (IPS) was put to the test in a 94 foot super yacht cruising at a variety of speeds during a 100 nautical mile journey. Fuel consumption was reduced by approximately 45% compared to yachts with traditional inboard shaft installations.

Net order intake and deliveries	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Number of Engines						
Total orders	9,554	11,783	-19	48,617	42,460	15
Total deliveries	14,648	9,970	47	48,505	40,997	18

Net sales and operating income	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
SEK M						
Europe	2,375	1,384	72	7,487	5,727	31
North America	644	612	5	2,912	2,456	19
South America	93	87	7	299	289	3
Asia	549	458	20	2,443	2,082	17
Africa and Oceania	170	135	26	599	566	6
<b>Total net sales</b>	<b>3,832</b>	<b>2,676</b>	<b>43</b>	<b>13,741</b>	<b>11,119</b>	<b>24</b>
<b>Of which:</b>						
Engines	3,147	2,067	52	10,410	8,125	28
Services	685	608	13	3,330	2,995	11
<b>Adjusted operating income</b> <sup>1</sup>	<b>493</b>	<b>187</b>	<b>164</b>	<b>2,341</b>	<b>1,439</b>	<b>63</b>
Adjustments <sup>1</sup>	-	-	-	-	-	-
<b>Operating income</b>	<b>493</b>	<b>187</b>	<b>164</b>	<b>2,341</b>	<b>1,439</b>	<b>63</b>
Adjusted operating margin, %	12.9	7.0		17.0	12.9	
Operating margin, %	12.9	7.0		17.0	12.9	

<sup>1</sup> For more information on adjusted operating income, please see note 7.

## FINANCIAL SERVICES

### Continued good performance

- » Profitable portfolio growth
- » Operating income:
  - SEK 605 M (588) for Q4 2018
  - SEK 2,411 M (2,192) for FY 2018
- » Continued strong portfolio performance



Volvo Financial Services (VFS) continued to grow the credit portfolio and increase profitability. VFS had record new business volume for the quarter due to increased deliveries of trucks and construction equipment and a stable penetration rate. Adjusted for currency, the credit portfolio grew by 10% on a year over year basis. Overall portfolio performance continued to be strong with low levels of customer overdues and credit losses in most markets.

In Q4 2018, operating income increased to SEK 605 M (588), mainly due to portfolio growth and positive currency

movements offset by lower spreads in highly competitive markets. For the full year 2018, operating income improved to SEK 2,411 M (2,192).

Return on shareholders' equity improved to 15.1% (14.3), excluding a positive impact from the revaluation of deferred tax liabilities due to the tax reform legislation in the United States in the prior year.

During the quarter, SEK 2.0 billion of assets were syndicated in order to reduce concentration risks.

Financial Services SEK M	Fourth quarter		Year	
	2018	2017	2018	2017
Number of financed units, 12 months rolling			<b>58,698</b>	51,919
Total penetration rate, 12 months rolling, % <sup>1</sup>			<b>24</b>	25
New retail financing volume, SEK billion	<b>19.8</b>	17.1	<b>69.7</b>	57.9
Credit portfolio net, SEK billion			<b>149</b>	130
Credit provision expenses	<b>160</b>	122	<b>538</b>	534
Operating income	<b>605</b>	588	<b>2,411</b>	2,192
Credit reserves, % of credit portfolio <sup>2</sup>			<b>1.63</b>	1.35
Return on shareholders' equity, 12 months rolling, %			<b>15.1</b>	22.6
Return on shareholders' equity excluding effect from US tax reform 2017, 12 months rolling, % <sup>3</sup>			<b>15.1</b>	14.3

<sup>1</sup> 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.

<sup>2</sup> As from January 1, 2018 Volvo Group applies IFRS 9, Financial instruments, which compared with the former incurred loss model, requires earlier recognition of credit losses.

<sup>3</sup> Excluding the positive impact of SEK 897 M from the revaluation of deferred tax liabilities related to the year 2017 tax reform in the United States.

## IMPORTANT EVENTS FOR THE VOLVO GROUP

### **Volvo Trucks provides autonomous transport solution to Brønnøy Kalk AS**

On November 20, it was announced that Volvo Trucks had signed an agreement with Brønnøy Kalk AS in Norway to provide its first commercial autonomous solution transporting limestone from an open pit mine to a nearby port.

### **Carbon emissions reduced by 98% at Volvo CE's and Skanska's Electric Site**

On November 21, it was announced that Volvo Construction Equipment (Volvo CE) and its customer Skanska have recorded groundbreaking results from their Electric Site research project – including a 98% reduction in carbon emissions, a 70% reduction in energy cost and a 40% reduction in operator cost.

### **Changes in Volvo's management**

On December 12, it was announced that Roger Alm had been appointed as a new member of Volvo's Group Executive Board and President Volvo Trucks, replacing Claes Nilsson, who retired. In parallel, Diana Niu was appointed as a member of the Group Executive Board and Executive Vice President Group Human Resources for Volvo Group. Roger Alm and Diana Niu took up their new positions on January 1, 2019.

### **Volvo Group divests majority stake in WirelessCar**

On December 19, it was announced that the Volvo Group had signed an agreement to divest 75.1% of the shares in its wholly-owned subsidiary WirelessCar to the Volkswagen Group. The sales price amounts to SEK 1.1 billion. The divestment will, at the time of closing of the transaction, result in a positive impact on operating

income of approximately SEK 1.5 billion and a positive cash flow effect of SEK 1.1 billion. Closing of the transaction is expected during the first half of 2019, subject to customary authority approvals.

### **Volvo Group makes a provision of SEK 7 billion**

On January 3, 2019 the Volvo Group issued a press release stating that as previously communicated, the Group has detected that an emissions control component used in certain markets and models may degrade more quickly than expected, affecting the vehicles emission performance negatively. The Volvo Group in Q4 2018 therefore made a provision of SEK 7 billion, relating to the estimated costs to address the issue.

### **Previously reported important events**

- Electric trucks from Volvo Trucks and Renault Trucks
- Agreement to divest a subsidiary holding shares in NHL
- Annual General Meeting of AB Volvo
- Sale of subsidiary holding shares in NHL completed
- Changes in Volvo's Group Executive Board
- Testing of Electric Site began
- Ground-breaking innovations for future autonomous and electric transport solutions
- Volvo Trucks to introduce all-electric trucks in North America
- Volvo Group has detected premature degradation of emissions control component

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

## CONSOLIDATED INCOME STATEMENT FOURTH QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Net sales</b>	<b>102,407</b>	88,773	<b>3,437</b>	3,078	<b>-59</b>	-296	<b>105,786</b>	91,554
Cost of sales	<b>-85,637</b>	-69,254	<b>-2,129</b>	-1,828	<b>59</b>	296	<b>-87,707</b>	-70,785
<b>Gross income</b>	<b>16,770</b>	<b>19,519</b>	<b>1,308</b>	<b>1,250</b>	-	-	<b>18,079</b>	<b>20,769</b>
Research and development expenses	<b>-4,112</b>	-4,533	-	-	-	-	<b>-4,112</b>	-4,533
Selling expenses	<b>-7,668</b>	-7,048	<b>-566</b>	-553	-	-	<b>-8,234</b>	-7,602
Administrative expenses	<b>-1,459</b>	-1,630	<b>-11</b>	-10	-	-	<b>-1,470</b>	-1,640
Other operating income and expenses	<b>-696</b>	53	<b>-126</b>	-99	-	-	<b>-821</b>	-45
Income/loss from investments in joint ventures and associated companies	<b>144</b>	166	-	-	-	-	<b>144</b>	166
Income from other investments	<b>11</b>	-10	<b>0</b>	0	-	-	<b>11</b>	-10
<b>Operating income</b>	<b>2,991</b>	<b>6,517</b>	<b>605</b>	<b>588</b>	-	-	<b>3,597</b>	<b>7,105</b>
Interest income and similar credits	<b>58</b>	39	-	-	0	-	<b>58</b>	39
Interest expenses and similar charges	<b>-416</b>	-484	<b>0</b>	0	0	-	<b>-416</b>	-484
Other financial income and expenses	<b>-201</b>	-132	-	-	-	-	<b>-201</b>	-132
<b>Income after financial items</b>	<b>2,433</b>	<b>5,941</b>	<b>605</b>	<b>588</b>	0	-	<b>3,038</b>	<b>6,528</b>
Income taxes	<b>-246</b>	-2,494	<b>-128</b>	733	-	-	<b>-374</b>	-1,761
<b>Income for the period *</b>	<b>2,187</b>	<b>3,447</b>	<b>477</b>	<b>1,322</b>	0	-	<b>2,664</b>	<b>4,767</b>
* Attributable to:								
Equity holders of the parent company							<b>2,563</b>	4,686
Minority interests							<b>101</b>	81
							<b>2,664</b>	<b>4,767</b>
Basic earnings per share, SEK							<b>1.26</b>	2.31
Diluted earnings per share, SEK							<b>1.26</b>	2.30
<b>Key ratios, %</b>								
Gross margin	<b>16.4</b>	22.0	-	-	-	-	<b>17.1</b>	22.7
Research and development expenses as percentage of net sales	<b>4.0</b>	5.1	-	-	-	-	<b>3.9</b>	5.0
Selling expenses as percentage of net sales	<b>7.5</b>	7.9	-	-	-	-	<b>7.8</b>	8.3
Administrative expenses as percentage of net sales	<b>1.4</b>	1.8	-	-	-	-	<b>1.4</b>	1.8
Operating margin	<b>2.9</b>	7.3	-	-	-	-	<b>3.4</b>	7.8

## CONSOLIDATED OTHER COMPREHENSIVE INCOME FOURTH QUARTER

SEK M	2018	2017
<b>Income for the period</b>	<b>2,664</b>	4,767
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	<b>-1,564</b>	-864
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	<b>795</b>	2,068
Share of OCI related to joint ventures and associated companies	-	53
Accumulated translation difference reversed to income	<b>0</b>	-56
Available-for-sale investments	<b>-48</b>	7
Change in cash flow hedges	-	-10
<b>Other comprehensive income, net of income taxes</b>	<b>-817</b>	<b>1,198</b>
<b>Total comprehensive income for the period *</b>	<b>1,847</b>	<b>5,965</b>
* Attributable to:		
Equity holders of the parent company	<b>1,714</b>	5,824
Minority interests	<b>133</b>	141
	<b>1,847</b>	<b>5,965</b>

## CONSOLIDATED INCOME STATEMENT YEAR

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Net sales</b>	<b>378,320</b>	321,799	<b>13,070</b>	11,812	<b>-555</b>	-873	<b>390,834</b>	332,738
Cost of sales	<b>-296,109</b>	-247,021	<b>-7,924</b>	-7,072	<b>555</b>	873	<b>-303,478</b>	-253,220
<b>Gross income</b>	<b>82,210</b>	<b>74,778</b>	<b>5,146</b>	<b>4,740</b>	-	-	<b>87,357</b>	<b>79,518</b>
Research and development expenses	<b>-15,899</b>	-16,098	-	-	-	-	<b>-15,899</b>	-16,098
Selling expenses	<b>-28,642</b>	-26,495	<b>-2,248</b>	-2,086	-	-	<b>-30,890</b>	-28,582
Administrative expenses	<b>-5,756</b>	-5,602	<b>-43</b>	-40	-	-	<b>-5,798</b>	-5,642
Other operating income and expenses	<b>-1,828</b>	-640	<b>-445</b>	-421	-	-	<b>-2,273</b>	-1,061
Income/loss from investments in joint ventures and associated companies	<b>1,948</b>	1,408	-	-	-	-	<b>1,948</b>	1,407
Income from other investments	<b>33</b>	135	<b>0</b>	0	-	-	<b>33</b>	135
<b>Operating income</b>	<b>32,067</b>	<b>27,485</b>	<b>2,411</b>	<b>2,192</b>	-	-	<b>34,478</b>	<b>29,678</b>
Interest income and similar credits	<b>199</b>	164	-	-	0	-	<b>199</b>	164
Interest expenses and similar charges	<b>-1,658</b>	-1,852	<b>0</b>	0	0	-	<b>-1,658</b>	-1,852
Other financial income and expenses	<b>-870</b>	-385	-	-	-	-	<b>-870</b>	-385
<b>Income after financial items</b>	<b>29,738</b>	<b>25,412</b>	<b>2,411</b>	<b>2,192</b>	-	-	<b>32,148</b>	<b>27,605</b>
Income taxes	<b>-6,172</b>	-7,066	<b>-613</b>	248	-	-	<b>-6,785</b>	-6,818
<b>Income for the period *</b>	<b>23,566</b>	<b>18,346</b>	<b>1,798</b>	<b>2,440</b>	-	-	<b>25,363</b>	<b>20,786</b>
* Attributable to:								
Equity holders of the parent company							<b>24,897</b>	20,484
Minority interests							<b>466</b>	302
							<b>25,363</b>	<b>20,786</b>
Basic earnings per share, SEK							<b>12.25</b>	10.08
Diluted earnings per share, SEK							<b>12.24</b>	10.07
<b>Key ratios, %</b>								
Gross margin	<b>21.7</b>	23.2	-	-	-	-	<b>22.4</b>	23.9
Research and development expenses as percentage of net sales	<b>4.2</b>	5.0	-	-	-	-	<b>4.1</b>	4.8
Selling expenses as percentage of net sales	<b>7.6</b>	8.2	-	-	-	-	<b>7.9</b>	8.6
Administrative expenses as percentage of net sales	<b>1.5</b>	1.7	-	-	-	-	<b>1.5</b>	1.7
Operating margin	<b>8.5</b>	8.5	-	-	-	-	<b>8.8</b>	8.9

## CONSOLIDATED OTHER COMPREHENSIVE INCOME YEAR

SEK M	2018	2017
<b>Income for the period</b>	<b>25,363</b>	20,786
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	<b>-579</b>	-827
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	<b>2,350</b>	-2,546
Share of OCI related to joint ventures and associated companies	<b>0</b>	25
Accumulated translation difference reversed to income	<b>-94</b>	-112
Available-for-sale investments	<b>14</b>	-10
Change in cash flow hedges	-	-20
<b>Other comprehensive income, net of income taxes</b>	<b>1,691</b>	<b>-3,490</b>
<b>Total comprehensive income for the period *</b>	<b>27,054</b>	<b>17,296</b>
* Attributable to:		
Equity holders of the parent company	<b>26,536</b>	17,048
Minority interests	<b>518</b>	248
	<b>27,054</b>	<b>17,296</b>



## CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
<b>Assets</b>								
<b>Non-current assets</b>								
Intangible assets	37,889	35,716	215	178	-	-	38,104	35,893
<i>Tangible assets</i>								
Property, plant and equipment	55,631	53,308	42	40	-	-	55,673	53,348
Assets under operating leases	32,700	31,373	22,154	21,075	-11,751	-10,857	43,103	41,590
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	11,135	10,525	-	-	-	-	11,135	10,525
Other shares and participations	731	690	9	10	-	-	740	699
Non-current customer-financing receivables	891	737	66,154	57,180	-898	-744	66,148	57,173
Prepaid pensions	1,549	252	-	-	-	-	1,549	252
Non-current interest-bearing receivables	1,300	2,892	-	-	-5	-557	1,296	2,335
Other non-current receivables	9,030	8,000	244	238	-538	-143	8,736	8,094
Deferred tax assets	12,506	11,107	999	786	-	-	13,505	11,893
<b>Total non-current assets</b>	<b>163,363</b>	<b>154,599</b>	<b>89,817</b>	<b>79,506</b>	<b>-13,191</b>	<b>-12,301</b>	<b>239,989</b>	<b>221,803</b>
<b>Current assets</b>								
Inventories	65,366	52,231	417	470	-	-	65,783	52,701
<i>Current receivables</i>								
Customer-financing receivables	669	621	60,860	52,294	-750	-711	60,779	52,205
Tax assets	1,326	1,137	343	430	-	-	1,669	1,567
Interest-bearing receivables	2,581	2,075	1	-	-485	-908	2,097	1,166
Internal funding	21,465	15,927	-	-	-21,465	-15,927	-	-
Accounts receivable	40,376	37,120	1,530	1,069	-	-	41,906	38,189
Other receivables	15,095	14,420	1,258	1,527	-1,210	-889	15,144	15,058
Non interest-bearing assets held for sale	203	51	-	-	-	-	203	51
Marketable securities	160	178	-	-	-	-	160	178
Cash and cash equivalents	43,747	32,269	4,419	4,892	-1,233	-1,069	46,933	36,092
<b>Total current assets</b>	<b>190,989</b>	<b>156,029</b>	<b>68,829</b>	<b>60,682</b>	<b>-25,143</b>	<b>-19,504</b>	<b>234,675</b>	<b>197,207</b>
<b>Total assets</b>	<b>354,351</b>	<b>310,628</b>	<b>158,646</b>	<b>140,188</b>	<b>-38,334</b>	<b>-31,805</b>	<b>474,663</b>	<b>419,010</b>
<b>Equity and liabilities</b>								
Equity attributable to the equity holders of the parent company								
	110,692	94,640	12,687	11,221	-	-	123,379	105,861
Minority interests	2,452	1,941	-	-	-	-	2,452	1,941
<b>Total equity</b>	<b>113,144</b>	<b>96,581</b>	<b>12,687</b>	<b>11,221</b>	<b>-</b>	<b>-</b>	<b>125,831</b>	<b>107,802</b>
<i>Non-current provisions</i>								
Provisions for post-employment benefits	16,374	14,391	108	85	-	-	16,482	14,476
Provisions for deferred taxes	1,472	2,836	2,656	2,280	-	-	4,128	5,116
Other provisions	13,991	8,130	278	264	321	89	14,590	8,484
<i>Non-current liabilities</i>								
Bond loans	59,115	48,962	-	-	-	-	59,115	48,962
Other loans	13,411	12,865	15,638	12,817	-954	-740	28,095	24,942
Internal funding	-54,024	-43,522	58,750	49,934	-4,726	-6,413	-	-
Other liabilities	39,369	34,601	1,621	1,285	-8,040	-7,156	32,949	28,730
Current provisions	13,013	10,300	222	71	213	45	13,448	10,416
<i>Current liabilities</i>								
Bond loans	26,657	30,749	-	-	-	-	26,657	30,749
Loans	12,950	15,582	11,154	9,312	-2,114	-1,872	21,989	23,022
Internal funding	-32,781	-37,635	49,907	48,527	-17,126	-10,891	-	-
Non interest-bearing liabilities held for sale	-	0	-	-	-	-	-	0
Trade payables	72,683	64,900	947	445	-	-	73,630	65,346
Tax liabilities	3,493	1,556	256	143	-	-	3,749	1,699
Other liabilities	55,485	50,332	4,421	3,803	-5,907	-4,867	53,999	49,267
<b>Total equity and liabilities</b>	<b>354,351</b>	<b>310,628</b>	<b>158,646</b>	<b>140,188</b>	<b>-38,334</b>	<b>-31,805</b>	<b>474,663</b>	<b>419,010</b>
<b>Key ratios, %</b>								
Equity ratio	31.9	31.1	8.0	8.0	-	-	26.5	25.7
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	60.7	52.1
Return on operating capital, 12 months rolling	39.0	32.2	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling	-	-	15.1	22.6	-	-	21.3	20.5

As from January 1, 2018, IFRS 9 Financial Instruments is applied and the effect is included in the opening balance for 2018. For more information, please see Note 1.

## CONSOLIDATED CASH FLOW STATEMENT **FOURTH QUARTER**

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Operating activities</b>								
Operating income	2,991	6,746	605	588	-	-	3,597	7,334
Amortization intangible assets	726	816	8	9	-	-	734	825
Depreciation tangible assets	1,607	1,630	2	1	-	-	1,608	1,631
Depreciation leasing vehicles	1,349	831	1,189	1,107	0	0	2,539	1,938
Other non-cash items	7,609 <sup>1)</sup>	1,280	236	139	-15	-17	7,830	1,402
Total change in working capital whereof	6,076	6,594	-5,435	-2,837	103	69	743	3,826
Change in accounts receivables	79	-2,903	-204	-145	0	0	-125	-3,048
Change in customer financing receivables	13	57	-5,774	-2,914	-55	11	-5,816	-2,846
Change in inventories	1,439	452	-35	-36	0	-	1,404	416
Change in trade payables	4,860	7,607	499	-52	0	-	5,359	7,555
Other changes in working capital	-315	1,380	78	310	158	58	-79	1,748
Interest and similar items received	51	47	-	-	11	9	63	55
Interest and similar items paid	-193	-217	-	-	13	9	-180	-208
Other financial items	-4	-89	-	-	-	-	-4	-89
Income taxes paid	-1,050	-994	-330	-268	0	0	-1,380	-1,262
<b>Cash flow from operating activities</b>	<b>19,162</b>	<b>16,643</b>	<b>-3,725</b>	<b>-1,260</b>	<b>112</b>	<b>69</b>	<b>15,550</b>	<b>15,451</b>
<b>Investing activities</b>								
Investments in intangible assets	-1,308	-477	-20	-10	-	-	-1,328	-487
Investments in tangible assets	-2,598	-1,944	-3	-2	-	-	-2,600	-1,946
Investment in leasing vehicles	-3	-30	-3,046	-3,329	-	0	-3,049	-3,358
Disposals of fixed assets and leasing vehicles	217	160	1,267	1,151	-	0	1,484	1,311
<b>Operating cash flow</b>	<b>15,471</b>	<b>14,352</b>	<b>-5,527</b>	<b>-3,450</b>	<b>112</b>	<b>69</b>	<b>10,057</b>	<b>10,971</b>
Investments and divestments of shares, net							-5	17
Acquired and divested operations, net							-41	106
Interest-bearing receivables incl. marketable securities							-44	-145
<b>Cash flow after net investments</b>							<b>9,967</b>	<b>10,949</b>
<b>Financing activities</b>								
Change in loans, net							1,258	-2,871
Other							-3	-114
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>11,222</b>	<b>7,964</b>
Translation difference on cash and cash equivalents							175	211
<b>Change in cash and cash equivalents</b>							<b>11,397</b>	<b>8,175</b>

The comparative financial information in the cash flow statement is not restated due to the implementation of IFRS 15 Revenue from Contracts with Customers. The operating income for 2017 has been affected due to the implementation but the effect is also reflected with same amount as a change in working capital. Hence, the implementation of IFRS 15 has had no effect on the total operating cash flow.

<sup>1)</sup> Other non-cash items has been impacted by the provision of SEK 7 billion relating to estimated costs to address the issue of an emission control component that may degrade more quickly than expected. For more information, please see Note 2.

## CONSOLIDATED CASH FLOW STATEMENT YEAR

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Operating activities</b>								
Operating income	32,067	28,135	2,411	2,192	-	-	34,478	30,327
Amortization intangible assets	2,988	3,212	36	34	-	-	3,024	3,246
Depreciation tangible assets	6,354	6,449	6	6	-	-	6,361	6,456
Depreciation leasing vehicles	4,448	2,936	4,606	4,231	0	0	9,054	7,167
Other non-cash items	8,940 <sup>1)</sup>	857	754	563	-32	-20	9,661	1,400
Total change in working capital whereof	-10,967	-177	-13,029	-4,144	290	-384	-23,706	-4,704
Change in accounts receivables	-2,455	-6,925	-456	-245	0	0	-2,911	-7,171
Change in customer financing receivables	-77	187	-14,002	-3,922	193	-334	-13,886	-4,070
Change in inventories	-12,559	-7,378	141	-159	0	-	-12,419	-7,537
Change in trade payables	5,384	11,141	491	-28	0	-	5,875	11,113
Other changes in working capital	-1,260	2,799	797	211	97	-49	-366	2,960
Interest and similar items received	631	273	-	-	13	1	644	274
Interest and similar items paid	-1,334	-1,621	-	-	27	19	-1,307	-1,602
Other financial items	-183	-206	-	-	-	-	-183	-206
Income taxes paid	-6,593	-4,083	-245	-675	0	0	-6,838	-4,758
<b>Cash flow from operating activities</b>	<b>36,351</b>	<b>35,775</b>	<b>-5,462</b>	<b>2,208</b>	<b>298</b>	<b>-384</b>	<b>31,187</b>	<b>37,599</b>
<b>Investing activities</b>								
Investments in intangible assets	-3,682	-1,951	-63	-55	-	-	-3,746	-2,006
Investments in tangible assets	-6,983	-5,730	-6	-4	-	-	-6,989	-5,734
Investment in leasing vehicles	-13	-84	-10,120	-11,410	-	-	-10,133	-11,494
Disposals of fixed assets and leasing vehicles	924	363	5,276	5,029	-	0	6,201	5,392
<b>Operating cash flow</b>	<b>26,597</b>	<b>28,372</b>	<b>-10,376</b>	<b>-4,231</b>	<b>298</b>	<b>-384</b>	<b>16,520</b>	<b>23,757</b>
Investments and divestments of shares, net							970	2,182
Acquired and divested operations, net							-170	928
Interest-bearing receivables incl. marketable securities							69	1,586
<b>Cash flow after net investments</b>							<b>17,389</b>	<b>28,454</b>
<b>Financing activities</b>								
Change in loans, net							1,943	-8,996
Dividend to AB Volvo shareholders							-8,636	-6,603
Dividend to minority shareholders							-6	-13
Other							0	-31
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>10,691</b>	<b>12,811</b>
Translation difference on cash and cash equivalents							150	-667
<b>Change in cash and cash equivalents</b>							<b>10,841</b>	<b>12,144</b>

The comparative financial information in the cash flow statement is not restated due to the implementation of IFRS 15 Revenue from Contracts with Customers. The operating income for 2017 has been affected due to the implementation but the effect is also reflected with same amount as a change in working capital. Hence, the implementation of IFRS 15 has had no effect on the total operating cash flow.

<sup>1)</sup> Other non-cash items has been impacted by the provision of SEK 7 billion relating to estimated costs to address the issue of an emission control component that may degrade more quickly than expected. For more information, please see Note 2.

## CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial Operations		Volvo Group	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
<i>Non-current interest-bearing assets</i>				
Non-current customer-financing receivables	-	-	66.1	57.2
Non-current interest-bearing receivables	1.3	2.9	1.3	2.3
<i>Current interest-bearing assets</i>				
Customer-financing receivables	-	-	60.8	52.2
Interest-bearing receivables	2.6	2.1	2.1	1.2
Internal funding	21.5	15.9	-	-
Marketable securities	0.2	0.2	0.2	0.2
Cash and cash equivalents	43.7	32.3	46.9	36.1
<b>Total interest-bearing financial assets</b>	<b>69.3</b>	<b>53.3</b>	<b>177.4</b>	<b>149.1</b>
<i>Non-current interest-bearing liabilities</i>				
Bond loans	-59.1	-49.0	-59.1	-49.0
Other loans	-13.4	-12.9	-28.1	-24.9
Internal funding	54.0	43.5	-	-
<i>Current interest-bearing liabilities</i>				
Bond loans	-26.7	-30.7	-26.7	-30.7
Other loans	-12.9	-15.6	-22.0	-23.0
Internal funding	32.8	37.6	-	-
<b>Total interest-bearing financial liabilities</b>	<b>-25.3</b>	<b>-27.0</b>	<b>-135.9</b>	<b>-127.7</b>
<b>Net financial position excl. post-employment benefits</b>	<b>43.9</b>	<b>26.3</b>	<b>41.6</b>	<b>21.5</b>
Provisions for post-employment benefits, net	-14.8	-14.1	-14.9	-14.2
<b>Net financial position incl. post-employment benefits</b>	<b>29.1</b>	<b>12.2</b>	<b>26.6</b>	<b>7.3</b>

### Key ratios, %

Net financial position excl. post-employment benefits as percentage of shareholders' equity	38.8	26.9
Net financial position incl. post-employment benefits as percentage of shareholders' equity	25.7	12.5

As from January 1, 2018, IFRS 9 Financial Instruments is applied and the effect is included in the opening balance for 2018. For more information, please see Note 1.

## CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	Fourth quarter 2018	Year 2018
<b>Net financial position at beginning of period</b>	<b>16.4</b>	<b>12.2</b>
Cash flow from operating activities	19.2	36.4
Investments in in-/tangible assets and leasing vehicles	-3.9	-10.7
Disposals of fixed assets and leasing vehicles	0.2	0.9
<b>Operating cash flow</b>	<b>15.5</b>	<b>26.6</b>
Investments and divestments of shares, net	0.0	1.0
Acquired and divested operations, net	0.0	-0.2
Capital injections to/from Financial Services	0.0	0.3
Currency effect	-0.8	-1.2
Dividend paid to AB Volvo shareholders	-	-8.6
Dividend paid to minority shareholders	-	0.0
Remeasurements of defined benefit pension plans	-2.0	-0.5
Pension payments and costs, net	0.0	0.2
Other changes	0.0	-0.6
<b>Total change</b>	<b>12.7</b>	<b>16.9</b>
<b>Net financial position at end of period</b>	<b>29.1</b>	<b>29.1</b>

## CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Dec 31 2018	Dec 31 2017
<b>Total equity at the end of previous period</b>	<b>107.8</b>	<b>97.8</b>
Transition effect IFRS 15	-	-0.7
Transition effect IFRS 9	-0.4	-
<b>Total equity after transition effect IFRS 9 and IFRS 15 at the beginning of period</b>	<b>107.4</b>	<b>97.1</b>
<b>Shareholders' equity attributable to equity holders of the parent company at the end of previous period</b>	<b>105.9</b>	<b>96.1</b>
Transition effect IFRS 15	-	-0.7
Transition effect IFRS 9	-0.4	-
<b>Shareholders' equity attributable to equity holders of the parent company after transition effect IFRS at the beginning of period</b>	<b>105.5</b>	<b>95.3</b>
Income for the period (restated due to IFRS 15)	24.9	20.5
Other comprehensive income	1.6	-3.4
<b>Total comprehensive income</b>	<b>26.5</b>	<b>17.1</b>
Dividend to AB Volvo's shareholders	-8.6	-6.6
Share-based payments	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>123.4</b>	<b>105.9</b>
<b>Minority interests at beginning of period</b>	<b>1.9</b>	<b>1.7</b>
Income for the period (restated due to IFRS 15)	0.5	0.3
Other comprehensive income	0.1	-0.1
<b>Total comprehensive income</b>	<b>0.5</b>	<b>0.2</b>
Dividend to minority shareholders	0.0	0.0
Other changes	0.0	0.0
<b>Minority interests at end of period</b>	<b>2.5</b>	<b>1.9</b>
<b>Total equity at end of period</b>	<b>125.8</b>	<b>107.8</b>

## QUARTERLY FIGURES

Income Statements, Volvo Group							Year	Year
SEK M unless otherwise stated	4/2018	3/2018	2/2018	1/2018	4/2017	2018	2017	
<b>Net sales</b>	<b>105,786</b>	<b>92,282</b>	<b>103,623</b>	<b>89,143</b>	<b>91,554</b>	<b>390,834</b>	332,738	
Cost of sales	-87,707	-69,812	-78,150	-67,809	-70,785	-303,478	-253,220	
<b>Gross income</b>	<b>18,079</b>	<b>22,470</b>	<b>25,474</b>	<b>21,335</b>	<b>20,769</b>	<b>87,357</b>	<b>79,518</b>	
Research and development expenses	-4,112	-3,327	-4,192	-4,268	-4,533	-15,899	-16,098	
Selling expenses	-8,234	-7,320	-7,992	-7,344	-7,602	-30,890	-28,582	
Administrative expenses	-1,470	-1,275	-1,622	-1,431	-1,640	-5,798	-5,642	
Other operating income and expenses	-821	-535	-525	-392	-45	-2,273	-1,061	
Income/loss from investments in Joint Ventures and associated companies	144	234	1,187	385	166	1,948	1,407	
Income from other investments	11	1	9	12	-10	33	135	
<b>Operating income</b>	<b>3,597</b>	<b>10,247</b>	<b>12,337</b>	<b>8,297</b>	<b>7,105</b>	<b>34,478</b>	<b>29,678</b>	
Interest income and similar credits	58	48	54	38	39	199	164	
Interest expenses and similar charges	-416	-433	-386	-424	-484	-1,658	-1,852	
Other financial income and expenses	-201	-165	-319	-184	-132	-870	-385	
<b>Income after financial items</b>	<b>3,038</b>	<b>9,698</b>	<b>11,685</b>	<b>7,727</b>	<b>6,528</b>	<b>32,148</b>	<b>27,605</b>	
Income taxes	-374	-2,178	-2,300	-1,932	-1,761	-6,785	-6,818	
<b>Income for the period *</b>	<b>2,664</b>	<b>7,520</b>	<b>9,384</b>	<b>5,796</b>	<b>4,767</b>	<b>25,363</b>	<b>20,786</b>	
* Attributable to:								
Equity holders of the parent company	2,563	7,459	9,221	5,654	4,686	24,897	20,484	
Minority interests	101	61	163	142	81	466	302	
	2,664	7,520	9,384	5,796	4,767	25,363	20,786	
<b>Key ratios, Volvo Group, %</b>								
Gross margin	17.1	24.3	24.6	23.9	22.7	22.4	23.9	
Research and development expenses as percentage of net sales	3.9	3.6	4.0	4.8	5.0	4.1	4.8	
Selling expenses as percentage of net sales	7.8	7.9	7.7	8.2	8.3	7.9	8.6	
Administrative expenses as percentage of net sales	1.4	1.4	1.6	1.6	1.8	1.5	1.7	
Operating margin	3.4	11.1	11.9	9.3	7.8	8.8	8.9	
<b>Key ratios, Industrial Operations, %</b>								
Gross margin	16.4	23.8	24.0	23.3	22.0	21.7	23.2	
Research and development expenses as percentage of net sales	4.0	3.7	4.2	4.9	5.1	4.2	5.0	
Selling expenses as percentage of net sales	7.5	7.6	7.4	7.9	7.9	7.6	8.2	
Administrative expenses as percentage of net sales	1.4	1.4	1.6	1.6	1.8	1.5	1.7	
Operating margin	2.9	10.8	11.7	8.9	7.3	8.5	8.5	
<b>EBITDA margin, Industrial Operations</b>								
<b>Operating income Industrial Operations</b>	<b>2,991</b>	<b>9,626</b>	<b>11,755</b>	<b>7,695</b>	<b>6,516</b>	<b>32,067</b>	<b>27,485</b>	
Product and software development, amortization	659	662	687	697	740	2,704	2,807	
<sup>1</sup> Other intangible assets, amortization	67	69	75	72	76	284 <sup>1</sup>	404	
Tangible assets, depreciation	2,956	2,715	2,536 <sup>2</sup>	2,597 <sup>2</sup>	2,461	10,804	9,385	
<b>Total depreciation and amortization</b>	<b>3,681</b>	<b>3,445</b>	<b>3,298</b>	<b>3,366</b>	<b>3,276</b>	<b>13,791</b>	<b>12,597</b>	
<b>Operating income before depreciation and amortization (EBITDA)</b>	<b>6,672</b>	<b>13,071</b>	<b>15,053</b>	<b>11,061</b>	<b>9,792</b>	<b>45,858</b>	<b>40,082</b>	
EBITDA margin, %	6.5	14.7	15.0	12.8	11.0	12.1	12.5	
<b>Net capitalization of research and development</b>								
Capitalization	1,190	908	853	415	405	3,367	1,758	
Amortization	-631	-631	-651	-663	-701	-2,576	-2,634	
<b>Net capitalization and amortization</b>	<b>559</b>	<b>277</b>	<b>202</b>	<b>-248</b>	<b>-296</b>	<b>791</b>	<b>-876</b>	

<sup>1</sup>Including impairment of intangible assets.

<sup>2</sup>Depreciation of tangible assets has been restated for Q1 and Q2 2018 which impacts the measurement of EBITDA, but has no effect on the reported operating income.

## QUARTERLY FIGURES

Net sales							
SEK M	4/2018	3/2018	2/2018	1/2018	4/2017	Year 2018	Year 2017
Trucks	68,532	60,682	65,155	55,989	60,622	250,358	214,854
Construction Equipment	20,323	18,598	24,403	20,914	16,730	84,238	66,313
Buses	7,487	5,804	6,847	5,687	7,055	25,826	25,878
Volvo Penta	3,832	3,207	3,555	3,147	2,676	13,741	11,119
Group Functions & Other	3,269	1,472	1,504	1,323	1,892	7,568	6,449
Eliminations	-1,035	-717	-903	-756	-202	-3,411	-2,814
<b>Industrial Operations</b>	<b>102,407</b>	<b>89,047</b>	<b>100,562</b>	<b>86,304</b>	<b>88,773</b>	<b>378,320</b>	<b>321,799</b>
Financial Services	3,437	3,344	3,263	3,026	3,078	13,070	11,812
Reclassifications and eliminations	-59	-109	-202	-186	-296	-555	-873
<b>Volvo Group</b>	<b>105,786</b>	<b>92,282</b>	<b>103,623</b>	<b>89,143</b>	<b>91,554</b>	<b>390,834</b>	<b>332,738</b>

Operating income							
SEK M	4/2018	3/2018	2/2018	1/2018	4/2017	Year 2018	Year 2017
Trucks	640	6,757	7,236	4,909	5,590	19,541	19,785
Construction Equipment	2,157	2,587	4,493	2,888	1,820	12,125	7,917
Buses	76	254	260	-15	261	575	876
Volvo Penta	493	630	709	509	187	2,341	1,439
Group Functions & Other	-373	-608	-932	-591	-1,353	-2,503	-2,534
Eliminations	-3	6	-11	-4	11	-13	2
<b>Industrial Operations</b>	<b>2,991</b>	<b>9,626</b>	<b>11,755</b>	<b>7,695</b>	<b>6,516</b>	<b>32,067</b>	<b>27,485</b>
Financial Services	605	621	582	602	588	2,411	2,192
<b>Volvo Group</b>	<b>3,597</b>	<b>10,247</b>	<b>12,337</b>	<b>8,297</b>	<b>7,105</b>	<b>34,478</b>	<b>29,678</b>

Adjusted operating income <sup>1</sup>							
SEK M	4/2018	3/2018	2/2018	1/2018	4/2017	Year 2018	Year 2017
Trucks	7,450	6,757	7,236	4,909	5,590	26,351	19,785
Construction Equipment	2,157	2,587	3,675	2,888	1,820	11,306	7,917
Buses	266	254	260	-15	261	765	876
Volvo Penta	493	630	709	509	187	2,341	1,439
Group Functions & Other	-373	-608	-932	-591	-1,353	-2,503	-2,934
Eliminations	-3	6	-11	-4	11	-12	2
<b>Industrial Operations</b>	<b>9,991</b>	<b>9,626</b>	<b>10,937</b>	<b>7,695</b>	<b>6,516</b>	<b>38,249</b>	<b>27,085</b>
Financial Services	605	621	582	602	588	2,411	2,192
<b>Volvo Group</b>	<b>10,597</b>	<b>10,247</b>	<b>11,519</b>	<b>8,297</b>	<b>7,105</b>	<b>40,660</b>	<b>29,278</b>

<sup>1</sup> For more information on adjusted operating income, please see note 7.

Operating margin							
%	4/2018	3/2018	2/2018	1/2018	4/2017	Year 2018	Year 2017
Trucks	0.9	11.1	11.1	8.8	9.2	7.8	9.2
Construction Equipment	10.6	13.9	18.4	13.8	10.9	14.4	11.9
Buses	1.0	4.4	3.8	-0.3	3.7	2.2	3.4
Volvo Penta	12.9	19.6	19.9	16.2	7.0	17.0	12.9
<b>Industrial Operations</b>	<b>2.9</b>	<b>10.8</b>	<b>11.7</b>	<b>8.9</b>	<b>7.3</b>	<b>8.5</b>	<b>8.5</b>
<b>Volvo Group</b>	<b>3.4</b>	<b>11.1</b>	<b>11.9</b>	<b>9.3</b>	<b>7.8</b>	<b>8.8</b>	<b>8.9</b>

Adjusted operating margin							
%	4/2018	3/2018	2/2018	1/2018	4/2017	Year 2018	Year 2017
Trucks	10.9	11.1	11.1	8.8	9.2	10.5	9.2
Construction Equipment	10.6	13.9	15.1	13.8	10.9	13.4	11.9
Buses	3.6	4.4	3.8	-0.3	3.7	3.0	3.4
Volvo Penta	12.9	19.6	19.9	16.2	7.0	17.0	12.9
<b>Industrial Operations</b>	<b>9.8</b>	<b>10.8</b>	<b>10.9</b>	<b>8.9</b>	<b>7.3</b>	<b>10.1</b>	<b>8.4</b>
<b>Volvo Group</b>	<b>10.0</b>	<b>11.1</b>	<b>11.1</b>	<b>9.3</b>	<b>7.8</b>	<b>10.4</b>	<b>8.8</b>

## QUARTERLY FIGURES

Share data	4/2018	3/2018	2/2018	1/2018	4/2017	Year 2018	Year 2017
Earnings per share, SEK <sup>1</sup>	1.26	3.67	4.54	2.78	2.31	12.25	10.08
Earnings per share, SEK <sup>1</sup> , 12 months rolling	12.25	13.30	12.29	10.61	10.08	-	-
Diluted earnings per share, SEK	1.26	3.67	4.53	2.78	2.30	12.24	10.07
Number of outstanding shares in millions	2,033	2,032	2,032	2,032	2,032	2,033	2,032
Average number of shares before dilution in millions	2,033	2,032	2,032	2,032	2,032	2,032	2,032
Average number of shares after dilution in millions	2,033	2,033	2,033	2,033	2,033	2,033	2,033
Number of own shares in millions	96	96	96	96	97	96	97
Average number of own shares in millions	96	96	96	96	97	96	97

<sup>1</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.



## NOTE 1 | ACCOUNTING POLICIES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting policies adopted and definitions are consistent with those described in the Volvo Group Annual Report 2017 (available at [www.volvogroup.com](http://www.volvogroup.com)). 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.

### **New accounting policies for 2018**

As from January 1, 2018 Volvo Group applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

#### *IFRS 9 Financial Instruments*

The impact of the new standard is related to the new model for calculating credit losses. The model is an expected credit loss model measured at an amount equal to lifetime expected credit losses by using the simplified approach. Compared with the former applied incurred loss model, the new requirements imply an earlier recognition of credit losses.

#### *IFRS 15 Revenue from Contracts with Customers*

The major impact of implementation of IFRS 15 is related to sales transactions of vehicles with residual value commitments, e.g. buybacks and tradebacks, and the assessment if control has been transferred from the Volvo Group to the customer. The criteria of transferring control are based on if the customer has a significant economic incentive to exercise the residual value commitment or not. If the customer is considered to have a significant economic incentive to exercise the residual value commitment to return the vehicle, revenue is recognized over the residual value commitment period as an operating lease transaction in accordance with IAS 17. If the customer is not considered to have a significant economic incentive to exercise the residual value commitment to return the vehicle, the revenue is recognized in accordance with the right of return model. The effect of both models is a later recognition of revenue.

IFRS 9 and IFRS 15 are applied retrospectively but with the difference when it comes to presenting comparative financial information for 2017. For IFRS 15, the reported financial information for 2017 has been restated for comparison purposes. For IFRS 9, the reported financial information for 2017 has not been restated.

A description of the new accounting policies, the effects of transition and restated financial information are presented in the Volvo Group Annual Report 2017 in note 31. The restated financial information consists of segment reporting, quarterly and full year income statement and balance sheet.

### **New accounting policies for 2019**

As from January 1, 2019 the Volvo Group applies IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatment.

#### *IFRS 16 Leases*

IFRS 16 is a new accounting standard for leases and the main impact is related to the lessee accounting, as lease contracts shall be recognized in the balance sheet. For the Volvo Group this implies a change in accounting of lease contracts for real estate, company cars and other leased items.

Implementing the new lease accounting results in increased assets and interest-bearing liabilities in the balance sheet, thereby affecting the net financial position. It will also have a positive impact on operating income in the income statement, as a part of the lease expenses is recognized as an interest expense within the finance net. In the cash flow statement, the lease payments are allocated between interests paid within the operating cash flow and amortization of lease liabilities within the financing activities. Thus, it implies a positive effect on the operating cash flow.

IFRS 16 is applied retrospectively but prior period financial information has not been restated. Hence, the opening balance for 2019 has been adjusted in accordance with the new standard. For leases previously classified as operating leases with the Volvo Group as the lessee, a lease liability is recognized at the present value of future lease payments, amounting to SEK 6,209 M as of January 1, 2019. The asset is recognized at an amount equal to the lease liability; therefore no transition effect is presented in equity.

#### *IFRIC 23 Uncertainty over Income Tax Treatment*

IFRIC 23 is a new interpretation of uncertain income tax treatments within scope of IAS 12 Income Taxes. For the Volvo Group this implies a changed classification for identified income tax-related risks that have previously been recognized as a provision for tax charges that are probable to regulate the obligation. Going forward, uncertain income tax treatments are reported as tax liabilities.

IFRIC 23 is applied retrospectively but prior period financial information has not been restated. Hence, the opening balance for 2019 has been adjusted in accordance with the new interpretation. Income tax risks previously recognized as current and non-current provisions are reclassified to tax liabilities with an amount of SEK 295 M as of January 1, 2019. Thus no transition effect is presented in equity.

The effect of implementing IFRS 16 is summarized in the table below. As the effect of implementing IFRIC 23 is only a reclassification within liabilities, it is not included in the table. More details of the transition effects will be presented in the Volvo Group's Annual Report 2018 in note 32.

**Implementation of IFRS 16**

Effect on the opening balance as of January 1, 2019 SEK M	Previously reported Dec 31, 2018	Restatement IFRS 16	After restatement Jan 1, 2019
<b>Total assets</b>	<b>474,663</b>	<b>6,209</b>	<b>480,872</b>
Total equity	125,831	-	125,831
Total liabilities	348,832	6,209	355,041
<b>Total equity and liabilities</b>	<b>474,663</b>	<b>6,209</b>	<b>480,872</b>

  

Effect on net financial position as of January 1, 2019 SEK bn	Previously reported Dec 31, 2018	Restatement IFRS 16	After restatement Jan 1, 2019
<b>Net financial position incl. post-employment benefits</b>	<b>26.6</b>	<b>-6.2</b>	<b>20.4</b>

**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 also be specific to a single company. The Volvo Group works continuously to identify, measure and manage risk, and in some cases the Volvo Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Volvo Group'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 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 elaborate account of these risks, please refer to the Risk Management section on pages 112-117 in the Volvo Group Annual Report 2017 (available at [www.volvogroup.com](http://www.volvogroup.com)).

**Risk updates for the reporting 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 Group verifies annually, or more frequently if necessary, the goodwill value 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 a business recovery and volatility in interest and currency rates may be indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo Group's risk exposure. Total contingent liabilities as of December 31, 2018, amounted to SEK 14.2 billion, an increase of SEK 1 billion compared to December 31, 2017. The increase is mainly related to credit guarantees and bid and performance guarantees. The gross exposure of SEK 14.2 billion is partly reduced by counter guarantees and collaterals.

Following the adoption of the European Commission's settlement decision, the Volvo Group has received and will be defending itself against numerous private damages claims brought by customers and other third parties alleging that they suffered loss by reason of the conduct covered in the decision. The claims are being brought in various countries by claimants either acting individually or as part of a wider group or class of claimants. Further claims are likely to be commenced. At this stage, it is not possible to make a reliable estimate of the amount of any liability that could arise from any such proceedings.

The other legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual Report 2017 are progressing. No material changes have occurred in these matters in the fourth quarter of 2018.

As previously communicated, the Volvo Group has detected that an emissions control component used in certain markets and models, may degrade more quickly than expected, affecting the vehicles emission performance negatively. The Volvo Group has made a provision of SEK 7 billion impacting the operating income in the fourth quarter 2018, relating to the estimated costs to address the issue. Negative cash flow effects will start in 2019 and gradually ramp up in the coming years. The Volvo Group will continuously assess the size of the provision as the matter develops.

## NOTE 3 | REVENUE

The two major revenue streams within the Volvo Group are vehicles and services.

Vehicles include sales of vehicles, machinery and engines. Revenue is recognized when the control of the vehicle has been transferred to the customer, normally at one point in time which is when the vehicle has been delivered to the customer. If the sale of a vehicle is combined with a residual value commitment the revenue is recognized over the residual value commitment period.

Services include sale of spare parts, maintenance services and other aftermarket products. Revenue is recognized when the control of the service has been transferred to the customer, which is when the customer

can benefit from the use of the delivered services. For spare parts, revenue is normally recognized at one point in time and for maintenance services and other aftermarket products, revenue is normally recognized over time. When payments for maintenance contracts are received in advance from the customers, the payments are recognized as contract liabilities. Income from operating leasing is recognized over the leasing period. Interest income related to finance leasing and installment credit contracts are recognized as net sales within Financial Services during the underlying contract period.

## NOTE 4 | ACQUISITIONS AND DIVESTMENTS

### Acquisitions and divestments

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

### Assets and liabilities held for sale

At the end of fourth quarter assets amounting to SEK 203 M (51) are classified as held for sale, this mainly refers to planned property divestments.

## NOTE 5 | CURRENCY AND FINANCIAL INSTRUMENTS

### Fair value of financial instruments

Valuation principles and classification of Volvo Group financial instruments, as described in Volvo Group Annual Report 2017 Note 30 and Note 31 (available at [www.volvogroup.com](http://www.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 mainly of interest and currency derivatives. Derivatives with positive fair values amounted to SEK 4.5 billion (4.6) and derivatives with negative fair values

amounted to SEK 1.5 billion (0.7) as of December 31, 2018. The derivatives are accounted for on gross-basis. Financial liabilities valued at amortized cost, reported as current and non-current bond loans and other loans, amounted to SEK 134.7 billion (127.2) in reported carrying value with a fair value of SEK 135.8 billion (129.8). In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 1.2 billion (0.5).

Currency effect on operating income, Volvo Group	Compared to fourth quarter 2017			Compared to third quarter 2018		
	Fourth quarter	Fourth quarter	Change	Fourth quarter	Third quarter	Change
	2018	2017		2018	2018	
SEK M						
Net flow in foreign currency			710			-48
Realized and unrealized gains and losses on derivatives	0	-8	8	0	-3	3
Unrealized gains and losses on receivables and liabilities in foreign currency	35	-105	140	35	-247	282
Translation effect on operating income in foreign subsidiaries			366			44
<b>Total currency effect on operating income, Volvo Group</b>			<b>1,225</b>			<b>281</b>

Applicable currency rates	Quarterly exchange rates		Close rates		
	Fourth quarter	Fourth quarter	Dec 31	Dec 31	
	2018	2017			
BRL		2.38	2.56	2.32	2.49
CNY		1.31	1.26	1.31	1.26
EUR		10.32	9.79	10.28	9.85
GBP		11.65	11.04	11.35	11.10
USD		9.04	8.32	8.97	8.23
JPY		0.0801	0.0737	0.0812	0.0731
KRW		0.0080	0.0075	0.0080	0.0077

## NOTE 6 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 430 M (316) and purchases from associated companies amounted to SEK 28 M (25) during the fourth quarter of 2018. As of December 31, 2018, receivables from associated companies amounted to SEK 290 M (369) and liabilities to associated companies to SEK 33 M (93).

Sales to joint ventures amounted to SEK 511 M (605) and purchases from joint ventures amounted to SEK 265 M (219) during the fourth quarter of 2018. As of December 31, 2018, receivables from joint ventures amounted to SEK 353 M (419) and liabilities to joint ventures to SEK 166 M (63).

## NOTE 7 | RECONCILIATION OF ADJUSTED OPERATING INCOME

Adjusted operating income							Year	Year
SEK M	4/2018	3/2018	2/2018	1/2018	4/2017	2018	2017	
Trucks	7,450	6,757	7,236	4,909	5,590	26,351	19,785	
Construction Equipment	2,157	2,587	3,675	2,888	1,820	11,306	7,917	
Buses	266	254	260	-15	261	765	876	
Volvo Penta	493	630	709	509	187	2,341	1,439	
Group Functions & Other	-373	-608	-932	-591	-1,353	-2,503	-2,934	
Eliminations	-3	6	-11	-4	11	-12	2	
<b>Industrial Operations</b>	<b>9,991</b>	<b>9,626</b>	<b>10,937</b>	<b>7,695</b>	<b>6,516</b>	<b>38,249</b>	<b>27,085</b>	
Financial Services	605	621	582	602	588	2,411	2,192	
<b>Volvo Group</b>	<b>10,597</b>	<b>10,247</b>	<b>11,519</b>	<b>8,297</b>	<b>7,105</b>	<b>40,660</b>	<b>29,278</b>	

Adjustments							Year	Year
SEK M	4/2018	3/2018	2/2018	1/2018	4/2017	2018	2017	
<b>Adjustment items (segment)</b>								
Provision for addressing the issue with an emission control component (Trucks)	-6,810	-	-	-	-	-6,810	-	
Provision for addressing the issue with an emission control component (Buses)	-190	-	-	-	-	-190	-	
Capital gain on sale of shares in Inner Mongolia North Hauler Joint Stock Co., Ltd (Construction Equipment)	-	-	818	-	-	818	-	
Capital gain on sale of shares in Deutz AG (Group functions & Other)	-	-	-	-	-	-	400	

<b>Total adjustments</b>							
Trucks	-6,810	-	-	-	-	-6,810	-
Construction Equipment	-	-	818	-	-	818	-
Buses	-190	-	-	-	-	-190	-
Group Functions & Other	-	-	-	-	-	-	400
<b>Industrial Operations</b>	<b>-7,000</b>	<b>-</b>	<b>818</b>	<b>-</b>	<b>-</b>	<b>-6,182</b>	<b>400</b>
<b>Volvo Group</b>	<b>-7,000</b>	<b>-</b>	<b>818</b>	<b>-</b>	<b>-</b>	<b>-6,182</b>	<b>400</b>

Operating income							Year	Year
SEK M	4/2018	3/2018	2/2018	1/2018	4/2017	2018	2017	
Trucks	640	6,757	7,236	4,909	5,590	19,541	19,785	
Construction Equipment	2,157	2,587	4,493	2,888	1,820	12,125	7,917	
Buses	76	254	260	-15	261	575	876	
Volvo Penta	493	630	709	509	187	2,341	1,439	
Group Functions & Other	-373	-608	-932	-591	-1,353	-2,503	-2,534	
Eliminations	-3	6	-11	-4	11	-13	2	
<b>Industrial Operations</b>	<b>2,991</b>	<b>9,626</b>	<b>11,755</b>	<b>7,695</b>	<b>6,516</b>	<b>32,067</b>	<b>27,485</b>	
Financial Services	605	621	582	602	588	2,411	2,192	
<b>Volvo Group</b>	<b>3,597</b>	<b>10,247</b>	<b>12,337</b>	<b>8,297</b>	<b>7,105</b>	<b>34,478</b>	<b>29,678</b>	

For reconciliations of other key ratios, see [www.volvogroup.com](http://www.volvogroup.com)

## PARENT COMPANY

Income from investments in Group companies for the fourth quarter includes dividends amounting to SEK 768 M (6,005). Reversal of previous impairments has been done by SEK 2,061 M (2,203). Gain from divestment of Volvo East Asia (Pte) Ltd is included by SEK 26 M.

Allocations include Group contributions, net, of SEK 14,440 M (17,923) and allocation to tax reserve. In 2018 there was no allocation to tax reserve compared with SEK 3,500 M in 2017.

Financial net debt amounted to SEK 27,785 M (33,413) at the end of the fourth quarter.

Income Statement SEK M	Fourth quarter		Year	
	2018	2017	2018	2017
<b>Net sales<sup>1</sup></b>	<b>131</b>	<b>171</b>	<b>635</b>	<b>491</b>
Cost of sales <sup>1</sup>	-131	-171	-635	-491
<b>Gross income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Operating expenses <sup>1</sup>	-607	-628	-1,624	-1,730
Income from investments in Group companies	2,919	7,875	4,899	8,936
Income from investments in joint ventures and associated companies	-1	-5	388	585
Income from other investments	-4	-1	-4	-1
<b>Operating income (loss)</b>	<b>2,307</b>	<b>7,241</b>	<b>3,659</b>	<b>7,790</b>
Interest income and expenses	-174	-185	-730	-788
Other financial income and expenses	-2	0	-21	-10
<b>Income after financial items</b>	<b>2,131</b>	<b>7,056</b>	<b>2,908</b>	<b>6,992</b>
Allocations	14,440	14,425	14,440	14,425
Income taxes	-3,037	-2,955	-2,727	-2,416
<b>Income for the period</b>	<b>13,534</b>	<b>18,526</b>	<b>14,621</b>	<b>19,001</b>

<sup>1</sup> Of net sales in the fourth quarter, SEK 127 M (157) pertained to Group companies, while purchases from Group companies amounted to SEK 152 M (214).

Other comprehensive income				
<b>Income for the period</b>	<b>13,534</b>	<b>18,526</b>	<b>14,621</b>	<b>19,001</b>
<b>Other comprehensive income, net of income taxes</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>13,534</b>	<b>18,526</b>	<b>14,621</b>	<b>19,001</b>

<b>Balance Sheet</b>	<b>Dec 31</b>	<b>Dec 31</b>
SEK M	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Tangible assets	7	8
Financial assets		
Shares and participations in Group companies	72,765	69,244
Receivables from Group companies	-	19
Investments in joint ventures and associated companies	8,894	8,895
Other shares and participations	4	7
Deferred tax assets	186	195
<b>Total non-current assets</b>	<b>81,856</b>	<b>78,368</b>
<b>Current assets</b>		
Current receivables from Group companies	35,027	25,826
Tax assets	-	23
Other current receivables	118	96
<b>Total current assets</b>	<b>35,145</b>	<b>25,945</b>
<b>Total assets</b>	<b>117,001</b>	<b>104,313</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	51,653	45,643
Untaxed reserves	6,001	6,001
Provisions	258	103
Non-current liabilities <sup>1</sup>	13,977	13,981
Current liabilities <sup>2</sup>	35,221	28,694
<b>Total shareholders' equity and liabilities</b>	<b>117,001</b>	<b>104,313</b>

<sup>1</sup> Of which SEK 13,973 M (13,973) pertained to Group companies.

<sup>2</sup> Of which SEK 34,050 M (27,459) pertained to Group companies.

#### Events after the balance sheet date

For important events, please see page 14. No other significant events have occurred after the end of the fourth quarter 2018 that are expected to have a substantial effect on the Volvo Group.

#### Proposed ordinary dividend of SEK 5.00 per share and an extra dividend of SEK 5.00 per share

For the full year 2018, the Board proposes an ordinary dividend of SEK 5.00 per share, compared to SEK 4.25 per share the preceding year. In addition, the Board proposes an extra dividend of SEK 5.00 per share for 2018.

Gothenburg, January 30, 2019  
AB Volvo (publ)

The Board of Directors

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

## NET ORDER INTAKE

Net order intake of trucks	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Number of trucks						
Europe	30,643	35,606	-14	113,594	115,863	-2
Heavy- and medium-duty	26,284	30,249	-13	94,026	97,430	-3
Light-duty	4,359	5,357	-19	19,568	18,433	6
North America	14,014	18,543	-24	79,364	51,693	54
South America	4,927	4,644	6	18,576	15,504	20
Asia	6,358	7,627	-17	31,633	35,144	-10
Africa and Oceania	3,593	3,177	13	14,337	14,235	1
<b>Total trucks</b>	<b>59,535</b>	<b>69,597</b>	<b>-14</b>	<b>257,504</b>	<b>232,439</b>	<b>11</b>
Heavy-duty (>16 tons)	51,288	60,217	-15	223,089	198,135	13
Medium-duty (7-16 tons)	3,736	3,924	-5	13,963	15,379	-9
Light-duty (<7 tons)	4,511	5,456	-17	20,452	18,925	8
<b>Total trucks</b>	<b>59,535</b>	<b>69,597</b>	<b>-14</b>	<b>257,504</b>	<b>232,439</b>	<b>11</b>

## Net order intake of trucks by brand

## Volvo

Europe	17,398	20,577	-15	60,045	64,528	-7
North America	6,104	11,272	-46	49,151	28,045	75
South America	4,630	4,345	7	16,815	14,168	19
Asia	2,347	3,167	-26	14,148	16,200	-13
Africa and Oceania	2,116	1,249	69	7,366	6,245	18
<b>Total Volvo</b>	<b>32,595</b>	<b>40,610</b>	<b>-20</b>	<b>147,525</b>	<b>129,186</b>	<b>14</b>
Heavy-duty (>16 tons)	31,809	39,656	-20	144,047	125,151	15
Medium-duty (7-16 tons)	786	954	-18	3,478	4,035	-14
<b>Total Volvo</b>	<b>32,595</b>	<b>40,610</b>	<b>-20</b>	<b>147,525</b>	<b>129,186</b>	<b>14</b>

## UD

North America	10	19	-47	50	53	-6
South America	91	21	333	349	201	74
Asia	3,657	3,930	-7	15,991	17,109	-7
Africa and Oceania	701	1,016	-31	3,730	3,835	-3
<b>Total UD</b>	<b>4,459</b>	<b>4,986</b>	<b>-11</b>	<b>20,120</b>	<b>21,198</b>	<b>-5</b>
Heavy-duty (>16 tons)	3,273	3,770	-13	15,590	15,887	-2
Medium-duty (7-16 tons)	1,135	1,178	-4	4,083	5,093	-20
Light-duty (<7 tons)	51	38	34	447	218	105
<b>Total UD</b>	<b>4,459</b>	<b>4,986</b>	<b>-11</b>	<b>20,120</b>	<b>21,198</b>	<b>-5</b>

## Renault Trucks

Europe	13,245	15,029	-12	53,549	51,335	4
Heavy- and medium-duty	8,886	9,672	-8	33,981	32,902	3
Light-duty	4,359	5,357	-19	19,568	18,433	6
North America	244	187	30	1,074	576	86
South America	27	10	170	263	146	80
Asia	354	530	-33	1,494	1,825	-18
Africa and Oceania	502	675	-26	2,207	2,851	-23
<b>Total Renault Trucks</b>	<b>14,372</b>	<b>16,431</b>	<b>-13</b>	<b>58,587</b>	<b>56,733</b>	<b>3</b>
Heavy-duty (>16 tons)	8,097	9,221	-12	32,180	31,775	1
Medium-duty (7-16 tons)	1,815	1,792	1	6,402	6,251	2
Light-duty (<7 tons)	4,460	5,418	-18	20,005	18,707	7
<b>Total Renault Trucks</b>	<b>14,372</b>	<b>16,431</b>	<b>-13</b>	<b>58,587</b>	<b>56,733</b>	<b>3</b>

## Mack

North America	7,656	7,065	8	29,089	23,019	26
South America	179	268	-33	1,149	989	16
Asia	-	-	-	-	10	-
Africa and Oceania	274	237	16	1,034	1,304	-21
<b>Total Mack</b>	<b>8,109</b>	<b>7,570</b>	<b>7</b>	<b>31,272</b>	<b>25,322</b>	<b>23</b>
Heavy-duty (>16 tons)	8,109	7,570	7	31,272	25,322	23
<b>Total Mack</b>	<b>8,109</b>	<b>7,570</b>	<b>7</b>	<b>31,272</b>	<b>25,322</b>	<b>23</b>

## DELIVERIES

Deliveries of trucks	Fourth quarter		Change %	Year		Change %
	2018	2017		2018	2017	
Number of trucks						
Europe	<b>31,818</b>	31,843	0	<b>110,349</b>	105,432	5
Heavy- and medium-duty	<b>26,485</b>	27,135	-2	<b>92,379</b>	89,748	3
Light-duty	<b>5,333</b>	4,708	13	<b>17,970</b>	15,684	15
North America	<b>14,072</b>	10,409	35	<b>53,877</b>	37,941	42
South America	<b>4,282</b>	3,446	24	<b>16,146</b>	11,073	46
Asia	<b>8,566</b>	10,845	-21	<b>32,276</b>	35,476	-9
Africa and Oceania	<b>3,614</b>	3,271	10	<b>13,842</b>	12,480	11
<b>Total trucks</b>	<b>62,352</b>	<b>59,814</b>	<b>4</b>	<b>226,490</b>	<b>202,402</b>	<b>12</b>
Heavy-duty (>16 tons)	<b>53,049</b>	51,242	4	<b>193,886</b>	171,963	13
Medium-duty (7-16 tons)	<b>3,791</b>	3,709	2	<b>14,065</b>	14,331	-2
Light-duty (<7 tons)	<b>5,512</b>	4,863	13	<b>18,539</b>	16,108	15
<b>Total trucks</b>	<b>62,352</b>	<b>59,814</b>	<b>4</b>	<b>226,490</b>	<b>202,402</b>	<b>12</b>

## Deliveries of trucks by brand

## Volvo

Europe	<b>16,813</b>	18,394	-9	<b>59,938</b>	60,388	-1
North America	<b>8,227</b>	5,746	43	<b>31,840</b>	19,971	59
South America	<b>3,837</b>	3,092	24	<b>14,782</b>	9,944	49
Asia	<b>3,346</b>	5,623	-40	<b>14,380</b>	16,756	-14
Africa and Oceania	<b>1,603</b>	1,438	11	<b>6,526</b>	5,186	26
<b>Total Volvo</b>	<b>33,826</b>	<b>34,293</b>	<b>-1</b>	<b>127,466</b>	<b>112,245</b>	<b>14</b>
Heavy-duty (>16 tons)	<b>32,967</b>	33,209	-1	<b>124,059</b>	108,576	14
Medium-duty (7-16 tons)	<b>859</b>	1,084	-21	<b>3,407</b>	3,669	-7
<b>Total Volvo</b>	<b>33,826</b>	<b>34,293</b>	<b>-1</b>	<b>127,466</b>	<b>112,245</b>	<b>14</b>

## UD

North America	<b>9</b>	14	-36	<b>62</b>	34	82
South America	<b>113</b>	79	43	<b>319</b>	134	138
Asia	<b>4,711</b>	4,693	0	<b>16,221</b>	16,859	-4
Africa and Oceania	<b>1,114</b>	866	29	<b>4,034</b>	3,556	13
<b>Total UD</b>	<b>5,947</b>	<b>5,652</b>	<b>5</b>	<b>20,636</b>	<b>20,583</b>	<b>0</b>
Heavy-duty (>16 tons)	<b>4,547</b>	4,504	1	<b>15,786</b>	15,416	2
Medium-duty (7-16 tons)	<b>1,292</b>	1,093	18	<b>4,558</b>	4,963	-8
Light-duty (<7 tons)	<b>108</b>	55	96	<b>292</b>	204	43
<b>Total UD</b>	<b>5,947</b>	<b>5,652</b>	<b>5</b>	<b>20,636</b>	<b>20,583</b>	<b>0</b>

## Renault Trucks

Europe	<b>15,005</b>	13,449	12	<b>50,411</b>	45,044	12
Heavy- and medium-duty	<b>9,672</b>	8,741	11	<b>32,441</b>	29,360	10
Light-duty	<b>5,333</b>	4,708	13	<b>17,970</b>	15,684	15
North America	<b>283</b>	77	268	<b>465</b>	187	149
South America	<b>64</b>	52	23	<b>234</b>	208	13
Asia	<b>509</b>	519	-2	<b>1,675</b>	1,850	-9
Africa and Oceania	<b>534</b>	660	-19	<b>2,083</b>	2,641	-21
<b>Total Renault Trucks</b>	<b>16,395</b>	<b>14,757</b>	<b>11</b>	<b>54,868</b>	<b>49,930</b>	<b>10</b>
Heavy-duty (>16 tons)	<b>9,351</b>	8,417	11	<b>30,521</b>	28,327	8
Medium-duty (7-16 tons)	<b>1,640</b>	1,532	7	<b>6,100</b>	5,699	7
Light-duty (<7 tons)	<b>5,404</b>	4,808	12	<b>18,247</b>	15,904	15
<b>Total Renault Trucks</b>	<b>16,395</b>	<b>14,757</b>	<b>11</b>	<b>54,868</b>	<b>49,930</b>	<b>10</b>

## Mack

North America	<b>5,553</b>	4,572	21	<b>21,510</b>	17,749	21
South America	<b>268</b>	223	20	<b>811</b>	787	3
Asia	<b>-</b>	10	-	<b>-</b>	11	-
Africa and Oceania	<b>363</b>	307	18	<b>1,199</b>	1,097	9
<b>Total Mack</b>	<b>6,184</b>	<b>5,112</b>	<b>21</b>	<b>23,520</b>	<b>19,644</b>	<b>20</b>
Heavy-duty (>16 tons)	<b>6,184</b>	5,112	21	<b>23,520</b>	19,644	20
<b>Total Mack</b>	<b>6,184</b>	<b>5,112</b>	<b>21</b>	<b>23,520</b>	<b>19,644</b>	<b>20</b>



This information is information that AB Volvo (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out in the press release concerning this report, at 7.20 CET on January 30, 2019.

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 and Sustainability Report 2018	March 12, 2019
Annual General Meeting 2019	April 3, 2019
Report on the first quarter 2019	April 24, 2019
Report on the second quarter 2019	July 18, 2019
Report on the third quarter 2019	October 18, 2019

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