

VOLVO

Volvo Group

REPORT ON THE FIRST QUARTER 2017



- » In Q1 2017 net sales increased by 8% to SEK 77.4 billion (71.7). Adjusted for currency movements and acquired and divested units sales increased by 4%.
- » Adjusted operating income amounted to SEK 7,029 M (4,459), corresponding to an adjusted operating margin of 9.1% (6.2).
- » Currency movements had a positive impact on operating income of SEK 289 M.
- » Operating cash flow in the Industrial Operations amounted to SEK 1.5 billion (-10.4).
- » UD Trucks launched all-new heavy-duty Quon and medium-duty Croner truck ranges.
- » New Volvo VNR regional haul tractor launched in North America.

SEK M unless otherwise stated	First quarter	
	2017	2016
Net sales	77,365	71,707
Adjusted operating income ¹	7,029	4,459
Adjusted operating margin, %	9.1	6.2
Operating income	7,029	5,344
Operating margin, %	9.1	7.5
Income after financial items	6,440	5,299
Income for the period	4,816	3,789
Diluted earnings per share, SEK	2.33	1.85
Operating cash flow in Industrial Operations, SEK bn	1.5	-10.4
Return on shareholders' equity, 12 months rolling, %	15.5	17.5
Net order intake, number of trucks	55,622	50,046
Deliveries, number of trucks	43,927	46,110
Net order intake, number of construction equipment	17,487	13,090
Deliveries, number of construction equipment	16,369	12,172

¹ For more information on adjusted operating income, please see note 6.

CEO'S COMMENTS

Continued improved profitability

In the first quarter, both the Group's sales and profitability increased. Net sales increased by 8% and amounted to SEK 77.4 billion. Volumes of heavy-duty and medium-duty trucks were down by 4%, which was off-set by 34% higher volumes of construction equipment. The good order trend from the end of last year continued, with order intake for trucks being up by 11% to 55,600 vehicles and order intake for Volvo CE rising 34% to 17,500 machines.

The trend with increased services sales also continued with a positive development in all segments and markets. Sales of services grew by 6% currency adjusted, driven by increased focus in our sales and service operations as well as high fleet utilization for our customers.

The Group's adjusted operating income improved to SEK 7.0 billion, with earnings improvements coming from all business areas with the most significant impact from Trucks and Volvo CE. The adjusted operating margin was 9.1%.

Demand for trucks in Europe remained high. Our customers continue to benefit from a good freight environment and we see good demand also in the construction segment. When it comes to market shares, we have started the year well, noting a 17.6% share for Volvo and Renault Trucks growing to 8.7%.

After the downwards correction in the long haulage segment in 2016, the North American market seems to be bottoming out. We see positive signs of increased order activity. In April, Volvo Trucks launched the new Volvo VNR regional haul tractor, marking the first step in the renewal of the Volvo range in North America. With its modern, ergonomic and more aerodynamic cab, the new vehicle will significantly improve Volvo's position in the regional haul market. Product features are focused on delivering the maneuverability, productivity and safety that are so important to customers in this segment.

Demand for trucks in Japan remained at a high level. With the launch of new heavy- and medium-duty truck ranges with associated services, UD Trucks takes important steps in strengthening its product portfolio. The all-new heavy-duty UD Quon delivers higher levels of performance across features compared to its predecessor and also addresses a broader market by catering to a wider range of customer applications. In addition, UD Trucks extended its product offer aimed specifically at growth markets by complementing the UD Quester heavy-duty range with the all-new UD Croner range of medium-duty trucks.

The first quarter also saw growing truck markets in India and China. Both our joint-ventures, VECV and DFCV,



increased sales as well as profitability, contributing to the improved earnings for the Group's truck business.

It is also great to note that the European truck segment in Asia is growing, with a 41% volume increase for Volvo Trucks, which holds a strong position in this segment. This development is fuelled by higher commodity prices, which has sparked a recovery in the mining industry as well as a rapid growth of e-commerce in China. Customers operating in these industries value the uptime and productivity that our Volvo trucks deliver.

All in all, the improved performance in our trucks business resulted in an operating margin of 9.9%.

The recovery in the mining industry is good also for Volvo CE. After years of tough market conditions, the Volvo CE business is growing again, with a sales increase of 30%. Higher sales volumes linked with increased internal efficiency and a lower cost base resulted in an operating margin of 10.0%. Volvo CE is on the right track with the performance improvement plan yielding results. However, we see further opportunities to structurally improve the long-term competitiveness of Volvo CE.

Volvo Buses delivered 10% fewer buses and had an operating margin of 1.8%, which was a slight improvement.

Volvo Penta grew sales by 15%, while maintaining an operating margin of 15.5%. The Volvo Penta team continues to successfully drive and develop the industrial engine business.

Volvo Financial Services' credit portfolio continued to perform well with low credit losses. Operating income increased and VFS had a return on equity of 13.8%.

With the new truck ranges launched this quarter, we take an important step in strengthening our product portfolios in North America, Japan and growth markets in Asia. Our strategy, with brand and business area driven organizations with decentralized accountability, is developing well with an increased focus on driving the service business. We are becoming a faster and more agile organization that is closer to customers.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE FIRST QUARTER 2017

Net sales

In Q1 2017, the Volvo Group's net sales increased by 8% to SEK 77,365 M. Adjusted for currency movements and acquired and divested operations, net sales increased by 4%.

Vehicle sales increased by 3% adjusted for currency movements. The increase was primarily an effect of good demand for the Group's products in Europe and Asia, partly offset by lower volumes in the North American truck market. Adjusted for currency movements, service sales increased by 6%, reflecting high utilization of customer fleets in most markets.

Operating income

Adjusted operating income in Q1 2017 amounted to SEK 7,029 M (4,459), corresponding to an operating margin of 9.1% (6.2). There were no adjustments in Q1 2017. The adjustment in Q1 2016 referred to a capital gain of SEK 885 M from the sale of the external IT operation.

Compared with Q1 2016, the higher adjusted operating income is primarily an effect of higher service earnings, improved earnings in Volvo CE and the truck joint-ventures, a positive market mix with higher truck volumes in Europe as well as lower quality costs, which were elevated in Q1 2016 due to specific quality campaigns. This was partly off-set by lower truck volumes and capacity utilization in North America and higher costs for R&D as a result of lower capitalization. Favorable currency movements compared to the same quarter last year had a positive impact of SEK 289 M.

Earnings in Volvo CE in Q1 2017 include costs for right-sizing the R&D organization of SEK 113 M, while Q1 2016 included costs of SEK 149 M for credit losses in China.

Reported operating income in Q1 2017 amounted to SEK 7,029 M (5,344).

Net sales by market area SEK M	First quarter		Change %
	2017	2016	
Europe	33,420	30,519	10
North America	18,321	20,732	-12
South America	3,658	2,910	26
Asia	16,791	13,611	23
Africa and Oceania	5,174	3,935	31
Total	77,365	71,707	8
Of which:			
Vehicles ¹	56,583	53,157	6
Services	18,069	16,129	12
Financial Services revenue	2,892	2,701	7
Eliminations	-179	-279	36

¹ Including construction equipment and Volvo Penta engines

Consolidated Income Statement, Volvo Group SEK M	First quarter	
	2017	2016
Net sales	77,365	71,707
Cost of sales	-57,835	-55,400
Gross income	19,530	16,307
Research and development expenses	-3,994	-3,449
Selling expenses	-6,942	-6,524
Administrative expenses	-1,286	-1,342
Other operating income and expenses	-616	502
Income/loss from investments in Joint Ventures and associated companies	340	-201
Income from other investments	-2	52
Operating income	7,029	5,344
Interest income and similar credits	50	66
Interest expenses and similar charges	-463	-453
Other financial income and expenses	-177	343
Income after financial items	6,440	5,299
Income taxes	-1,624	-1,510
Income for the period *	4,816	3,789
* Attributable to:		
Equity holders of the parent company	4,730	3,767
Minority interests	85	22
	4,816	3,789
Basic earnings per share, SEK	2.33	1.85
Diluted earnings per share, SEK	2.33	1.85

Financial items

Compared with Q1 2016 interest income decreased by SEK 16 M while interest expenses increased by SEK 10 M.

In Q1 2017 other financial income and expenses amounted to SEK -177 M (343). The decrease compared with the previous year is primarily related to unrealized revaluations and negative realized result on derivatives.

Income taxes

In Q1 2017 the tax expense amounted to SEK 1,624 M (1,510) corresponding to a tax rate of 25% (28). The lower tax rate is related to a changed earnings mix.

Income for the period and earnings per share

In Q1 2017 income for the period amounted to SEK 4,730 M (3,767). Diluted earnings per share amounted to SEK 2.33 (1.85).

Operating cash flow in the Industrial Operations

In Q1 2017, operating cash flow in the Industrial Operations was positive in an amount of SEK 1.5 billion (neg. 10.4). The improved cash flow is primarily related to a much lower seasonal working capital build-up of SEK 4.7 billion in Q1 2017, compared to SEK 15.3 billion in Q1 2016. In Q1 2016, there was an extraordinary working capital build-up related to a cut in North American truck production, which reduced the payables. Operating cash flow in Q1 2017 was also positively impacted by higher earnings and favorable calendar effects with fewer payment days to suppliers, which was partly off-set by higher tax payments compared to last year.

Volvo Group financial position

During Q1 2017, net financial debt in the Industrial Operations, excluding provisions for post-employment benefits decreased by SEK 1.5 billion, resulting in a net financial asset position of SEK 0.3 billion on March 31, 2017. This equals 0.3 % of shareholders' equity. Including provisions for post-employment benefits, the Industrial Operations' net financial debt amounted to SEK 13.3 billion corresponding to 14.4% of shareholders' equity. The decrease is mainly explained by a positive operating cash flow of SEK 1.5 billion and remeasurements of the defined benefit obligations of SEK 0.7 billion. The decrease in the defined benefit obligations is primarily related to a higher return on investments leading to increased pension asset value mainly in the US and Sweden. During Q1, the currency movements increased net financial debt by SEK 0.7 billion.

On March 31, 2017 the shareholders' equity for the Volvo Group amounted to SEK 103.2 billion compared to SEK 97.8 billion at year-end 2016. The equity ratio was 25.3% (24.5). On the same date the equity ratio in the Industrial Operations amounted to 31.6% (30.9).

Number of employees

On March 31, 2017 the Volvo Group had 96,398 employees, including temporary employees and consultants, which was a decrease of 2,246 employees compared with March 31, 2016. The number of white-collar employees decreased by 2,519. On the other hand, the number of blue-collar employees increased by 273.

Number of employees	Mar 31 2017	Dec 31 2016	Mar 31 2016
Blue-collar	47,098	45,744	46,825
Of which temporary employees and consultants	5,961	4,946	4,977
White-collar	49,300	49,170	51,819
Of which temporary employees and consultants	6,111	5,929	6,806
Total number of employees	96,398	94,914	98,644
Of which temporary employees and consultants	12,072	10,875	11,783

BUSINESS SEGMENT OVERVIEW

Net sales SEK M	First quarter		Change %	Change % ¹	12 months rolling	Jan-Dec 2016
	2017	2016				
Trucks	49,467	48,037	3	-2	202,081	200,650
Construction Equipment	16,163	12,452	30	25	54,441	50,731
Buses	5,548	5,258	6	3	25,676	25,386
Volvo Penta	2,701	2,340	15	11	10,254	9,893
Group Functions & Other	1,615	1,870	-14	7	7,499	7,754
Eliminations	-841	-672	-25	-25	-3,126	-2,955
Industrial Operations	74,652	69,285	8	4	296,825	291,459
Financial Services	2,892	2,701	7	2	11,433	11,242
Reclassifications and eliminations	-179	-279	36	36	-687	-787
Volvo Group	77,365	71,707	8	4	307,572	301,914

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

Adjusted operating income ¹ SEK M	First quarter		Change %	12 months rolling	Jan-Dec 2016
	2017	2016			
Trucks	4,910	3,741	31	18,641	17,472
Construction Equipment	1,617	341	374	3,522	2,246
Buses	101	59	71	912	870
Volvo Penta	419	366	14	1,322	1,269
Group Functions & Other	-547	-519	-5	-2,850	-2,823
Eliminations	-1	-22	95	-7	-28
Industrial Operations	6,499	3,966	64	21,540	19,008
Financial Services	531	493	8	2,124	2,086
Volvo Group	7,029	4,459	58	23,665	21,094
Adjustments ¹	-	885	-	-1,153	-268
Volvo Group operating income	7,029	5,344	32	22,512	20,826

¹ For more information on adjusted operating income, please see note 6.

Adjusted operating margin %	First quarter		12 months rolling	Jan-Dec 2016
	2017	2016		
Trucks	9.9	7.8	9.2	8.7
Construction Equipment	10.0	2.7	6.5	4.4
Buses	1.8	1.1	3.6	3.4
Volvo Penta	15.5	15.6	12.9	12.8
Industrial Operations	8.7	5.7	7.3	6.5
Volvo Group	9.1	6.2	7.7	7.0
Volvo Group operating margin	9.1	7.5	7.3	6.9

TRUCKS

Profitability continued to improve despite lower volumes

- » Demand in Europe and Japan remains high, order pick-up in North America and demand in China strong in both domestic and European segments
- » Adjusted operating income SEK 4,910 M (3,741) corresponding to an operating margin of 9.9% (7.8).
- » Important product launches by UD Trucks and by Volvo Trucks in North America



Market development

The truck market in Europe remained strong in Q1 2017. Demand for transport continued to be good, resulting in high capacity utilization for truck fleets and good customer profitability, leading to continued renewal and expansion of fleets. For 2017, demand for heavy-duty trucks in Europe is expected to remain on about the same high level as in 2016.

In the North American heavy-duty truck industry orders increased during Q1 2017. Dealer inventories of new trucks are at healthy levels; however inventories for used long-haulage trucks remain elevated. This continues to dampen demand for new trucks in this segment despite indications of an improving freight environment. Demand in the refuse and construction segments remains good. Retail sales for the industry are forecasted to be lower 2017 compared to 2016.

In Q1 registrations of heavy-duty trucks in Brazil declined by 25% from already low levels. The market seems however to

be bottoming out at the current level and is expected to remain relatively flat for 2017.

In India, registrations of heavy-duty trucks rose by 7% in Q1 2017, supported by pre-buying ahead of the new emission regulation that was implemented April 1.

Registrations in the Chinese heavy-duty truck market increased by 94%. The increase is reflecting a good freight environment and higher construction activity. Also, demand is still positively impacted by the tougher legislation on maximum load for commercial vehicles which was introduced in Q4 2016. This has reduced industry freight capacity. In 2017 the Chinese heavy-duty market is expected to increase compared to 2016, whereas the medium-duty market is expected to remain roughly flat.

In Japan, demand remained on good levels during Q1 and the market for 2017 is expected to be about on the same level as in 2016.

Total market development	First quarter		Change %	Full year 2016	Forecast 2017	Change vs. previous forecast
	2017	2016				
Registrations, number of trucks						
Europe 28 ¹ heavy-duty (as of Feb.)	41,766	41,516	1	264,600	-	-
Europe 30 ¹ heavy-duty	-	-	-	305,400	300,000	unchanged
North America heavy-duty	47,988	62,784	-24	243,200	215,000	unchanged
Brazil heavy-duty	5,920	7,943	-25	29,700	30,000	unchanged
China heavy-duty	284,030	146,415	94	732,900	765,000	+110,000
China medium-duty	55,473	49,617	12	229,000	235,000	-10,000
India heavy-duty	77,166	71,931	7	219,900	215,000	-10,000
India medium-duty	20,804	21,120	-1	73,500	60,000	unchanged
Japan heavy-duty	13,495	12,937	4	47,300	48,000	unchanged
Japan medium-duty	15,767	12,391	27	47,300	47,000	unchanged

¹From the third quarter 2016 registration data is no longer available for the UK. Registrations for EU 28 for the year 2016 and the first quarter 2017 include Norway and Switzerland but exclude the UK and Bulgaria. The UK reported preliminary 36,356 registered trucks for the full year 2016. Note! Forecast for EU 30 includes the UK and Bulgaria.

Net order intake	First quarter		Change %
	2017	2016	
Number of trucks			
Europe	28,378	28,752	-1
Heavy- and medium-duty	24,426	22,463	9
Light duty	3,952	6,289	-37
North America	11,334	8,892	27
South America	2,657	2,055	29
Asia	9,649	7,359	31
Africa and Oceania	3,604	2,988	21
Total orders	55,622	50,046	11
Heavy-duty (>16 tons)	46,928	39,503	19
Medium-duty (7-16 tons)	4,632	3,970	17
Light-duty (<7 tons)	4,062	6,573	-38
Total orders	55,622	50,046	11
Volvo	29,864	25,355	18
UD	6,135	5,232	17
Renault Trucks	13,380	14,781	-9
Mack	6,243	4,678	33
Total orders	55,622	50,046	11
Non-consolidated operations			
VE Commercial Vehicles (Eicher)	13,146	11,920	10

Orders and deliveries

Truck deliveries declined by 5% to 43,927 vehicles in Q1 2017. Net orders in the quarter increased by 11% to 55,622 trucks, driven by a broad-based increase in demand on several markets.

Deliveries of heavy-duty and medium-duty trucks in Europe increased by 5% to 20,064, while orders increased by 9% to 24,426 trucks. Orders for Renault Trucks' light-duty trucks decreased by 37%, primarily as a consequence of elevated demand during Q1 2016 when customers were pre-buying ahead of a new emission legislation. Volvo Trucks' market shares in Europe were somewhat lower at 17.6% (17.9), while Renault Trucks' increased its market shares slightly to 8.7% (8.4) through February.

In North America, deliveries were down 34% compared to a strong Q1 2016. Both Volvo Trucks and Mack gained market shares, with Volvo Trucks reaching 9.4% (8.4) and Mack reaching 8.9% (7.7). The order intake increase of 27% was driven by both Volvo Trucks and Mack reflecting higher activity within the construction segment and a somewhat improved freight environment combined with low dealer inventories.

Deliveries in South America remained flat on low levels in Q1 2017. Volvo Trucks lost market shares in Brazil and the quarter came in at 17.8% (20.2). However, Volvo Trucks continued to gain traction in surrounding markets such as Peru and Argentina. Order intake in South America increased by 29%, although from very low levels, as a consequence of

Deliveries	First quarter		Change %
	2017	2016	
Number of trucks			
Europe	23,602	22,917	3
Heavy- and medium-duty	20,064	19,106	5
Light duty	3,538	3,811	-7
North America	7,065	10,740	-34
South America	1,889	1,890	0
Asia	8,470	7,854	8
Africa and Oceania	2,901	2,709	7
Total deliveries	43,927	46,110	-5
Heavy-duty (>16 tons)	36,764	38,282	-4
Medium-duty (7-16 tons)	3,548	3,765	-6
Light-duty (<7 tons)	3,615	4,063	-11
Total deliveries	43,927	46,110	-5
Volvo	23,720	24,315	-2
UD	4,749	5,397	-12
Renault Trucks	11,533	11,222	3
Mack	3,925	5,176	-24
Total deliveries	43,927	46,110	-5
Non-consolidated operations			
VE Commercial Vehicles (Eicher)	13,153	11,809	11
Dongfeng Commercial Vehicle Company (Dongfeng Trucks) ¹	23,765	13,905	71

¹ Quarter includes 2 months of deliveries.

Net sales and operating income SEK M	First quarter		Change %
	2017	2016	
Europe	22,892	21,635	6
North America	11,410	13,801	-17
South America	2,568	2,130	21
Asia	9,103	7,724	18
Africa and Oceania	3,495	2,747	27
Total net sales	49,467	48,037	3
Of which:			
Vehicles	36,032	35,977	0
Services	13,435	12,060	11
Adjusted operating income ¹	4,910	3,741	31
Adjustments ¹	-	-	-
Operating income	4,910	3,741	31
Adjusted operating margin, %	9.9	7.8	
Operating margin, %	9.9	7.8	

¹ For more information on adjusted operating income, please see note 6.

some customers renewing their fleets despite the weak market conditions in Brazil.

In Asia, truck deliveries increased by 8% in the quarter, driven by increased demand for Volvo trucks as well as demand for the UD Quester range in Southeast Asia. The increase in demand continued with order intake increasing by 31% in the quarter, including good intake in Japan.

Net sales and operating income

The truck operation's net sales amounted to SEK 49,467 M in Q1 2017, which was 3% higher than Q1 2016. Service sales rose by 11% as a consequence of the increased commercial focus in the sales and service operations as well as high fleet utilization for customers. This was partly offset by lower new vehicle sales in North America. Adjusted for currency movements, net sales decreased by 2%, with sales of vehicles decreasing by 4% and service sales increasing by 6%.

Both adjusted and reported operating income in Q1 2017 amounted to SEK 4,910 M (3,741) corresponding to an operating margin of 9.9% (7.8).

Operating income was positively impacted by higher service earnings, a favorable market mix with high volumes for Volvo Trucks in Europe and higher earnings in the Indian and Chinese truck joint ventures VECV and DFCV. Earnings were also positively impacted by lower quality costs, which were elevated in Q1 2016 due to specific quality campaigns. This was partly off-set by lower vehicle sales volumes in North

America as well as higher R&D costs as a consequence of lower capitalization. Compared with Q1 2016, currency movements had a positive impact of SEK 229 M.

Important events

On March 1, 2017 UD Trucks launched Croner, an all-new medium-duty truck range, tailored specifically to growth markets. Croner has three gross vehicle weight models with various wheelbase variants, which combined can offer 21 different basic configurations to suit specific demands of various industries.

On April 11, 2017 UD Trucks launched its all-new heavy-duty Quon truck range. The trucks in the new, broader range are equipped with an upgraded, fuel-efficient 11-liter engine and a new electronically controlled automatic transmission with anticipatory solutions that uses GPS. All models feature disc brakes as standard, a first for any Japanese manufacturer. Productivity is also increased with higher payload, and a number of safety features are also introduced.

On April 20, Volvo Trucks launched the new Volvo VNR regional haul tractor in North America, marking the first step in the renewal of the Volvo range in the North American market. With its modern ergonomic interior workspace and boldly styled, more aerodynamic exterior, the new vehicle will significantly improve Volvo's position in the important regional haul market.



CONSTRUCTION EQUIPMENT Transformation activities and volumes improving earnings

- » Activities in the transformation program to improve profitability are yielding good results
- » Adjusted operating income SEK 1,617 M (341) and operating margin 10.0% (2.7)
- » Improving market conditions

Market development

Construction equipment markets continue to improve. Through February, all regions except for South America showed growth.

The European market was up by 17%, driven by growth in major markets such as Germany, the UK and France. The recovery in Russia continues, however from a low base.

The North American market was 1% above last year with continuing growth in sales of smaller compact machines and larger excavators, while other products were mostly below last year's level.

The decline in South America continued from already very low levels. Brazil continues to struggle with low overall business confidence and economic uncertainty.

The total market in Asia (excluding China) was 10% above last year. This was mainly driven by continued growth in India and Korea. There was also strong growth in Indonesia mainly driven by a recovery in the mining sector. On the other hand demand in Turkey and Middle East declined.

Through March, the Chinese market grew by 48%, driven



The new generation L350H wheel loader.

by a recovery in demand for excavators, which increased by 99% while wheel loaders were on the same level as last year.

Orders and deliveries

In Q1 2017, both order intake and deliveries increased by 34% to 17,487 machines and 16,369 machines respectively. Order intake increased in all markets, with the largest volume of new orders coming from China and Europe.

In Europe there was a 28% increase in orders, with growth in most markets, including Russia. Larger Volvo branded equipment accounted for most of the order intake increase.

China saw order intake increase by 47% in the quarter. This was driven by increased order intake for both Volvo and SDLG products and a significant recovery in the excavator market.

North America saw the order intake increase by 14% in the quarter, mostly driven by larger equipment and machines used in road construction.

Total market development	Year-to-date Feb		
	2017	Forecast 2017	Previous forecast
Change in % measured in units			
Europe	17	+5% to +15%	0% to +10%
North America	1	-5% to +5%	-5% to +5%
South America	-8	-5% to +5%	0% to +10%
Asia excl. China	10	0% to +10%	0% to +10%
China (through March)	48	+20% to +30%	+5% to +15%

Net order intake	First quarter		Change %
	2017	2016	
Number of construction equipment			
Europe	5,101	3,983	28
North America	1,924	1,683	14
South America	346	147	135
Asia	9,154	6,738	36
Africa and Oceania	962	539	78
Total orders	17,487	13,090	34
Large and medium construction equipment ¹	12,856	9,722	32
Compact construction equipment ²	4,631	3,368	38
Total orders	17,487	13,090	34
Of which			
Volvo	11,166	8,544	31
SDLG	6,258	4,510	39
Of which in China	5,181	3,999	30

¹ Excavators >10 tons, wheel loaders engine power >120 hp, articulated haulers, rigid haulers and road machinery products.

² Excavators <10 tons, wheel loaders engine power <120 hp, skid steer loaders and backhoe loaders.

Deliveries	First quarter		Change %
	2017	2016	
Number of construction equipment			
Europe	4,804	3,558	35
North America	1,256	1,198	5
South America	339	217	56
Asia	9,141	6,741	36
Africa and Oceania	829	458	81
Total deliveries	16,369	12,172	34
Large and medium construction equipment ¹	11,465	9,028	27
Compact construction equipment ²	4,904	3,144	56
Total deliveries	16,369	12,172	34
Of which			
Volvo	10,048	7,626	32
SDLG	6,258	4,510	39
Of which in China	5,181	3,999	30

¹ Excavators >10 tons, wheel loaders engine power >120 hp, articulated haulers, rigid haulers and road machinery products.

² Excavators <10 tons, wheel loaders engine power <120 hp, skid steer loaders and backhoe loaders.

Net sales and operating income	First quarter		Change %
	2017	2016	
SEK M			
Europe	5,751	4,567	26
North America	2,924	2,605	12
South America	404	246	64
Asia	6,139	4,472	37
Africa and Oceania	946	562	68
Total net sales	16,163	12,452	30
Of which:			
Construction equipment	13,623	10,194	34
Services	2,539	2,257	12
Adjusted operating income ¹	1,617	341	374
Adjustments ¹	-	-	-
Operating income	1,617	341	374
Adjusted operating margin, %	10.0	2.7	
Operating margin, %	10.0	2.7	

¹ For more information on adjusted operating income, please see note 6.

Net sales and operating income

In Q1 2017 net sales increased by 30% to SEK 16,163 M (12,452). Adjusted for currency movements net sales increased by 25% compared with Q1 2016, of which net sales of machines increased by 29% and service sales increased by 7%.

Adjusted and reported operating income amounted to SEK 1,617 M (341), corresponding to an operating margin of 10.0% (2.7). Earnings were positively impacted primarily by increased sales and production volumes with a maintained level of operating expenses and direct material cost reduction. Q1 2017 includes costs for right-sizing of the R&D organization of SEK 113 M, while Q1 2016 included costs of SEK 149 M for credit losses in China.

Currency movements had a positive impact on operating income in an amount of SEK 95 M.

Important events

At Conexpo/Con-Agg in Las Vegas, Volvo CE unveiled a new generation of its largest wheel loader – the 50-ton class L350H. Among other products on display in Las Vegas was the L260H wheel loader, a 34-ton machine purpose-built to load on-highway trucks in just two even passes.

Volvo CE also launched ActiveCare Direct in North America, a telematics monitoring service supported through the company's dealer network. Volvo CE has built a dedicated uptime center with a team of analysts who proactively monitor and report on customer fleets throughout the United States and Canada.

BUSES

Increased order intake

- » Order intake increased 34% across regions
- » Adjusted operating income SEK 101 MSEK (59)
- » Largest ever electric hybrid bus order in Belgium



Volvo 7900 Electric Hybrid.

Q1 2017 presents a slightly weaker European bus market, but with increased interest in electrified urban transport solutions. North America shows a stable market with good coach sales and continuous high demand for transit buses. Mexico starts to recover after a stand-still following the US presidential election. Demand continues to be at a low level in Brazil with fierce price competition. Asia shows an encouraging development with growth in the Asia Pacific region.

Volvo Buses delivered 1,838 buses in Q1 2017, a decline of 10% compared to the same period in 2016. The lower deliveries were mainly driven by the continued negative market development in Brazil and a weak start of deliveries in ongoing Nova Bus contracts in North America. Order intake, on the other hand, increased by 34% to 3,176 buses, with improvements in most areas.

Major orders in Q1 were 365 buses to Canada, 176 buses and chassis to Mexico, and 151 units to the UK. During the quarter Volvo Buses secured its largest order ever for complete solutions for electric bus traffic. The Belgian cities of

Charleroi and Namur together ordered 90 Volvo 7900 Electric Hybrid buses as well as 12 charging stations.

Deliveries of the new 8-liter chassis platform for Asian markets also started in Q1, expanding the product offering based on localized Volvo engines.

In Q1 2017 net sales increased by 6% to SEK 5,548 M (5,258) compared to the same period in 2016. Adjusted for currency movements, sales increased by 3%. Vehicle sales increased by 1% adjusted for currency, despite unit sales being down by 10%. This is explained by a higher share of complete buses versus chassis. Service sales increased by 9% adjusted for currency.

Both adjusted and reported operating income amounted to SEK 101 M (59), corresponding to an operating margin of 1.8% (1.1). Operating income was positively affected primarily by favorable product and market mix, improved service sales and lower material costs. Compared to Q1 2016, currency movements had a negative impact on operating income of SEK 45 M.

Net order intake and deliveries	First quarter		Change %
	2017	2016	
Number of buses			
Total orders	3,176	2,367	34
Total deliveries	1,838	2,031	-10

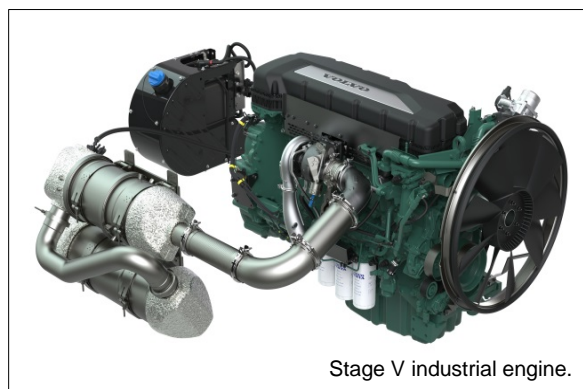
Net sales and operating income	First quarter		Change %
	2017	2016	
SEK M			
Europe	1,715	1,167	47
North America	2,482	2,728	-9
South America	258	207	25
Asia	691	798	-13
Africa and Oceania	401	358	12
Total net sales	5,548	5,258	6
Of which:			
Vehicles	4,422	4,266	4
Services	1,126	992	14
Adjusted operating income¹	101	59	71
Adjustments ¹	-	-	-
Operating income	101	59	71
Adjusted operating margin, %	1.8	1.1	
Operating margin, %	1.8	1.1	

¹ For more information on adjusted operating income, please see note 6.

VOLVO PENTA

Growing sales with good profitability

- » Sales growth across all segments, especially off-road engines
- » Operating margin of 15.5% (15,6)
- » Volvo Penta reveals its off-road solution to meet European Stage V emission levels



The overall marine leisure market remains flat, with signs of a slight increase. The gasoline segment is still at low levels, but Volvo Penta is gaining market share. At the Miami International Boat Show, Volvo Penta unveiled its new 380 and 430 hp gasoline sterndrive engines and received an innovation award for its joystick for inboard solutions. The marine commercial market is still impacted by low demand from customers in the oil and gas industry.

The market for industrial off-road engines is showing positive signs – with stability in the material handling segment and a low, but increasing demand in the construction and mining segments. At the Conexpo/Con-Agg international trade show in March, Volvo Penta launched its concept to meet European Stage V emissions legislation for the full engine range between 5 and 16 liters. Strong growth continues for Volvo Penta within the off-road engine segment.

The market for industrial power generation engines shows a slight increase in Asia, the Middle East, and the export-oriented European market. The domestic European and North

America markets are stable on low levels. In February, Volvo Penta introduced its most powerful 16 liter power generation engine to date with the highest power density in its class.

Net order intake in Q1 2017 increased by 12% to 11,149 units, while deliveries increased by 12% to 10,396 units.

Net sales increased by 15% to SEK 2,701 M (2,340). Adjusted for currency movements, net sales increased by 11%, of which net sales of engines increased by 11%, mainly due to increased volumes for industrial off-road engines and marine leisure gasoline. Currency adjusted net sales of services increased by 12% primarily driven by growth in the industrial off-road segment.

Both adjusted and reported operating income amounted to SEK 419 M (366). The operating margin was 15.5% (15.6). Earnings were positively impacted by currency and higher sales, which were partly off-set by higher costs for research and development. Compared with Q1 2016, operating income was impacted positively by currency movements in an amount of SEK 70 M.

Net order intake and deliveries		First quarter		Change %
Number of Engines		2017	2016	
Total orders		11,149	9,974	12
Total deliveries		10,396	9,279	12
Net sales and operating income		First quarter		Change %
SEK M		2017	2016	
Europe		1,443	1,218	18
North America		513	501	2
South America		86	73	18
Asia		508	426	19
Africa and Oceania		151	121	25
Total net sales		2,701	2,340	15
Of which:				
Engines		1,998	1,734	15
Services		703	605	16
Adjusted operating income ¹		419	366	14
Adjustments ¹		-	-	-
Operating income		419	366	14
Adjusted operating margin, %		15.5	15.6	
Operating margin, %		15.5	15.6	

¹ For more information on adjusted operating income, please see note 6.

FINANCIAL SERVICES Continued good performance

- » Improved profitability
- » Continued good portfolio performance
- » Asset-backed securitization

Volvo Financial Services (VFS) continued to record good results on the basis of stable spreads, generally low credit losses and portfolio growth. During Q1 2017, operating income increased to SEK 531 M (493) and return on equity improved to 13.8% (13.5) mainly due to positive currency movements and gains on syndicated assets.

VFS recorded lower levels of new business volume on stable deliveries and lower penetration as competition intensified in most markets and demand remained weak in Brazil. The portfolio continued to perform well during Q1, highlighted by low customer overdues in most markets. The economy in Brazil remains in a recession, and focus



continues to be on executing downturn management activities, which have mitigated the negative effects.

In February, VFS successfully completed an asset-backed securitization transaction, under which SEK 6.6 billion of securities tied to US-based loans on trucking and construction equipment assets were issued. In addition, SEK 2.2 billion of assets were syndicated in the quarter, effectively reducing concentration risks and freeing up credit capacity to support sales.

Financial Services SEK M	First quarter	
	2017	2016
Number of financed units	10,419	11,585
Total penetration rate ¹ , %	22	26
New financing volume, SEK billion	11.7	12.2
Credit portfolio net, SEK billion	126	120
Credit provision expenses	147	130
Operating income, SEK M	531	493
Credit reserves, % of credit portfolio	1.46	1.42
Return on shareholders' equity, rolling 12 months, %	13.8	13.5

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

IMPORTANT EVENTS

Annual General Meeting of AB Volvo

The Annual General Meeting of AB Volvo on April 4, 2017, approved the Board of Directors' proposal that a dividend of SEK 3.25 per share was to be paid to the shareholders.

Matti Alahuhta, Eckhard Cordes, James W. Griffith, Martin Lundstedt, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Håkan Samuelsson, Helena Stjernholm, Carl-Henric Svanberg and Lars Westerberg were reelected as members of the Board. Carl-Henric Svanberg was reelected as Chairman of the Board. Bengt Kjell, representing AB Industrivärden, Lars Förberg, representing Cevian Capital, Yngve Slyngstad, representing Norges Bank Investment Management, Pär Boman, representing Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen, and the Chairman of the Board were elected members of the Election Committee. A remuneration policy for senior executives was adopted in accordance with the Board of Directors' proposal.

New heavy-duty and medium-duty trucks from UD

On March 1, 2017 UD Trucks launched Croner, an all-new medium-duty truck range, specifically for growth markets. Croner comes in up to 21 different basic configurations to suit the specific demands of various industries.

On April 11, 2017 UD Trucks launched an all-new and broader heavy-duty Quon range. The trucks are among other things equipped with a fuel-efficient 11-liter engine and a new electronically controlled automatic transmission.

New Volvo truck in North America

On April 20, Volvo Trucks launched the new Volvo VNR regional haul tractor in North America, marking the first step in the renewal of the Volvo range in the North American market.

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

CONSOLIDATED INCOME STATEMENT FIRST QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	74,652	69,285	2,892	2,701	-179	-279	77,365	71,707
Cost of sales	-56,273	-54,056	-1,741	-1,624	179	279	-57,835	-55,400
Gross income	18,379	15,230	1,151	1,077	-	-	19,530	16,307
Research and development expenses	-3,994	-3,449	-	-	-	-	-3,994	-3,449
Selling expenses	-6,439	-6,057	-504	-467	-	-	-6,942	-6,524
Administrative expenses	-1,276	-1,332	-10	-10	-	-	-1,286	-1,342
Other operating income and expenses	-509	610	-107	-107	-	-	-616	502
Income/loss from investments in Joint Ventures and associated companies	340	-201	-	-	-	-	340	-201
Income from other investments	-2	52	0	0	-	-	-2	52
Operating income	6,499	4,851	531	493	-	-	7,029	5,344
Interest income and similar credits	50	66	-	-	-	-	50	66
Interest expenses and similar charges	-463	-453	0	0	-	-	-463	-453
Other financial income and expenses	-177	343	-	0	-	-	-177	343
Income after financial items	5,909	4,808	531	493	-	-	6,440	5,299
Income taxes	-1,470	-1,364	-154	-147	-	-	-1,624	-1,510
Income for the period *	4,439	3,444	377	346	-	-	4,816	3,789
* Attributable to:								
Equity holders of the parent company							4,730	3,767
Minority interests							85	22
							4,816	3,789
Basic earnings per share, SEK							2.33	1.85
Diluted earnings per share, SEK							2.33	1.85
Key operating ratios, %								
Gross margin	24.6	22.0	-	-	-	-	25.2	22.7
Research and development expenses as percentage of net sales	5.4	5.0	-	-	-	-	5.2	4.8
Selling expenses as percentage of net sales	8.6	8.7	-	-	-	-	9.0	9.1
Administrative expenses as percentage of net sales	1.7	1.9	-	-	-	-	1.7	1.9
Operating margin	8.7	7.0	-	-	-	-	9.1	7.5

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST QUARTER

SEK M	2017	2016
Income for the period	4,816	3,789
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	401	-1,551
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	180	727
Share of OCI related to Joint Ventures and associated companies	-11	-60
Available-for-sale investments	26	-74
Change in cash flow hedges	-21	2
Other comprehensive income, net of income taxes	575	-956
Total comprehensive income for the period *	5,391	2,833
* Attributable to:		
Equity holders of the parent company	5,320	2,848
Minority interests	71	-15
	5,391	2,833

CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016
Assets								
Non-current assets								
Intangible assets	36,982	37,768	157	149	-	-	37,140	37,916
<i>Tangible assets</i>								
Property, plant and equipment	55,331	55,812	66	64	-	-	55,397	55,875
Assets under operating leases	23,098	22,752	19,507	19,556	-7,885	-7,615	34,720	34,693
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	11,943	11,643	-	-	-	-	11,943	11,643
Other shares and participations	806	766	11	11	-	-	817	776
Non-current customer-financing receivables	895	965	55,809	57,830	-886	-968	55,817	57,827
Prepaid pensions	89	79	-	-	-	-	89	79
Non-current interest-bearing receivables	3,014	2,481	-	-	-2,023	-1,222	990	1,258
Other non-current receivables	4,030	4,083	217	211	-141	-147	4,105	4,148
Deferred tax assets	13,474	13,332	1,065	1,068	-	-	14,539	14,399
Total non-current assets	149,663	149,679	76,831	78,888	-10,936	-9,953	215,558	218,615
Current assets								
Inventories	51,340	48,080	206	206	-	-	51,546	48,287
<i>Current receivables</i>								
Customer-financing receivables	751	733	50,951	53,082	-787	-821	50,915	52,994
Tax assets	1,311	1,166	139	193	-	-	1,450	1,359
Interest-bearing receivables	1,644	1,935	180	191	-1,302	-991	522	1,135
Internal funding	3,649	7,503	-	-	-3,649	-7,503	-	-
Accounts receivable	33,270	33,593	785	826	-	-	34,056	34,419
Other receivables	15,625	16,003	1,264	1,348	-917	-940	15,972	16,410
Non interest-bearing assets held for sale	5,972	525	-	-	-	-	5,972	525
Marketable securities	246	1,223	-	-	-	-	246	1,223
Cash and cash equivalents	28,651	19,653	3,769	5,175	-378	-879	32,042	23,949
Total current assets	142,458	130,414	57,294	61,021	-7,033	-11,134	192,720	180,301
Total assets	292,121	280,093	134,124	139,910	-17,968	-21,087	408,277	398,916
Equity and liabilities								
Equity attributable to the equity holders of the parent company								
parent company	90,670	84,876	10,728	11,185	-	-	101,397	96,061
Minority interests	1,774	1,703	-	-	-	-	1,774	1,703
Total equity	92,443	86,579	10,728	11,185	-	-	103,171	97,764
<i>Non-current provisions</i>								
Provisions for post-employment benefits	13,681	14,608	63	61	-	-	13,744	14,669
Provisions for deferred taxes	2,217	1,842	3,227	3,429	-	-	5,444	5,270
Other provisions	8,953	9,540	247	252	124	13	9,324	9,804
<i>Non-current liabilities</i>								
Bond loans	56,134	60,653	-	-	-	-	56,134	60,653
Other loans	13,839	13,578	14,744	11,287	-884	-968	27,699	23,898
Internal funding	-48,767	-52,487	45,688	48,071	3,079	4,415	-	-
Other liabilities	24,944	24,631	987	934	-5,293	-5,243	20,638	20,322
Current provisions	11,190	11,164	81	82	16	87	11,286	11,333
<i>Current liabilities</i>								
Loans	48,556	47,976	11,177	10,165	-1,906	-1,644	57,828	56,497
Internal funding	-33,145	-35,777	42,457	49,964	-9,311	-14,187	-	-
Non interest-bearing liabilities held for sale	3,724	148	-	-	-	-	3,724	148
Interest-bearing liabilities held for sale	285	-	-	-	-	-	285	-
Trade payables	56,227	54,790	736	474	-	-	56,963	55,264
Tax liabilities	1,024	544	329	141	-	-	1,353	685
Other liabilities	40,817	42,305	3,661	3,864	-3,793	-3,560	40,685	42,608
Total equity and liabilities	292,121	280,093	134,124	139,910	-17,968	-21,087	408,277	398,916
Key ratios, %								
Shareholders' equity as percentage of total assets	31.6	30.9	8.0	8.0	-	-	25.3	24.5
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	49.9	47.3
Return on operating capital, 12 months rolling	22.8	21.5	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling	-	-	13.8	13.7	-	-	15.5	14.9

CONSOLIDATED CASH FLOW STATEMENT FIRST QUARTER

SEK bn	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating activities								
Operating income	6.5	4.9	0.5	0.5	-	0.0	7.0	5.3
Depreciation tangible assets	1.6	1.5	0.0	0.0	-	-	1.6	1.5
Amortization intangible assets	0.9	0.8	0.0	0.0	-	-	0.9	0.8
Depreciation leasing vehicles	0.6	0.7	1.0	1.0	0.0	0.0	1.7	1.7
Other non-cash items	-0.2	-0.2	0.1	0.1	0.0	0.0	-0.1	-0.1
Total change in working capital whereof	-4.7	-15.3	3.9	1.2	-0.1	-0.2	-0.9	-14.3
<i>Change in accounts receivables</i>	-2.4	-2.3	0.0	-0.1	0.0	0.0	-2.4	-2.3
<i>Change in customer financing receivables</i>	0.0	0.1	3.6	1.2	-0.1	-0.1	3.5	1.1
<i>Change in inventories</i>	-4.5	-2.2	0.0	-0.1	0.0	0.0	-4.5	-2.3
<i>Change in trade payables</i>	1.7	-10.0	0.3	0.0	0.0	-	2.0	-9.9
<i>Other changes in working capital</i>	0.4	-1.0	0.0	0.2	0.0	0.0	0.4	-0.9
Interest and similar items received	0.1	0.1	-	-	0.0	0.0	0.1	0.1
Interest and similar items paid	-0.5	-0.4	-	-	0.0	0.0	-0.5	-0.5
Other financial items	0.0	-0.1	-	-	-	-	0.0	-0.1
Income taxes paid	-1.1	-0.4	-0.1	-0.1	0.0	0.0	-1.1	-0.5
Cash flow from operating activities	3.2	-8.5	5.5	2.7	-0.1	-0.2	8.6	-6.0
Investing activities								
Investments in tangible assets	-1.2	-1.2	0.0	0.0	-	-	-1.2	-1.2
Investments in intangible assets	-0.5	-0.8	0.0	0.0	-	-	-0.5	-0.9
Investment in leasing vehicles	-0.1	0.0	-2.3	-2.0	-	0.0	-2.4	-2.0
Disposals of fixed assets and leasing vehicles	0.1	0.2	1.2	1.2	-	-	1.3	1.4
Operating cash flow	1.5	-10.4	4.4	1.8	-0.1	-0.2	5.8	-8.8
Investments and divestments of shares, net							0.0	0.1
Acquired and divested operations, net							0.0	1.4
Interest-bearing receivables incl. marketable securities							1.3	-2.4
Cash flow after net investments							7.1	-9.7
Financing activities								
Change in loans, net							0.9	4.4
Dividend to minority shareholders							-	0.0
Other							0.1	0.0
Change in cash and cash equivalents excl. translation differences							8.1	-5.3
Translation difference on cash and cash equivalents							0.0	0.0
Change in cash and cash equivalents							8.1	-5.2

CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial Operations		Volvo Group	
	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016
<i>Non-current interest-bearing assets</i>				
Non-current customer-financing receivables	-	-	55.8	57.8
Non-current interest-bearing receivables	3.0	2.5	1.0	1.3
<i>Current interest-bearing assets</i>				
Customer-financing receivables	-	-	50.9	53.0
Interest-bearing receivables	1.6	1.9	0.5	1.1
Internal funding	3.6	7.5	-	-
Marketable securities	0.2	1.2	0.2	1.2
Cash and cash equivalents	28.7	19.7	32.0	23.9
Total interest-bearing financial assets	37.2	32.8	140.5	138.4
<i>Non-current interest-bearing liabilities</i>				
Bond loans	-56.1	-60.7	-56.1	-60.7
Other loans	-13.8	-13.6	-27.7	-23.9
Internal funding	48.8	52.5	-	-
<i>Current interest-bearing liabilities</i>				
Loans	-48.6	-48.0	-57.8	-56.5
Internal funding	33.1	35.8	-	-
Interest-bearing liabilities held for sale	-0.3	-	-0.3	-
Total interest-bearing financial liabilities	-36.9	-33.9	-141.9	-141.0
Net financial position excl. post-employment benefits	0.3	-1.2	-1.4	-2.7
Provisions for post-employment benefits, net	-13.6	-14.5	-13.7	-14.6
Net financial position incl. post-employment benefits	-13.3	-15.7	-15.1	-17.3
Key ratios, %				
Net financial position excl. post-employment benefits as percentage of shareholders' equity	0.3	-1.3		
Net financial position incl. post-employment benefits as percentage of shareholders' equity	-14.4	-18.1		

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	First quarter 2017
Beginning of period	-15.7
Cash flow from operating activities	3.2
Investments in fixed assets	-1.8
Disposals	0.1
Operating cash flow	1.5
Investments and divestments of shares, net	0.0
Capital injections to/from Financial Services	0.9
Currency effect	-0.7
Remeasurements of defined benefit pension plans	0.7
Pension payments and costs, net	-0.1
Other changes	0.1
Total change	2.4
Net financial position at end of period	-13.3

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Mar 31 2017	Dec 31 2016
Total equity at the end of previous period	97.8	85.6
Shareholders' equity attributable to equity holders of the parent company at beginning of period	96.1	83.8
Income for the period	4.7	13.1
Other comprehensive income	0.6	5.1
Total comprehensive income	5.3	18.2
Dividend to AB Volvo's shareholders	0.0	-6.1
Share-based payments	0.0	0.1
Other changes	0.0	0.0
Shareholders' equity attributable to equity holders of the parent company at end of period	101.4	96.1
Minority interests at beginning of period	1.7	1.8
Income for the period	0.1	0.1
Other comprehensive income	0.0	0.1
Total comprehensive income	0.1	0.1
Dividend to minority shareholders	-	-0.2
Other changes	0.0	0.0
Minority interests at end of period	1.8	1.7
Total equity at end of period	103.2	97.8



QUARTERLY FIGURES

Income Statements, Volvo Group					
SEK M unless otherwise stated	1/2016	2/2016	3/2016	4/2016	1/2017
Net sales	71,707	78,890	68,758	82,559	77,365
Cost of sales	-55,400	-60,412	-52,573	-63,216	-57,835
Gross income	16,307	18,478	16,184	19,343	19,530
Research and development expenses	-3,449	-3,675	-3,289	-4,218	-3,994
Selling expenses	-6,524	-6,664	-6,375	-7,303	-6,942
Administrative expenses	-1,342	-1,366	-1,135	-1,278	-1,286
Other operating income and expenses	502	-3,189	-810	361	-616
Income/loss from investments in Joint Ventures and associated companies	-201	179	61	117	340
Income from other investments	52	32	20	9	-2
Operating income	5,344	3,796	4,656	7,031	7,029
Interest income and similar credits	66	55	65	54	50
Interest expenses and similar charges	-453	-429	-497	-467	-463
Other financial income and expenses	343	32	-103	-260	-177
Income after financial items	5,299	3,453	4,120	6,358	6,440
Income taxes	-1,510	-1,462	-1,509	-1,526	-1,624
Income for the period *	3,789	1,991	2,612	4,832	4,816
* Attributable to:					
Equity holders of the parent company	3,767	1,977	2,589	4,815	4,730
Minority interests	22	14	23	17	85
	3,789	1,991	2,612	4,832	4,816
Key operating ratios, Volvo Group, %					
Gross margin	22.7	23.4	23.5	23.4	25.2
Research and development expenses as percentage of net sales	4.8	4.7	4.8	5.1	5.2
Selling expenses as percentage of net sales	9.1	8.4	9.3	8.8	9.0
Administrative expenses as percentage of net sales	1.9	1.7	1.7	1.5	1.7
Operating margin	7.5	4.8	6.8	8.5	9.1
Key operating ratios, Industrial operations, %					
Gross margin	22.0	22.8	22.7	22.6	24.6
Research and development expenses as percentage of net sales	5.0	4.8	5.0	5.3	5.4
Selling expenses as percentage of net sales	8.7	8.1	8.9	8.5	8.6
Administrative expenses as percentage of net sales	1.9	1.8	1.7	1.6	1.7
Operating margin	7.0	4.3	6.3	8.1	8.7
EBITDA, Industrial operations, %					
Operating income Industrial operations	4,851	3,297	4,128	6,464	6,499
Product and Software development, amortization	672	667	699	787	720
Other intangible assets, amortization	90	92	94	297*	183*
Tangible assets, depreciation	2,230	2,219	2,265	2,520	2,250
Total depreciation and amortization	2,993	2,978	3,058	3,604	3,153
Operating income before depreciation and amortization (EBITDA)	7,844	6,275	7,186	10,068	9,652
EBITDA margin, %	11.3	8.2	10.9	12.6	12.9
Net capitalization of research and development					
Capitalization	806	749	609	550	464
Amortization	-622	-618	-650	-735	-674
Net capitalization and amortization	184	131	-41	-185	-210

* Including impairment of intangible assets.

QUARTERLY FIGURES

Net sales					
SEK M	1/2016	2/2016	3/2016	4/2016	1/2017
Trucks	48,037	52,313	45,757	54,544	49,467
Construction Equipment	12,452	13,630	11,539	13,110	16,163
Buses	5,258	6,734	5,371	8,023	5,548
Volvo Penta	2,340	2,679	2,465	2,409	2,701
Group Functions & Other	1,870	1,773	1,446	2,665	1,615
Eliminations	-672	-762	-564	-958	-841
Industrial Operations	69,285	76,367	66,014	79,793	74,652
Financial Services	2,701	2,724	2,823	2,994	2,892
Reclassifications and eliminations	-279	-200	-80	-228	-179
Volvo Group	71,707	78,890	68,758	82,559	77,365

Operating income					
SEK M	1/2016	2/2016	3/2016	4/2016	1/2017
Trucks	3,741	2,888	3,566	4,825	4,910
Construction Equipment	341	810	601	494	1,617
Buses	59	313	232	308	101
Volvo Penta	366	389	358	156	419
Group Functions & Other	366	-1,092	-634	681	-547
Eliminations	-22	-11	6	0	-1
Industrial Operations	4,851	3,297	4,128	6,464	6,499
Financial Services	493	499	528	567	531
Volvo Group	5,344	3,796	4,656	7,031	7,029

Adjusted operating income¹					
SEK M	1/2016	2/2016	3/2016	4/2016	1/2017
Trucks	3,741	5,222	3,756	4,754	4,910
Construction Equipment	341	810	601	494	1,617
Buses	59	313	232	266	101
Volvo Penta	366	389	358	156	419
Group Functions & Other	-519	-1,092	-634	-577	-547
Eliminations	-22	-11	6	0	-1
Industrial Operations	3,966	5,631	4,318	5,093	6,499
Financial Services	493	499	528	567	531
Volvo Group	4,459	6,130	4,846	5,660	7,029

¹ For more information on adjusted operating income, please see note 6.

Operating margin					
%	1/2016	2/2016	3/2016	4/2016	1/2017
Trucks	7.8	5.5	7.8	8.8	9.9
Construction Equipment	2.7	5.9	5.2	3.8	10.0
Buses	1.1	4.6	4.3	3.8	1.8
Volvo Penta	15.6	14.5	14.5	6.5	15.5
Industrial Operations	7.0	4.3	6.3	8.1	8.7
Volvo Group	7.5	4.8	6.8	8.5	9.1

Adjusted operating margin					
%	1/2016	2/2016	3/2016	4/2016	1/2017
Trucks	7.8	10.0	8.2	8.7	9.9
Construction Equipment	2.7	5.9	5.2	3.8	10.0
Buses	1.1	4.6	4.3	3.3	1.8
Volvo Penta	15.6	14.5	14.5	6.5	15.5
Industrial Operations	5.7	7.4	6.5	6.4	8.7
Volvo Group	6.2	7.8	7.0	6.9	9.1

QUARTERLY FIGURES

Share data	1/2016	2/2016	3/2016	4/2016	1/2017
Earnings per share, SEK ¹	1.85	0.97	1.27	2.37	2.33
Earnings per share, SEK ¹ , 12 months rolling	7.18	5.62	5.38	6.47	6.95
Diluted earnings per share, SEK	1.85	0.97	1.27	2.37	2.33
Number of outstanding shares in millions	2,031	2,031	2,031	2,031	2,032
Average number of shares before dilution in millions	2,031	2,031	2,031	2,031	2,032
Average number of shares after dilution in millions	2,032	2,032	2,033	2,033	2,033
Number of own shares in millions	97	97	97	97	97
Average number of own shares in millions	98	98	97	97	97

¹ Earnings per share are calculated as Income for the period (excl. Minority interests) divided by the weighted average number of shares outstanding during the period.

NOTE 1 | ACCOUNTING PRINCIPLES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted and definitions are consistent with those described in the Volvo Group Annual Report 2016 (available at www.volvogroup.com). There are no new accounting principles applicable from 2017 that significantly affects the Volvo Group.

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

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

NOTE 2 | RISKS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

For a more elaborate account of these risks, please refer to the Risk Management section on pages 106-111 in the Volvo Group Annual Report 2016 (available at www.volvogroup.com).

Risk updates for the period

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

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

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

Volvo verifies annually, or more frequently if necessary, the goodwill value of its business areas and other intangible assets for possible impairment. The size of the surplus value differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

The reported amounts for contingent liabilities reflect a part of Volvo's risk exposure. Total contingent liabilities as of March 31, 2017, amounted to SEK 15.6 billion, a decrease of SEK 0.5 billion compared to December 31, 2016. The gross exposure of SEK 15.6 billion is partly reduced by counter guarantees and collaterals. The contingent liabilities for credit guarantees for construction equipment in China have decreased. However, including both contingent liabilities and on-balance sheet exposure the credit risk is still significant.

The legal proceedings and investigations described in note 21 and note 24 in the Volvo Group Annual Report 2016 are progressing but no material changes have occurred in these matters in the first quarter of 2017.

NOTE 3 | CORPORATE ACQUISITIONS AND DIVESTMENTS**Acquisitions and divestments**

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

Assets and liabilities held for sale

At the end of the first quarter assets amounting to SEK 5,972 M and liabilities amounting to SEK 4,009 M are classified as held for sale. Assets and liabilities held for sale has increased in the first quarter mainly due to planned divestment of the Volvo Group Governmental Sales business area.

NOTE 4 | CURRENCY AND FINANCIAL INSTRUMENTS**Fair value of financial instruments**

Valuation principles and principles for hedge accounting for Volvo Group financial instruments, as described in Volvo Group Annual Report 2016 Note 30 (available at 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 marketable securities (see balance sheet) and interest-, currency- and raw material derivatives. Derivatives with positive fair values amounted to SEK 2.9

billion and derivatives with negative fair values amounted to SEK 1.3 billion as of March 31, 2017. 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 140.7 billion in reported carrying value with a fair value of SEK 143.2 billion. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 1.0 billion.

Currency effect on operating income Industrial operations	Compared to first quarter 2016			Compared to fourth quarter 2016		
	First quarter	First quarter	Change	First quarter	Fourth quarter	Change
	2017	2016		2017	2016	
Net flow in foreign currency			8			-
Realized and unrealized gains and losses on hedging contracts	1	2	-1	1	17	-16
Unrealized gains and losses on receivables and liabilities in foreign currency	31	4	27	31	-58	89
Translation effect on operating income in foreign subsidiaries			255			-
Total currency effect on operating income Industrial operations			290			-

Applicable currency rates	Quarterly exchange rates		Close rates	
	First quarter	First quarter	Mar 31	Mar 31
	2017	2016	2017	2016
BRL	2.84	2.17	2.84	2.27
EUR	9.52	9.33	9.56	9.24
GBP	11.06	12.10	11.13	11.69
USD	8.92	8.46	8.93	8.15
JPY	0.0786	0.0735	0.0800	0.0725

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 419 M (507) and purchases from associated companies amounted to SEK 578 M (437) during the first quarter of 2017. As of March 31, 2017, receivables from associated companies amounted to SEK 195 M (352) and liabilities to associated companies to SEK 443 M (438). Sales to joint

ventures amounted to SEK 625 M (498) and purchases from joint ventures amounted to SEK 136 M (211) during the first quarter of 2017. As of March 31, 2017, receivables from joint ventures amounted to SEK 406 M (182) and liabilities to joint ventures to SEK 154 M (169).

NOTE 6 | OTHER INFORMATION

Adjusted operating income					
SEK M	1/2016	2/2016	3/2016	4/2016	1/2017
Trucks	3,741	5,222	3,756	4,754	4,910
Construction Equipment	341	810	601	494	1,617
Buses	59	313	232	266	101
Volvo Penta	366	389	358	156	419
Group Functions & Other	-519	-1,092	-634	-577	-547
Eliminations	-22	-11	6	0	-1
Industrial Operations	3,966	5,631	4,318	5,093	6,499
Financial Services	493	499	528	567	531
Volvo Group	4,459	6,130	4,846	5,660	7,029

Adjustments					
SEK M	1/2016	2/2016	3/2016	4/2016	1/2017

Adjustment items (segment)

Capital gain from sale of external IT-operation (Group functions & other)	885	-	-	-	-
Provision for EU investigation (Trucks)	-	-2,334	-190	-	-
Sale of properties in Gothenburg (Trucks)	-	-	-	71	-
Sale of properties in Gothenburg (Buses)	-	-	-	41	-
Sale of properties in Gothenburg (Group functions & Other)	-	-	-	1,258	-

Total adjustments

Trucks	-	-2,334	-190	71	-
Construction Equipment	-	-	-	-	-
Buses	-	-	-	41	-
Volvo Penta	-	-	-	-	-
Group Functions & Other	885	-	-	1,258	-
Industrial Operations	885	-2,334	-190	1,371	-
Financial Services	-	-	-	-	-
Volvo Group	885	-2,334	-190	1,371	-

Operating income

SEK M	1/2016	2/2016	3/2016	4/2016	1/2017
Trucks	3,741	2,888	3,566	4,825	4,910
Construction Equipment	341	810	601	494	1,617
Buses	59	313	232	308	101
Volvo Penta	366	389	358	156	419
Group Functions & Other	366	-1,092	-634	681	-547
Eliminations	-22	-11	6	0	-1
Industrial Operations	4,851	3,297	4,128	6,464	6,499
Financial Services	493	499	528	567	531
Volvo Group	5,344	3,796	4,656	7,031	7,029

PARENT COMPANY

Income from investments in joint ventures and associated companies includes no dividends (51).

Financial net debt amounted to SEK 40,027 M (38,890) at the end of the first quarter.

Income Statement	First quarter	
	2017	2016
SEK M		
Net sales¹	49	88
Cost of sales ¹	-49	-88
Gross income	0	0
Operating expenses ¹	-350	-409
Income from investments in Group companies	-121	-172
Income from investments in joint ventures and associated companies	-	51
Operating income (loss)	-471	-530
Interest income and expenses	-196	-241
Other financial income and expenses	-7	-10
Income after financial items	-674	-781
Income taxes	146	182
Income for the period	-528	-599

¹ Of net sales in the first quarter, SEK 45 M (71) pertained to Group companies, while purchases from Group companies amounted to SEK 102 M (176).

Other comprehensive income		
Income for the period	-528	-599
Other comprehensive income, net of income taxes	-	-
Total comprehensive income for the period	-528	-599

Balance Sheet	March 31	Dec 31
SEK M	2017	2016
Assets		
Non-current assets		
Tangible assets	10	11
Financial assets		
Shares and participations in Group companies	60,816	60,816
Receivables from Group companies	45	48
Investments in joint ventures and associated companies	10,353	10,353
Other shares and participations	7	7
Deferred tax assets	314	168
Total non-current assets	71,545	71,403
Current assets		
Current receivables from Group companies	23,236	23,332
Tax assets	306	2
Other current receivables	161	235
Total current assets	23,703	23,569
Total assets	95,248	94,972
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	32,688	33,207
Untaxed reserves	2,502	2,502
Provisions	114	118
Non-current liabilities ¹	13,978	13,978
Current liabilities ²	36,075	35,276
Total shareholders' equity and liabilities	95,248	94,972

¹ Of which SEK 13,973 M (13,973) pertains to Group companies.

² Of which SEK 35,558 M (34,504) pertains to Group companies.

Events after the balance sheet date

For important events after the balance sheet date, see page 13 of this report. No other significant events have occurred after the end of the first quarter 2017 that are expected to have a substantial effect on the Volvo Group.

Gothenburg, April 25, 2017
AB Volvo (publ)

Martin Lundstedt
President and CEO

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

NET ORDER INTAKE

Net order intake of trucks	First quarter		Change %
	2017	2016	
Number of trucks			
Europe	28,378	28,752	-1
Heavy- and medium-duty	24,426	22,463	9
Light-duty	3,952	6,289	-37
North America	11,334	8,892	27
South America	2,657	2,055	29
Asia	9,649	7,359	31
Africa and Oceania	3,604	2,988	21
Total trucks	55,622	50,046	11
Heavy-duty (>16 tons)	46,928	39,503	19
Medium-duty (7-16 tons)	4,632	3,970	17
Light-duty (<7 tons)	4,062	6,573	-38
Total trucks	55,622	50,046	11

Net order intake of trucks by brand

Volvo			
Europe	16,175	14,972	8
North America	5,596	4,687	19
South America	2,261	1,657	36
Asia	4,031	2,751	47
Africa and Oceania	1,801	1,288	40
Total Volvo	29,864	25,355	18
Heavy-duty (>16 tons)	28,727	24,462	17
Medium-duty (7-16 tons)	1,137	893	27
Total Volvo	29,864	25,355	18

UD			
North America	5	32	-84
South America	8	97	-92
Asia	5,265	4,240	24
Africa and Oceania	857	863	-1
Total UD	6,135	5,232	17
Heavy-duty (>16 tons)	4,510	3,313	36
Medium-duty (7-16 tons)	1,559	1,737	-10
Light-duty (<7 tons)	66	182	-64
Total UD	6,135	5,232	17

Renault Trucks			
Europe	12,203	13,780	-11
Heavy- and medium-duty	8,251	7,491	10
Light-duty	3,952	6,289	-37
North America	30	56	-46
South America	74	3	-
Asia	353	368	-4
Africa and Oceania	720	574	25
Total Renault Trucks	13,380	14,781	-9
Heavy-duty (>16 tons)	7,448	7,050	6
Medium-duty (7-16 tons)	1,936	1,340	44
Light-duty (<7 tons)	3,996	6,391	-37
Total Renault Trucks	13,380	14,781	-9

Mack			
North America	5,703	4,117	39
South America	314	298	5
Asia	-	-	-
Africa and Oceania	226	263	-14
Total Mack	6,243	4,678	33
Heavy-duty (>16 tons)	6,243	4,678	33
Total Mack	6,243	4,678	33

DELIVERIES

Deliveries of trucks	First quarter		Change %
	2017	2016	
Number of trucks			
Europe	23,602	22,917	3
Heavy- and medium-duty	20,064	19,106	5
Light-duty	3,538	3,811	-7
North America	7,065	10,740	-34
South America	1,889	1,890	0
Asia	8,470	7,854	8
Africa and Oceania	2,901	2,709	7
Total trucks	43,927	46,110	-5
Heavy-duty (>16 tons)	36,764	38,282	-4
Medium-duty (7-16 tons)	3,548	3,765	-6
Light-duty (<7 tons)	3,615	4,063	-11
Total trucks	43,927	46,110	-5

Deliveries of trucks by brand

Volvo

Europe	13,325	12,852	4
North America	3,484	5,797	-40
South America	1,674	1,639	2
Asia	4,132	2,932	41
Africa and Oceania	1,105	1,095	1
Total Volvo	23,720	24,315	-2
Heavy-duty (>16 tons)	22,925	23,613	-3
Medium-duty (7-16 tons)	795	702	13
Total Volvo	23,720	24,315	-2

UD

North America	11	56	-80
South America	-	101	-
Asia	3,938	4,394	-10
Africa and Oceania	800	846	-5
Total UD	4,749	5,397	-12
Heavy-duty (>16 tons)	3,554	3,467	3
Medium-duty (7-16 tons)	1,145	1,742	-34
Light-duty (<7 tons)	50	188	-73
Total UD	4,749	5,397	-12

Renault Trucks

Europe	10,277	10,065	2
Heavy- and medium-duty	6,739	6,254	8
Light-duty	3,538	3,811	-7
North America	40	44	-9
South America	75	4	-
Asia	400	527	-24
Africa and Oceania	741	582	27
Total Renault Trucks	11,533	11,222	3
Heavy-duty (>16 tons)	6,360	6,026	6
Medium-duty (7-16 tons)	1,608	1,321	22
Light-duty (<7 tons)	3,565	3,875	-8
Total Renault Trucks	11,533	11,222	3

Mack

North America	3,530	4,843	-27
South America	140	146	-4
Asia	-	1	-
Africa and Oceania	255	186	37
Total Mack	3,925	5,176	-24
Heavy-duty (>16 tons)	3,925	5,176	-24
Total Mack	3,925	5,176	-24

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 CEST on April 25, 2017.

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

Report on the second quarter 2017	Changed to July 19, 2017
Report on the third quarter 2017	October 20, 2017
Report on the fourth quarter 2017	January 31, 2018

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