

## REPORT ON THE FIRST QUARTER 2018



- » In Q1 2018 net sales increased by 16% to SEK 89.1 billion (76.9). Adjusted for currency movements and acquired and divested units sales increased by 19%.
- » Both adjusted and reported operating income amounted to SEK 8,297 M (6,834), corresponding to an operating margin of 9.3% (8.9).
- » Currency movements had a negative impact on operating income of SEK 730 M.
- » Operating cash flow in the Industrial Operations amounted to SEK 1.5 billion (1.5).
- » In April, Volvo Trucks premiered its new all-electric medium-duty truck, the Volvo FL Electric.

SEK M unless otherwise stated	First quarter	
	2018	2017
Net sales	<b>89,143</b>	76,930
Adjusted operating income <sup>1</sup>	<b>8,297</b>	6,834
Adjusted operating margin, %	<b>9.3</b>	8.9
Operating income	<b>8,297</b>	6,834
Operating margin, %	<b>9.3</b>	8.9
Income after financial items	<b>7,727</b>	6,245
Income for the period	<b>5,796</b>	4,666
Diluted earnings per share, SEK	<b>2.78</b>	2.25
Operating cash flow in Industrial Operations	<b>1,489</b>	1,512
Return on shareholders' equity, 12 months rolling, %	<b>21.0</b>	15.3
Net order intake, number of trucks	<b>71,965</b>	55,622
Deliveries, number of trucks	<b>51,574</b>	43,927
Net order intake, number of construction equipment	<b>23,938</b>	17,487
Deliveries, number of construction equipment	<b>22,102</b>	16,369

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

The comparative financial information is restated due to the implementation of IFRS 15 Revenue from Contracts with Customers. For more information, please see Note 1.

## CEO'S COMMENTS

# A good but challenging quarter



In the first quarter the Volvo Group increased its net sales by 16% to SEK 89.1 billion with good demand in most markets globally. Our operating income amounted to SEK 8.3 billion (6.8) with a corresponding margin of 9.3% (8.9). Earnings in Construction Equipment continued to increase strongly while Trucks was on par with last year. It is a good result, but we are still not satisfied.

Our truck business had a good sales development but somewhat of a challenging quarter from a profitability standpoint. Net sales increased by 14% to SEK 56.0 billion while operating income increased by 4% to SEK 4.9 billion, resulting in an operating margin of 8.8% (9.6). The increased volumes had a positive impact, but profitability was hampered by the transition to new trucks in North America and a continued strained situation in parts of the supply chain. What is encouraging is the great reception of these new trucks.

Demand for trucks across most markets continues to be good. We increased our order intake by 29%, with North America standing out with an increase of 107%. Despite the constraints in the supply chain, hard work by many of our colleagues and our suppliers contributed to an increase in production output with truck deliveries up by 17% compared to a year ago.

We continue to drive service contract penetration and currency-adjusted our service sales grew by 6%. Providing good service is a differentiating factor in the marketplace and it deepens the relationship with our customers. One good example is our Mack Connect suite of services, which integrates intelligent software, predictive analytics and driver assist technologies to help customers boost productivity. The suite has helped us to cut diagnostic times by more than 70% and repair times by more than 20%, increasing customer uptime and strengthening their profitability.

In early April, the new Volvo FL Electric for city distribution and refuse applications in Europe was premiered. The new truck is based on the Group's modular system and draws from knowledge we have gained from our well-established electric bus offer. The first trucks will be put into operation together with a few reference customers already this year. We are also taking further steps in automation. In January, UD Trucks participated in the world's first public road demonstration of multi-brand truck platooning. We have also entered a new EU project that will pave the way for multi-brand truck platooning in Europe. Platooning can provide considerable savings for our customers as fuel consumption is reduced. We believe it is important to work with strategic partners in the ecosystem around new technologies.

Construction Equipment continued to improve sales and profitability in the first quarter. In general, market demand is strong, contributing to net sales increasing by 30% to SEK 20.9 billion. We improved the operating margin to 13.8% (10.0) as we leveraged on the increased volumes while keeping a tight control on costs. Construction Equipment has managed the significant volume increase very well.

Our bus business had a disappointingly weak first quarter with an operating loss of SEK 15 M compared to an operating income of SEK 90 M last year. The first quarter is seasonally weak, but we obviously have work to do to improve performance. Volvo Buses continues to drive the shift to more sustainable solutions for public transport. In March, we received an order for 110 hybrid buses for Brussels. We also announced that we will start testing high-capacity articulated full-electric buses.

Volvo Penta continued to perform well, with another strong quarter manifested by a sales increase of 17% and an operating margin of 16.2% (15.5). We have a strong position with our marine engines, and with a competitive product range we are currently increasing our business with new customers on the industrial engine side.

Financial Services continued to increase the volumes of new financing on the back of increased deliveries of Group products and stable penetration. Return on equity was 14.8%. Financing and other services are important parts of our total offer to customers and it is important to drive innovation also in this area. Financial Services recently received an innovative technology award for a new mobile app that helps to speed up the quoting and credit approval process.

Looking ahead, the strong order intake means that the supply chain constraints and associated higher costs will remain in the near-term. There is more to do to improve efficiency along the entire value chain. This will remain our focus for the coming quarters.

Martin Lundstedt  
President and CEO

## FINANCIAL SUMMARY OF THE FIRST QUARTER 2018

### Net sales

In Q1 2018, the Volvo Group's net sales increased by 16% to SEK 89,143 M (76,930). Adjusted for currency movements and acquired and divested units, net sales increased by 19%.

Vehicle sales increased by 23% adjusted for currency movements, primarily due to higher truck and construction equipment volumes. Adjusted for currency movements, service sales increased by 6%, reflecting higher utilization of customer fleets.

### Operating income

Both adjusted and reported operating income in Q1 2018 amounted to SEK 8,297 M (6,834), corresponding to an operating margin of 9.3% (8.9).

Compared with Q1 2017, the higher operating income is primarily an effect of higher truck and construction equipment volumes and higher capacity utilization. This

was partly offset by costs related to a stretched situation in parts of the supply chain and the production changeover in North America, higher selling expenses as well as higher R&D expenses.

Currency movements, compared to Q1 2017, had a negative impact of SEK 730 M.

### Financial items

Compared with Q1 2017 interest income decreased by SEK 12 M to SEK 38 M while interest expenses decreased by SEK 39 M to SEK 424 M.

In Q1 2018 other financial income and expenses amounted to SEK -184 M (-177).

### Income taxes

In Q1 2018 the tax expense amounted to SEK 1,932 M (1,579) corresponding to a tax rate of 25% (25).

Net sales by market area SEK M	First quarter		Change %
	2018	2017	
Europe	37,791	33,046	14
North America	23,147	18,353	26
South America	4,469	3,654	22
Asia	18,400	16,801	10
Africa and Oceania	5,337	5,076	5
<b>Total</b>	<b>89,143</b>	<b>76,930</b>	<b>16</b>
<b>Of which:</b>			
Vehicles <sup>1</sup>	67,547	56,148	20
Services	18,757	18,069	4
Financial Services revenue	3,026	2,892	5
Eliminations	-186	-179	-4

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

Consolidated Income Statement, Volvo Group SEK M	First quarter	
	2018	2017
<b>Net sales</b>	<b>89,143</b>	76,930
Cost of sales	-67,809	-57,596
<b>Gross income</b>	<b>21,335</b>	<b>19,335</b>
Research and development expenses	-4,268	-3,994
Selling expenses	-7,344	-6,942
Administrative expenses	-1,431	-1,286
Other operating income and expenses	-392	-616
Income/loss from investments in Joint Ventures and associated companies	385	340
Income from other investments	12	-2
<b>Operating income</b>	<b>8,297</b>	<b>6,834</b>
Interest income and similar credits	38	50
Interest expenses and similar charges	-424	-463
Other financial income and expenses	-184	-177
<b>Income after financial items</b>	<b>7,727</b>	<b>6,245</b>
Income taxes	-1,932	-1,579
<b>Income for the period *</b>	<b>5,796</b>	<b>4,666</b>
* Attributable to:		
Equity holders of the parent company	5,654	4,580
Minority interests	142	85
	<b>5,796</b>	<b>4,666</b>
Basic earnings per share, SEK	2.78	2.25
Diluted earnings per share, SEK	2.78	2.25

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

During Q1 2018 income for the period amounted to SEK 5,796 M (4,666). Diluted earnings per share amounted to SEK 2.78 (2.25).

**Operating cash flow in the Industrial Operations**

During Q1 2018, operating cash flow in the Industrial Operations was positive in an amount of SEK 1,489 M (1,512). The positive cash flow is an effect of the operating income being partly offset by the seasonal build-up of working capital.

**Volvo Group financial position**

During the first quarter net financial assets in the Industrial Operations, excluding provisions for post-employment benefits increased by SEK 1.1 billion, resulting in a net financial asset position of SEK 27.5 billion on March 31, 2018. This equals 26.2% of shareholders equity. Including provisions for post-employment benefits, the Industrial Operations net financial assets amounted to SEK 13.9 billion.

The change is mainly explained by a positive operating cash flow of SEK 1.5 billion and a positive effect from remeasurements of the defined benefit obligations of SEK 0.9 billion, which were partly offset by currency movements of SEK 0.8 billion.

On March 31, 2018 the shareholders' equity for the Volvo Group amounted to SEK 116.5 billion compared to SEK 107.8 billion on December 31, 2017. The equity ratio was 26.2% (25.7). On the same date the equity ratio in the Industrial Operations amounted to 31.7% (31.1).

**Number of employees**

On March 31, 2018, the Volvo Group had 102,709 employees, including temporary employees and consultants, which was an increase of 6,311 employees compared with March 31, 2017. The number of blue-collar employees increased by 4,692 and the number of white-collar employees increased by 1,619. The increase in white-collar employees is primarily related to Trucks.

Number of employees	Mar 31 2018	Dec 31 2017	Mar 31 2017
Blue-collar	51,790	49,308	47,098
Whereof temporary employees and consultants	7,497	6,222	5,961
White-collar	50,919	50,180	49,300
Whereof temporary employees and consultants	6,354	6,162	6,111
<b>Total number of employees</b>	<b>102,709</b>	<b>99,488</b>	<b>96,398</b>
Whereof temporary employees and consultants	13,851	12,384	12,072

## BUSINESS SEGMENT OVERVIEW

Net sales SEK M	First quarter		Change %	Change % <sup>1</sup>	12 months rolling	Jan-Dec 2017
	2018	2017				
Trucks	55,989	49,101	14	17	221,741	214,854
Construction Equipment	20,914	16,101	30	35	71,125	66,313
Buses	5,687	5,540	3	6	26,026	25,878
Volvo Penta	3,147	2,701	17	17	11,566	11,119
Group Functions & Other	1,323	1,615	-18	-20	6,157	6,449
Eliminations	-756	-841	10	10	-2,728	-2,814
<b>Industrial Operations</b>	<b>86,304</b>	<b>74,217</b>	<b>16</b>	<b>19</b>	<b>333,886</b>	<b>321,799</b>
Financial Services	3,026	2,892	5	8	11,945	11,812
Reclassifications and eliminations	-186	-179	-4	-5	-880	-873
<b>Volvo Group</b>	<b>89,143</b>	<b>76,930</b>	<b>16</b>	<b>19</b>	<b>344,951</b>	<b>332,738</b>

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

Adjusted operating income <sup>1</sup> SEK M	First quarter		Change %	12 months rolling	Jan-Dec 2017
	2018	2017			
Trucks	4,909	4,728	4	19,965	19,785
Construction Equipment	2,888	1,615	79	9,190	7,917
Buses	-15	90	-117	771	876
Volvo Penta	509	419	21	1,529	1,439
Group Functions & Other	-591	-547	-8	-2,978	-2,934
Eliminations	-4	-1	-300	-1	2
<b>Industrial Operations</b>	<b>7,695</b>	<b>6,304</b>	<b>22</b>	<b>28,477</b>	<b>27,086</b>
Financial Services	602	531	13	2,264	2,192
<b>Volvo Group</b>	<b>8,297</b>	<b>6,834</b>	<b>21</b>	<b>30,741</b>	<b>29,278</b>
Adjustments <sup>1</sup>	-	-	-	400	400
<b>Volvo Group operating income</b>	<b>8,297</b>	<b>6,834</b>	<b>21</b>	<b>31,141</b>	<b>29,678</b>

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

Adjusted operating margin %	First quarter		12 months rolling	Jan-Dec 2017
	2018	2017		
Trucks	8.8	9.6	9.0	9.2
Construction Equipment	13.8	10.0	12.9	11.9
Buses	-0.3	1.6	3.0	3.4
Volvo Penta	16.2	15.5	13.2	12.9
<b>Industrial Operations</b>	<b>8.9</b>	<b>8.5</b>	<b>8.5</b>	<b>8.4</b>
<b>Volvo Group</b>	<b>9.3</b>	<b>8.9</b>	<b>8.9</b>	<b>8.8</b>
<b>Volvo Group operating margin</b>	<b>9.3</b>	<b>8.9</b>	<b>9.0</b>	<b>8.9</b>

## TRUCKS

### Increased sales and flat earnings

- » Demand remains high in Europe and increases in North America and Brazil
- » Operating income amounted to SEK 4,909 M (4,728), with a margin of 8.8% (9.6)
- » Volvo Trucks premiered the medium-duty Volvo FL Electric for distribution and refuse operations



#### Market development

The truck market in Europe remained strong in Q1 2018. Capacity utilization in truck fleets is high and customer profitability good, leading to continued renewal and expansion of fleets.

In North America, a continued improvement in the economy and high demand for freight combined with a shortage of transport capacity has led to increasing freight rates and a significant pick-up in demand for highway trucks. The total market forecast for retail sales in 2018 is increased to 300,000 heavy-duty trucks.

Freight volumes in Brazil are improving as a consequence of the cyclical recovery spreading to more segments in the economy. The truck market is also supported by a good harvest and low interest rates.

In India, demand continued to increase in Q1 2018 as an effect of good economic activity and improving business confidence. The market forecast for 2018 is raised to 370,000 heavy- and medium-duty trucks.

The Chinese heavy-duty truck market grew during Q1 primarily driven by a strong development for heavy construction trucks. The medium-duty market, on the other hand, declined in the beginning of the year.

In Japan, the heavy-duty trucks market was somewhat lower in Q1 2018 than in the preceding year, as an effect of lower demand following the implementation of new emission regulations in September of 2017. Overall, demand for heavy-duty trucks is expected to stay roughly flat in Japan in 2018.

Total market development	First quarter		Change %	Full year 2017	Forecast 2018	Change vs. previous forecast
	2018	2017				
Registrations, number of trucks						
Europe 28 <sup>1</sup> heavy-duty (as of February)	45,409	42,133	8	271,032	-	-
Europe 30 <sup>1</sup> heavy-duty	-	-	-	308,755	310,000	unchanged
North America heavy-duty	63,421	47,990	32	244,417	300,000	+20,000
Brazil heavy-duty	9,601	5,920	62	32,289	45,000	unchanged
China heavy-duty	323,373	284,001	14	1,116,851	950,000	unchanged
China medium-duty	47,610	55,473	-14	229,113	200,000	unchanged
India heavy-duty	92,660	76,782	21	251,448	275,000	+20,000
India medium-duty	32,069	20,533	56	82,185	95,000	+10,000
Japan heavy-duty	12,939	13,491	-4	46,781	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	First quarter		Change %
	2018	2017	
Number of trucks			
Europe	31,321	28,378	10
Heavy- and medium-duty	24,802	24,426	2
Light-duty	6,519	3,952	65
North America	23,405	11,334	107
South America	4,160	2,657	57
Asia	9,644	9,649	0
Africa and Oceania	3,435	3,604	-5
<b>Total orders</b>	<b>71,965</b>	<b>55,622</b>	<b>29</b>
Heavy-duty (>16 tons)	61,210	46,928	30
Medium-duty (7-16 tons)	3,884	4,632	-16
Light-duty (<7 tons)	6,871	4,062	69
<b>Total orders</b>	<b>71,965</b>	<b>55,622</b>	<b>29</b>
Volvo	38,269	29,864	28
UD	5,781	6,135	-6
Renault Trucks	17,963	13,380	34
Heavy- and medium-duty	11,285	9,384	20
Light-duty	6,678	3,996	67
Mack	9,952	6,243	59
<b>Total orders</b>	<b>71,965</b>	<b>55,622</b>	<b>29</b>
<b>Non-consolidated operations</b>			
VE Commercial Vehicles (Eicher)	19,408	13,146	48

#### Orders and deliveries

Truck deliveries increased by 17% to 51,574 vehicles in Q1 2018. Net order intake in the quarter increased by 29% to 71,965 trucks, with an especially strong development in North and South America.

Deliveries of heavy- and medium-duty trucks in Europe increased by 9% to 21,916 trucks, while orders increased by 2% to 24,802 trucks. Through February, Volvo Trucks' market share for heavy-duty trucks in Europe was 16.8%, which was lower than the 17.6% in 2017. Renault Trucks continued to

regain market share to 9.0% (8.7) for heavy-duty trucks in Europe.

In North America, deliveries were up 72%, compared to relatively low levels in Q1 2017. Volvo Trucks increased market share to 10.2% as of March (9.4), while Mack's market share declined to 6.5% (8.9), reflecting the decrease in production output in conjunction with the transition to the new truck models. In North America both Volvo and Mack had a strong order intake in Q1, with a continued good demand for construction trucks and an especially strong development in the highway segment.

Deliveries	First quarter		Change %
	2018	2017	
Number of trucks			
Europe	26,104	23,602	11
Heavy- and medium-duty	21,916	20,064	9
Light-duty	4,188	3,538	18
North America	12,126	7,065	72
South America	3,220	1,889	70
Asia	7,030	8,470	-17
Africa and Oceania	3,094	2,901	7
<b>Total deliveries</b>	<b>51,574</b>	<b>43,927</b>	<b>17</b>
Heavy-duty (>16 tons)	43,749	36,764	19
Medium-duty (7-16 tons)	3,518	3,548	-1
Light-duty (<7 tons)	4,307	3,615	19
<b>Total deliveries</b>	<b>51,574</b>	<b>43,927</b>	<b>17</b>
Volvo	29,655	23,720	25
UD	4,410	4,749	-7
Renault Trucks	12,549	11,533	9
Heavy- and medium-duty	8,300	7,968	4
Light-duty	4,249	3,565	19
Mack	4,960	3,925	26
<b>Total deliveries</b>	<b>51,574</b>	<b>43,927</b>	<b>17</b>
<b>Non-consolidated operations</b>			
VE Commercial Vehicles (Eicher)	19,575	13,153	49
Dongfeng Commercial Vehicle Company (Dongfeng Trucks) <sup>1</sup>	23,967	23,765	1

<sup>1</sup> First quarter includes 2 months of deliveries.

Net sales and operating income SEK M	First quarter		Change %
	2018	2017	
Europe	25,932	22,543	15
North America	15,338	11,478	34
South America	3,327	2,568	30
Asia	7,916	9,115	-13
Africa and Oceania	3,477	3,398	2
<b>Total net sales</b>	<b>55,989</b>	<b>49,101</b>	<b>14</b>
<b>Of which:</b>			
Vehicles	42,001	35,666	18
Services	13,988	13,435	4
<b>Adjusted operating income<sup>1</sup></b>	<b>4,909</b>	<b>4,728</b>	<b>4</b>
Adjustments <sup>1</sup>	-	-	-
<b>Operating income</b>	<b>4,909</b>	<b>4,728</b>	<b>4</b>
Adjusted operating margin, %	8.8	9.6	
Operating margin, %	8.8	9.6	

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

Deliveries in South America increased by 70% while order intake increased by 57% in Q1 2018, reflecting a rebound in Brazil and continued good demand in Argentina and Chile. In Brazil Volvo's market share in heavy-duty trucks increased to 18.6% (17.8).

In Asia, truck deliveries decreased by 17% in the quarter, primarily because of lower deliveries for Volvo. In Japan, UD Trucks' market share in heavy-duty trucks was stable compared to a year ago on 15.2% (15.5). Net order intake in Asia was on the same level as in the preceding year.

#### Net sales and operating income

The truck operation's net sales amounted to SEK 55,989 M, which was 14% higher than in Q1 2017. Adjusted for currency movements net sales increased by 17%, with sales of vehicles increasing by 21% and service sales increasing by 6%.

Both adjusted and reported operating income in Q1 2018 amounted to SEK 4,909 M (4,728) corresponding to an operating margin of 8.8% (9.6).

Compared to Q1 2017, the operating income was positively impacted by higher vehicle sales and capacity utilization. This was partly offset by costs related to a stretched situation in parts of the supply chain and the production changeover in North America, higher selling expenses as well as increased R&D expenses. Compared with Q1 2017, currency movements had a negative impact of SEK 503 M.

#### Important events

In January, both Volvo Trucks and Renault Trucks announced that they will start selling electric medium-duty trucks in Europe in 2019. The first of these trucks will be put into operation together with a few selected reference customers already in 2018. Subsequently, on April 12, Volvo Trucks premiered the Volvo FL Electric for urban distribution and refuse operations, among other applications.



## CONSTRUCTION EQUIPMENT

### Strong sales and continued profit improvement

- » Good growth in global markets for both Volvo and SDLG branded products
- » Operating income amounted to SEK 2,888 M (1,615) with an operating margin of 13.8% (10.0)
- » Service growth of 12%, currency-adjusted

#### Market development

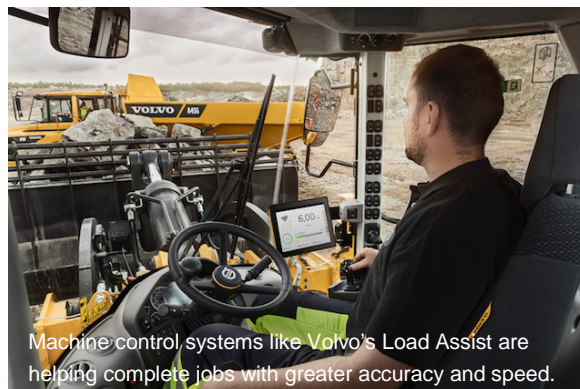
Through February the European market for construction equipment was up by 10%, driven by growth in major markets including Germany, Italy and parts of Eastern Europe.

The North American market was 21% above the previous year mainly driven by demand for excavators.

The South American market continued to recover from low levels driven by growth in Brazil as well as the other markets in the region.

Asia (excluding China) was 21% above last year, mainly driven by growth for backhoe loaders in India. There was also good growth in Indonesia, Turkey and Middle East.

The Chinese market was 13% above last year driven by continued good demand for large excavators and wheel loaders.



Machine control systems like Volvo's Load Assist are helping complete jobs with greater accuracy and speed.

Based on current market trends, all forecast except for Europe are revised upwards.

#### Orders and deliveries

Net order intake increased by 37% in Q1 2018 with Volvo branded machines up 28% and SDLG branded machines up 53%. This was largely driven by an increase of 52% in Asia, and in particular China, where orders increased by 68%.

In Europe, a broad based increase in demand contributed to orders increasing by 15%, whereas in North America orders increased by 46% and in South America by 35%.

Deliveries increased by 35% in Q1 2018 with all markets contributing to the increase, with China as the most important contributor.

Total market development	Year-to-date Feb		
	2018	Forecast 2018	Previous forecast
Change in % measured in units			
Europe	10	0% to +10%	0% to +10%
North America	21	+10% to +20%	0% to +10%
South America	27	+10% to +20%	0% to +10%
Asia excl. China	21	+5% to +15%	0% to +10%
China	13	+20% to +30%	+10% to +20%

Net order intake	First quarter		Change %
	2018	2017	
Number of construction equipment			
Europe	5,878	5,101	15
North America	2,812	1,924	46
South America	467	346	35
Asia	13,958	9,154	52
Africa and Oceania	823	962	-14
<b>Total orders</b>	<b>23,938</b>	<b>17,487</b>	<b>37</b>
Large and medium construction equipment	17,764	12,856	38
Compact construction equipment	6,174	4,631	33
<b>Total orders</b>	<b>23,938</b>	<b>17,487</b>	<b>37</b>
<b>Of which:</b>			
Volvo	14,298	11,166	28
SDLG	9,587	6,258	53
Of which in China	8,515	5,181	64

Deliveries	First quarter		Change %
	2018	2017	
Number of construction equipment			
Europe	5,331	4,804	11
North America	1,703	1,256	36
South America	437	339	29
Asia	13,795	9,141	51
Africa and Oceania	836	829	1
<b>Total deliveries</b>	<b>22,102</b>	<b>16,369</b>	<b>35</b>
Large and medium construction equipment	16,048	11,465	40
Compact construction equipment	6,054	4,904	23
<b>Total deliveries</b>	<b>22,102</b>	<b>16,369</b>	<b>35</b>
<b>Of which:</b>			
Volvo	12,462	10,048	24
SDLG	9,587	6,258	53
Of which in China	8,515	5,181	64
<b>Total deliveries</b>	<b>22,102</b>	<b>16,369</b>	<b>35</b>

Net sales and operating income	First quarter		Change %
	2018	2017	
SEK M			
Europe	6,599	5,730	15
North America	3,433	2,890	19
South America	516	399	29
Asia	9,091	6,136	48
Africa and Oceania	1,275	946	35
<b>Total net sales</b>	<b>20,914</b>	<b>16,101</b>	<b>30</b>
<b>Of which:</b>			
Construction equipment	18,173	13,562	34
Services	2,741	2,539	8
<b>Adjusted operating income</b> <sup>1</sup>	<b>2,888</b>	<b>1,615</b>	<b>79</b>
Adjustments <sup>1</sup>	-	-	-
<b>Operating income</b>	<b>2,888</b>	<b>1,615</b>	<b>79</b>
Adjusted operating margin, %	13.8	10.0	
Operating margin, %	13.8	10.0	

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

### Net sales and operating income

Net sales in Q1 2018 increased by 30% to SEK 20,914 M (16,101). Adjusted for currency movements net sales increased by 33%, of which net sales of machines increased by 37% and service sales by 12%.

Both adjusted and reported operating income amounted to SEK 2,888 M (1,615), corresponding to an operating margin of 13.8% (10.0). Earnings were positively impacted by higher sales and utilization in the industrial system combined with continued cost control. Currency movements had a negative impact on operating income in an amount of SEK 109 M.

### Important events

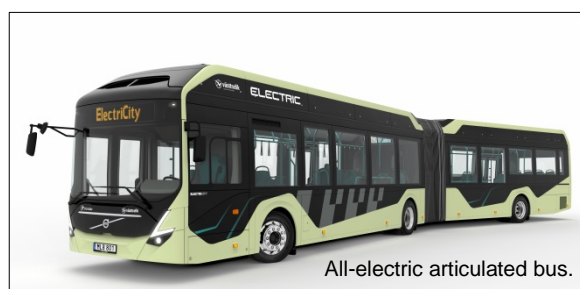
At the World of Asphalt construction show in Houston, Texas, in March Volvo Construction Equipment unveiled a range of new road machines anchored by a trio of new compactors equipped with the latest intelligent machine control technology.

Volvo Construction Equipment's fully-electric compact excavator prototype, known as the EX2, was awarded the prestigious Equipment & Machinery Award in the Earthmoving & Demolition category of the Internat Innovation Awards.

## BUSES

### A weak quarter

- » Bus deliveries decreased by 7%
- » Operating loss of SEK 15 M (+90)
- » Order for 110 hybrid buses to Belgium



The European market showed a positive development in early 2018, mainly due to increased volumes in Eastern Europe, Spain and Italy. Demand in Volvo Buses key markets, the UK and the Nordic region, was weak. In North America, the market saw good coach sales and continuous good demand for transit buses. Demand is starting to recover in Brazil, however from very low levels.

Volvo Buses delivered 1,714 buses in Q1 2018, a decline of 7% compared to the same period in 2017. The lower deliveries were mainly driven by the weak market in the Nordic region and the UK combined with lower deliveries in Africa and Asia. Deliveries improved in North America, mainly related to Nova Bus.

Compared to Q1 2017 the order intake decreased by 43% to 1,823 buses in Q1 2018. The main reason behind the decline is an exceptional high order intake in Q1 last year where Nova Bus won some large tenders, but also lower activity in Scandinavia, the UK and Asia.

During the quarter, the Belgian operator STIB ordered 110 Volvo 7900 hybrid buses to Brussels. Other important orders were 48 bi-articulated buses for the Transmilenio BRT-system in Colombia and 108 buses to Egypt.

In Q1 2018 net sales increased by 3% to SEK 5,687 M (5,540) compared to the same period in 2017. Adjusted for currency movements, sales increased by 6%. Vehicle sales increased by 5%, adjusted for currency, despite unit sales decreasing by 7%. This is explained by a higher share of complete buses versus chassis. Service sales increased by 9% adjusted for currency.

Both the adjusted and reported operating loss amounted to SEK 15 M (+90), corresponding to an operating margin of -0.3% (+1.6%). Earnings were positively impacted by further improved service sales, which were offset by a negative impact from higher selling and administrative expenses and lower production volume. Compared to Q1 2017, currency movements had a negative impact on operating income in an amount of SEK 90 M.

In January Volvo Buses launched the new B8L double-decker bus in Hong Kong. In March Volvo Buses announced that two prototype all-electric articulated buses will be tested in Gothenburg, Sweden, starting in June. The buses will operate on a route which has frequent departures and carries a large number of passengers. Battery capacity will allow for the buses to operate without charging during peak hours.

Net order intake and deliveries	First quarter		Change %
	2018	2017	
Number of buses			
Total orders	1,823	3,176	-43
Total deliveries	1,714	1,838	-7

Net sales and operating income SEK M	First quarter		Change %
	2018	2017	
Europe	1,963	1,711	15
North America	2,689	2,479	8
South America	264	258	2
Asia	441	691	-36
Africa and Oceania	330	401	-18
<b>Total net sales</b>	<b>5,687</b>	<b>5,540</b>	<b>3</b>
<b>Of which:</b>			
Vehicles	4,512	4,414	2
Services	1,176	1,126	4
<b>Adjusted operating income<sup>1</sup></b>	<b>-15</b>	<b>90</b>	<b>-117</b>
Adjustments <sup>1</sup>	-	-	-
<b>Operating income</b>	<b>-15</b>	<b>90</b>	<b>-117</b>
Adjusted operating margin, %	-0.3	1.6	
Operating margin, %	-0.3	1.6	

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

## VOLVO PENTA

### Continued profit improvement

- » Sales growth continues, especially for industrial off-road engines
- » Operating income of SEK 509 M (419) with an operating margin of 16.2% (15.5)
- » New connected technology launched for marine leisure boat owners



Volvo Penta Easy Connect.

The market for marine leisure engines shows positive signs and Volvo Penta continues to gain market share. The marine commercial market shows positive development in several sub-segments, such as offshore energy and people transportation. There is increased interest for hybrid and electrified solutions – an area where Volvo Penta has ambitions to develop further in the future.

The market for industrial off-road engines continues to grow. There is increased demand in mining and material handling segments as well as growth in construction and agriculture. Customers in the off-road engine segment are showing interest in Volvo Penta's European Stage V range, which fulfills the upcoming emissions regulation taking effect in 2019. Volvo Penta continues to grow within off-road engines, including increased business in the construction and mining segments.

The market for industrial power generation engines is improving, with positive signs in construction and data centers/e-commerce.

Net order intake in Q1 2018 increased by 19% to 13,305 units, while deliveries increased by 13% to 11,707 units. This was primarily driven by growth in the industrial segment.

Net sales increased by 17% to SEK 3,147 M (2,701). Also adjusted for currency movements, net sales increased by 17%, of which sales of engines increased by 22% and sales of services increased by 3%.

In Q1 2018, both adjusted and reported operating income amounted to SEK 509 M (419). The operating margin was 16.2% (15.5). Earnings were positively impacted by higher sales and a positive product mix. Compared with Q1 2017, currency movements had a negative impact on operating income in an amount of SEK 15 M.

At the Dusseldorf International Boat Show in January, Volvo Penta revealed Easy Connect, a new app, which enables boat owners to connect their smart devices to their boats via Bluetooth. Through Easy Connect, boat owners gain access to engine, boat and route data in real-time onboard and stored information for reference when back on land. This is a next step for Volvo Penta towards the objective to be the center of the smart, connected boat.

Net order intake and deliveries	First quarter		Change %
	2018	2017	
Number of Engines			
Total orders	13,305	11,149	19
Total deliveries	11,707	10,396	13

Net sales and operating income	First quarter		Change %
	2018	2017	
SEK M			
Europe	1,679	1,443	16
North America	650	513	27
South America	77	86	-10
Asia	600	508	18
Africa and Oceania	142	151	-6
<b>Total net sales</b>	<b>3,147</b>	<b>2,701</b>	<b>17</b>
<b>Of which:</b>			
Engines	2,434	1,998	22
Services	713	703	1
<b>Adjusted operating income <sup>1</sup></b>	<b>509</b>	<b>419</b>	<b>21</b>
Adjustments <sup>1</sup>	-	-	-
<b>Operating income</b>	<b>509</b>	<b>419</b>	<b>21</b>
Adjusted operating margin, %	16.2	15.5	
Operating margin, %	16.2	15.5	

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

## FINANCIAL SERVICES

### Improved financial results

- » Good new business volume
- » Strong portfolio performance
- » Asset-backed securitization



Volvo Financial Services (VFS) continued to improve the financial results on the basis of stable spreads, generally low credit losses and portfolio growth.

New business volume increased due to increased deliveries of Group products while penetration was stable. Adjusted for currency, the credit portfolio grew by 8% on a year over year basis. The portfolio continued to perform well during the quarter, highlighted by low customer overdues and credit losses in most markets.

Operating income increased to SEK 602 M (531). Compared with Q1 2017, currency movements had a negative impact of SEK 35 M. Return on shareholders' equity improved

to 14.8% (13.8), excluding a positive impact from the revaluation of deferred tax liabilities due to the enacted tax reform legislation in the United States. Reported return on shareholders' equity amounted to 23.0%.

In February, VFS successfully completed an asset-backed securitization transaction, under which SEK 6.0 billion of securities tied to US-based loans on trucking and construction equipment assets were issued. In addition, SEK 2.0 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	
	2018	2017
Number of financed units, 12 months rolling	53,342	48,643
Total penetration rate, 12 months rolling, % <sup>1</sup>	25	25
New retail financing volume, SEK billion	13.2	11.7
Credit portfolio net, SEK billion	135	126
Credit provision expenses	108	147
Operating income	602	531
Credit reserves, % of credit portfolio <sup>2</sup>	1.69	1.46
Return on shareholders' equity, 12 months rolling, %	23.0	13.8
Return on shareholders' equity excluding effect from US tax reform 2017, 12 months rolling, % <sup>3</sup>	14.8	13.8

<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

### **Electric trucks from Volvo Trucks and Renault Trucks**

In January it was announced that both Volvo Trucks and Renault Trucks will start selling all-electric medium-duty trucks in Europe in 2019, and that the first units will be put into operation together with a few selected reference customers already this year. Subsequently, on April 12, Volvo Trucks for the first time showed the Volvo FL Electric for urban distribution and refuse operations, among other applications.

### **Agreement to divest a subsidiary holding shares in NHL**

On March 26, it was announced that Volvo Group had entered into an agreement to divest a Chinese subsidiary, which is holding 25.2% of the shares in the Chinese company Inner Mongolia North Hauler Joint Stock Co., Ltd (NHL) for approximately SEK 0.9 billion. The divestment is expected to generate a capital gain of approximately SEK 0.7 billion, which will affect the Volvo Group's operating income when the transaction is closed. Closing of the transaction is expected within six months and is subject to approval by Chinese authorities.

### **Annual General Meeting of AB Volvo**

The Annual General Meeting of AB Volvo held on April 5, approved the Board of Directors' proposal that a dividend of SEK 4.25 per share be paid to the company's shareholders.

Matti Alahuhta, Eckhard Cordes, James W. Griffith, Martin Lundstedt, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Helena Stjernholm and Carl-Henric Svanberg were reelected as members of the Board. Eric Elzvik was elected as new member of the Board. Carl-Henric Svanberg was reelected as Chairman of the Board. Bengt Kjell, representing AB Industrivärden, Yngve Slyngstad, representing Norges Bank Investment Management, Pär Boman, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen, Ramsay Brufer, representing Alecta, 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.

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

## CONSOLIDATED INCOME STATEMENT FIRST QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Net sales</b>	<b>86,304</b>	74,217	<b>3,026</b>	2,892	<b>-186</b>	-179	<b>89,143</b>	76,930
Cost of sales	<b>-66,184</b>	-56,033	<b>-1,811</b>	-1,741	<b>186</b>	179	<b>-67,809</b>	-57,596
<b>Gross income</b>	<b>20,120</b>	<b>18,184</b>	<b>1,215</b>	<b>1,151</b>	-	-	<b>21,335</b>	<b>19,335</b>
Research and development expenses	<b>-4,268</b>	-3,994	-	-	-	-	<b>-4,268</b>	-3,994
Selling expenses	<b>-6,808</b>	-6,439	<b>-536</b>	-504	-	-	<b>-7,344</b>	-6,942
Administrative expenses	<b>-1,420</b>	-1,276	<b>-10</b>	-10	-	-	<b>-1,431</b>	-1,286
Other operating income and expenses	<b>-326</b>	-509	<b>-67</b>	-107	-	-	<b>-392</b>	-616
Income/loss from investments in Joint Ventures and associated companies	<b>385</b>	340	-	-	-	-	<b>385</b>	340
Income from other investments	<b>12</b>	-2	<b>0</b>	-0	-	-	<b>12</b>	-2
<b>Operating income</b>	<b>7,695</b>	<b>6,304</b>	<b>602</b>	<b>531</b>	-	-	<b>8,297</b>	<b>6,834</b>
Interest income and similar credits	<b>38</b>	50	-	-	-	-	<b>38</b>	50
Interest expenses and similar charges	<b>-424</b>	-463	<b>0</b>	0	-	-	<b>-424</b>	-463
Other financial income and expenses	<b>-184</b>	-177	-	-	-	-	<b>-184</b>	-177
<b>Income after financial items</b>	<b>7,125</b>	<b>5,714</b>	<b>602</b>	<b>531</b>	-	-	<b>7,727</b>	<b>6,245</b>
Income taxes	<b>-1,773</b>	-1,425	<b>-159</b>	-154	-	-	<b>-1,932</b>	-1,579
<b>Income for the period *</b>	<b>5,352</b>	<b>4,289</b>	<b>443</b>	<b>377</b>	-	-	<b>5,796</b>	<b>4,666</b>
* Attributable to:								
Equity holders of the parent company							<b>5,654</b>	4,580
Minority interests							<b>142</b>	85
							<b>5,796</b>	<b>4,666</b>
Basic earnings per share, SEK							<b>2.78</b>	2.25
Diluted earnings per share, SEK							<b>2.78</b>	2.25
<b>Key operating ratios, %</b>								
Gross margin	<b>23.3</b>	24.5	-	-	-	-	<b>23.9</b>	25.1
Research and development expenses as percentage of net sales	<b>4.9</b>	5.4	-	-	-	-	<b>4.8</b>	5.2
Selling expenses as percentage of net sales	<b>7.9</b>	8.7	-	-	-	-	<b>8.2</b>	9.0
Administrative expenses as percentage of net sales	<b>1.6</b>	1.7	-	-	-	-	<b>1.6</b>	1.7
Operating margin	<b>8.9</b>	8.5	-	-	-	-	<b>9.3</b>	8.9

## CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST QUARTER

SEK M	2018	2017
<b>Income for the period</b>	<b>5,796</b>	4,666
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	<b>662</b>	401
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	<b>2,644</b>	180
Share of OCI related to Joint Ventures and associated companies	<b>0</b>	-11
Accumulated translation difference reversed to income	-	1
Available-for-sale investments	<b>11</b>	26
Change in cash flow hedges	-	-21
<b>Other comprehensive income, net of income taxes</b>	<b>3,317</b>	<b>575</b>
<b>Total comprehensive income for the period *</b>	<b>9,112</b>	<b>5,241</b>
* Attributable to:		
Equity holders of the parent company	<b>8,879</b>	5,170
Minority interests	<b>233</b>	71
		<b>9,112</b>
		<b>5,241</b>



## CONSOLIDATED BALANCE SHEET

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017
<b>Assets</b>								
<b>Non-current assets</b>								
Intangible assets	36,263	35,716	187	178	-	-	36,450	35,893
<i>Tangible assets</i>								
Property, plant and equipment	54,327	53,308	41	40	-	-	54,368	53,348
Assets under operating leases	32,406	31,373	21,060	21,075	-11,385	-10,857	42,080	41,590
<i>Financial assets</i>								
Investments in Joint Ventures and associated companies	10,854	10,525	-	-	-	-	10,854	10,525
Other shares and participations	747	690	10	10	-	-	757	699
Non-current customer-financing receivables	761	737	58,110	57,180	-766	-744	58,105	57,173
Prepaid pensions	343	252	-	-	-	-	343	252
Non-current interest-bearing receivables	3,615	2,892	-	-	-791	-557	2,824	2,335
Other non-current receivables	8,344	8,000	240	238	-141	-143	8,443	8,094
Deferred tax assets	10,599	11,107	968	786	-	-	11,567	11,893
<b>Total non-current assets</b>	<b>158,260</b>	<b>154,599</b>	<b>80,615</b>	<b>79,506</b>	<b>-13,083</b>	<b>-12,301</b>	<b>225,792</b>	<b>221,803</b>
<b>Current assets</b>								
Inventories	60,523	52,231	258	470	-	-	60,781	52,701
<i>Current receivables</i>								
Customer-financing receivables	614	621	55,991	52,294	-720	-711	55,886	52,205
Tax assets	1,595	1,137	274	430	-	-	1,869	1,567
Interest-bearing receivables	2,777	2,075	-	-	-1,507	-908	1,270	1,166
Internal funding	13,784	15,927	-	-	-13,784	-15,927	-	-
Accounts receivable	42,357	37,120	1,150	1,069	-	-	43,508	38,189
Other receivables	15,344	14,420	1,588	1,527	-1,159	-889	15,772	15,058
Non interest-bearing assets held for sale	432	51	-	-	-	-	432	51
Marketable securities	239	178	-	-	-	-	239	178
Cash and cash equivalents	35,503	32,269	3,905	4,892	-662	-1,069	38,746	36,092
<b>Total current assets</b>	<b>173,167</b>	<b>156,029</b>	<b>63,166</b>	<b>60,682</b>	<b>-17,831</b>	<b>-19,504</b>	<b>218,502</b>	<b>197,207</b>
<b>Total assets</b>	<b>331,427</b>	<b>310,628</b>	<b>143,781</b>	<b>140,188</b>	<b>-30,914</b>	<b>-31,805</b>	<b>444,294</b>	<b>419,010</b>
<b>Equity and liabilities</b>								
Equity attributable to the equity holders of the parent company								
	102,874	94,640	11,500	11,221	-	-	114,373	105,861
Minority interests	2,175	1,941	-	-	-	-	2,175	1,941
<b>Total equity</b>	<b>105,049</b>	<b>96,581</b>	<b>11,500</b>	<b>11,221</b>	<b>-</b>	<b>-</b>	<b>116,548</b>	<b>107,802</b>
<i>Non-current provisions</i>								
Provisions for post-employment benefits	13,899	14,391	88	85	-	-	13,987	14,476
Provisions for deferred taxes	2,093	2,836	2,478	2,280	-	-	4,572	5,116
Other provisions	8,425	8,130	310	264	260	89	8,995	8,484
<i>Non-current liabilities</i>								
Bond loans	53,161	48,962	-	-	-	-	53,161	48,962
Other loans	12,011	12,865	15,859	12,817	-766	-740	27,104	24,942
Internal funding	-45,680	-43,522	48,749	49,934	-3,069	-6,413	-	-
Other liabilities	36,911	34,601	1,368	1,285	-7,484	-7,156	30,795	28,730
Current provisions	10,609	10,300	88	71	210	45	10,907	10,416
<i>Current liabilities</i>								
Bond loans	27,433	30,749	-	-	-	-	27,433	30,749
Loans	16,850	15,582	11,581	9,312	-2,467	-1,872	25,965	23,022
Internal funding	-35,330	-37,635	47,258	48,527	-11,928	-10,891	-	-
Non interest-bearing liabilities held for sale	0	0	-	-	-	-	0	0
Trade payables	71,253	64,900	521	445	-	-	71,773	65,346
Tax liabilities	2,018	1,556	167	143	-	-	2,185	1,699
Other liabilities	52,726	50,332	3,815	3,803	-5,671	-4,867	50,870	49,267
<b>Total equity and liabilities</b>	<b>331,427</b>	<b>310,628</b>	<b>143,781</b>	<b>140,188</b>	<b>-30,914</b>	<b>-31,805</b>	<b>444,294</b>	<b>419,010</b>
<b>Key ratios, %</b>								
Equity ratio	31.7	31.1	8.0	8.0	-	-	26.2	25.7
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	56.3	52.1
Return on operating capital, 12 months rolling	35.0	32.2	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling	-	-	23.0	22.6	-	-	21.0	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 FIRST QUARTER

SEK M	Industrial Operations		Financial Services		Eliminations		Volvo Group	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Operating activities</b>								
Operating income	7,695	6,499	602	531	-	-	8,297	7,029
Depreciation tangible assets	1,538	1,609	2	2	-	-	1,540	1,610
Amortization intangible assets	769	903	9	8	-	-	777	911
Depreciation leasing vehicles	827	641	1,072	1,014	0	0	1,898	1,655
Other non-cash items	688	-216	133	145	8	3	830	-68
Total change in working capital whereof	-5,906	-4,694	-2,099	3,874	31	-118	-7,974	-938
<i>Change in accounts receivables</i>	-4,089	-2,391	-78	40	0	0	-4,167	-2,351
<i>Change in customer financing receivables</i>	2	22	-2,142	3,578	31	-116	-2,108	3,484
<i>Change in inventories</i>	-6,826	-4,486	152	5	0	0	-6,674	-4,481
<i>Change in trade payables</i>	4,766	1,720	60	253	0	0	4,826	1,973
<i>Other changes in working capital</i>	240	440	-91	-2	0	-3	149	436
Interest and similar items received	62	76	-	-	-1	-9	61	67
Interest and similar items paid	-461	-525	-	-	-7	5	-468	-520
Other financial items	-62	-31	-	-	-	-	-62	-31
Income taxes paid	-2,085	-1,058	143	-61	0	0	-1,942	-1,119
<b>Cash flow from operating activities</b>	<b>3,065</b>	<b>3,203</b>	<b>-139</b>	<b>5,512</b>	<b>30</b>	<b>-120</b>	<b>2,956</b>	<b>8,595</b>
<b>Investing activities</b>								
Investments in tangible assets	-1,201	-1,243	-1	-5	-	-	-1,203	-1,248
Investments in intangible assets	-481	-486	-12	-14	-	-	-493	-500
Investment in leasing vehicles	-1	-78	-1,844	-2,273	-	-	-1,844	-2,351
Disposals of fixed assets and leasing vehicles	107	115	1,571	1,154	-	-	1,677	1,269
<b>Operating cash flow</b>	<b>1,489</b>	<b>1,512</b>	<b>-425</b>	<b>4,373</b>	<b>30</b>	<b>-120</b>	<b>1,094</b>	<b>5,765</b>
Investments and divestments of shares, net							9	-13
Acquired and divested operations, net							1	0
Interest-bearing receivables incl. marketable securities							-63	1,327
<b>Cash flow after net investments</b>							<b>1,040</b>	<b>7,079</b>
<b>Financing activities</b>								
Change in loans, net							1,373	917
Dividend to AB Volvo shareholders							-	-
Dividend to minority shareholders							-	-
Other							-67	96
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>2,346</b>	<b>8,093</b>
Translation difference on cash and cash equivalents							307	-
<b>Change in cash and cash equivalents</b>							<b>2,653</b>	<b>8,093</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 effected 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.

## CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial Operations		Volvo Group	
	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017
<i>Non-current interest-bearing assets</i>				
Non-current customer-financing receivables	-	-	58.1	57.2
Non-current interest-bearing receivables	3.6	2.9	2.8	2.3
<i>Current interest-bearing assets</i>				
Customer-financing receivables	-	-	55.9	52.2
Interest-bearing receivables	2.8	2.1	1.3	1.2
Internal funding	13.8	15.9	-	-
Marketable securities	0.2	0.2	0.2	0.2
Cash and cash equivalents	35.5	32.3	38.7	36.1
<b>Total interest-bearing financial assets</b>	<b>55.9</b>	<b>53.3</b>	<b>157.1</b>	<b>149.1</b>
<i>Non-current interest-bearing liabilities</i>				
Bond loans	-53.2	-49.0	-53.2	-49.0
Other loans	-12.0	-12.9	-27.1	-24.9
Internal funding	45.7	43.5	-	-
<i>Current interest-bearing liabilities</i>				
Bond loans	-27.4	-30.7	-27.4	-30.7
Other loans	-16.9	-15.6	-26.0	-23.0
Internal funding	35.3	37.6	-	-
<b>Total interest-bearing financial liabilities</b>	<b>-28.4</b>	<b>-27.0</b>	<b>-133.7</b>	<b>-127.7</b>
<b>Net financial position excl. post-employment benefits</b>	<b>27.5</b>	<b>26.3</b>	<b>23.4</b>	<b>21.5</b>
Provisions for post-employment benefits, net	-13.6	-14.1	-13.6	-14.2
<b>Net financial position incl. post-employment benefits</b>	<b>13.9</b>	<b>12.2</b>	<b>9.8</b>	<b>7.3</b>

### Key ratios, %

Net financial position excl. post-employment benefits as percentage of shareholders' equity	26.2	26.9
Net financial position incl. post-employment benefits as percentage of shareholders' equity	13.2	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	First quarter 2018
<b>Net financial position at beginning of period</b>	<b>12.2</b>
Cash flow from operating activities	3.1
Investments in fixed assets	-1.7
Disposals	0.1
<b>Operating cash flow</b>	<b>1.5</b>
Investments and divestments of shares, net	0.0
Acquired and divested operations, net	0.0
Capital injections to/from Financial Services	0.2
Currency effect	-0.8
Remeasurements of defined benefit pension plans	0.9
Pension payments and costs, net	0.0
Other changes	-0.1
<b>Total change</b>	<b>1.7</b>
<b>Net financial position at end of period</b>	<b>13.9</b>

## CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Mar 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 9 and IFRS 15 at the beginning of period</b>	<b>105.5</b>	<b>95.3</b>
Income for the period (restated due to IFRS 15)	5.7	20.5
Other comprehensive income	3.2	-3.4
<b>Total comprehensive income</b>	<b>8.9</b>	<b>17.1</b>
Dividend to AB Volvo's shareholders	-	-6.6
Share-based payments	-	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>114.4</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)	0.1	0.3
Other comprehensive income	0.1	-0.1
<b>Total comprehensive income</b>	<b>0.2</b>	<b>0.2</b>
Dividend to minority shareholders	-	0.0
Other changes	0.0	0.0
<b>Minority interests at end of period</b>	<b>2.2</b>	<b>1.9</b>
<b>Total equity at end of period</b>	<b>116.5</b>	<b>107.8</b>

## QUARTERLY FIGURES

<b>Income Statements, Volvo Group</b>					
SEK M unless otherwise stated	1/2018	4/2017	3/2017	2/2017	1/2017
<b>Net sales</b>	<b>89,143</b>	<b>91,554</b>	<b>76,400</b>	<b>87,854</b>	<b>76,930</b>
Cost of sales	-67,809	-70,785	-58,239	-66,601	-57,596
<b>Gross income</b>	<b>21,335</b>	<b>20,769</b>	<b>18,161</b>	<b>21,254</b>	<b>19,335</b>
Research and development expenses	-4,268	-4,533	-3,445	-4,126	-3,994
Selling expenses	-7,344	-7,602	-6,791	-7,247	-6,942
Administrative expenses	-1,431	-1,640	-1,273	-1,443	-1,286
Other operating income and expenses	-392	-45	-5	-395	-616
Income/loss from investments in Joint Ventures and associated companies	385	166	634	268	340
Income from other investments	12	-10	56	91	-2
<b>Operating income</b>	<b>8,297</b>	<b>7,105</b>	<b>7,337</b>	<b>8,402</b>	<b>6,834</b>
Interest income and similar credits	38	39	44	30	50
Interest expenses and similar charges	-424	-484	-417	-487	-463
Other financial income and expenses	-184	-132	-17	-59	-177
<b>Income after financial items</b>	<b>7,727</b>	<b>6,528</b>	<b>6,947</b>	<b>7,885</b>	<b>6,245</b>
Income taxes	-1,932	-1,761	-1,495	-1,984	-1,579
<b>Income for the period *</b>	<b>5,796</b>	<b>4,767</b>	<b>5,453</b>	<b>5,901</b>	<b>4,666</b>
* Attributable to:					
Equity holders of the parent company	5,654	4,686	5,405	5,813	4,580
Minority interests	142	81	48	88	85
	5,796	4,767	5,453	5,901	4,666
<b>Key operating ratios, Volvo Group, %</b>					
Gross margin	23.9	22.7	23.8	24.2	25.1
Research and development expenses as percentage of net sales	4.8	5.0	4.5	4.7	5.2
Selling expenses as percentage of net sales	8.2	8.3	8.9	8.2	9.0
Administrative expenses as percentage of net sales	1.6	1.8	1.7	1.6	1.7
Operating margin	9.3	7.8	9.6	9.6	8.9
<b>Key operating ratios, Industrial operations, %</b>					
Gross margin	23.3	22.0	23.1	23.6	24.5
Research and development expenses as percentage of net sales	4.9	5.1	4.7	4.8	5.4
Selling expenses as percentage of net sales	7.9	7.9	8.5	7.9	8.7
Administrative expenses as percentage of net sales	1.6	1.8	1.7	1.7	1.7
Operating margin	8.9	7.3	9.2	9.3	8.5
<b>EBITDA, Industrial operations</b>					
<b>Operating income Industrial operations</b>	<b>7,695</b>	<b>6,516</b>	<b>6,785</b>	<b>7,881</b>	<b>6,304</b>
Product and Software development, amortization	697	740	600	747	720
Other intangible assets, amortization	72	76	75	70	183 <sup>1</sup>
Tangible assets, depreciation	2,366	2,461	2,351	2,323	2,250
<b>Total depreciation and amortization</b>	<b>3,135</b>	<b>3,276</b>	<b>3,027</b>	<b>3,141</b>	<b>3,153</b>
<b>Operating income before depreciation and amortization (EBITDA)</b>	<b>10,830</b>	<b>9,792</b>	<b>9,812</b>	<b>11,022</b>	<b>9,457</b>
EBITDA margin, %	12.5	11.0	13.3	12.9	12.7
<b>Net capitalization of research and development</b>					
Capitalization	415	405	457	433	464
Amortization	-663	-701	-558	-700	-674
<b>Net capitalization and amortization</b>	<b>-248</b>	<b>-296</b>	<b>-101</b>	<b>-267</b>	<b>-210</b>

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

## QUARTERLY FIGURES

<b>Net sales</b>					
SEK M	1/2018	4/2017	3/2017	2/2017	1/2017
Trucks	55,989	60,622	49,196	55,934	49,101
Construction Equipment	20,914	16,730	15,042	18,439	16,101
Buses	5,687	7,055	6,363	6,920	5,540
Volvo Penta	3,147	2,676	2,662	3,081	2,701
Group Functions & Other	1,323	1,892	1,371	1,572	1,615
Eliminations	-756	-202	-937	-833	-841
<b>Industrial Operations</b>	<b>86,304</b>	<b>88,773</b>	<b>73,696</b>	<b>85,113</b>	<b>74,217</b>
Financial Services	3,026	3,078	2,896	2,946	2,892
Reclassifications and eliminations	-186	-296	-193	-205	-179
<b>Volvo Group</b>	<b>89,143</b>	<b>91,554</b>	<b>76,400</b>	<b>87,854</b>	<b>76,930</b>

<b>Operating income</b>					
SEK M	1/2018	4/2017	3/2017	2/2017	1/2017
Trucks	4,909	5,590	4,184	5,282	4,728
Construction Equipment	2,888	1,820	2,023	2,460	1,615
Buses	-15	261	208	317	90
Volvo Penta	509	187	353	479	419
Group Functions & Other	-591	-1,353	7	-641	-547
Eliminations	-4	11	9	-17	-1
<b>Industrial Operations</b>	<b>7,695</b>	<b>6,516</b>	<b>6,785</b>	<b>7,881</b>	<b>6,304</b>
Financial Services	602	588	553	521	531
<b>Volvo Group</b>	<b>8,297</b>	<b>7,105</b>	<b>7,337</b>	<b>8,402</b>	<b>6,834</b>

<b>Adjusted operating income <sup>1</sup></b>					
SEK M	1/2018	4/2017	3/2017	2/2017	1/2017
Trucks	4,909	5,590	4,184	5,282	4,728
Construction Equipment	2,888	1,820	2,023	2,460	1,615
Buses	-15	261	208	317	90
Volvo Penta	509	187	353	479	419
Group Functions & Other	-591	-1,353	-393	-641	-547
Eliminations	-4	11	9	-17	-1
<b>Industrial Operations</b>	<b>7,695</b>	<b>6,516</b>	<b>6,385</b>	<b>7,881</b>	<b>6,304</b>
Financial Services	602	588	553	521	531
<b>Volvo Group</b>	<b>8,297</b>	<b>7,105</b>	<b>6,937</b>	<b>8,402</b>	<b>6,834</b>

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

<b>Operating margin</b>					
%	1/2018	4/2017	3/2017	2/2017	1/2017
Trucks	8.8	9.2	8.5	9.4	9.6
Construction Equipment	13.8	10.9	13.4	13.3	10.0
Buses	-0.3	3.7	3.3	4.6	1.6
Volvo Penta	16.2	7.0	13.3	15.5	15.5
<b>Industrial Operations</b>	<b>8.9</b>	<b>7.3</b>	<b>9.2</b>	<b>9.3</b>	<b>8.5</b>
<b>Volvo Group</b>	<b>9.3</b>	<b>7.8</b>	<b>9.6</b>	<b>9.6</b>	<b>8.9</b>

<b>Adjusted operating margin</b>					
%	1/2018	4/2017	3/2017	2/2017	1/2017
Trucks	8.8	9.2	8.5	9.4	9.6
Construction Equipment	13.8	10.9	13.4	13.3	10.0
Buses	-0.3	3.7	3.3	4.6	1.6
Volvo Penta	16.2	7.0	13.3	15.5	15.5
<b>Industrial Operations</b>	<b>8.9</b>	<b>7.3</b>	<b>8.7</b>	<b>9.3</b>	<b>8.5</b>
<b>Volvo Group</b>	<b>9.3</b>	<b>7.8</b>	<b>9.1</b>	<b>9.6</b>	<b>8.9</b>

## QUARTERLY FIGURES

Share data					
	1/2018	4/2017	3/2017	2/2017	1/2017
Earnings per share, SEK <sup>1</sup>	2.78	2.31	2.66	2.86	2.25
Earnings per share, SEK <sup>1</sup> , 12 months rolling	10.61	10.08	10.15	8.76	6.87
Diluted earnings per share, SEK	2.78	2.30	2.66	2.86	2.25
Number of outstanding shares in millions	2,032	2,032	2,032	2,032	2,032
Average number of shares before dilution in millions	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
Number of own shares in millions	96	97	97	97	97
Average number of own shares in millions	96	97	97	97	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 the following new accounting standards: 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 is restated for comparison purposes. For IFRS 9, the reported financial information for 2017 is not 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.

## 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 Group works continuously to identify, measure and manage risk, and in some cases Volvo Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond 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-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 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 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 Group's risk exposure. Total contingent liabilities as of March 31, 2018, amounted to SEK 13.3 billion, an increase of SEK 0.1 billion compared to December 31, 2017. The gross exposure of SEK 13.3 billion is partly reduced by counter guarantees and collaterals. The contingent liabilities reported for credit guarantees for construction equipment in China relate primarily to the period prior to 2016 and are on the same level compared to December 31, 2017. Including both contingent liabilities and on-balance sheet exposure, the exposure in China is still material.

Following the adoption of the European Commission's settlement decision, the Volvo Group has received and will be dealing with numerous private damages claims from customers and other third parties alleging that they suffered loss by reason of the conduct covered in the decision. 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 but no material changes have occurred in these matters in the first quarter of 2018.

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### 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.

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### NOTE 4 | ACQUISITIONS AND DIVESTMENTS

#### Acquisitions and divestments

The Volvo Group 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 first quarter assets amounting to SEK 432 M are classified as held for sale, which is an increase of SEK 381 M compared to December 31, 2017. Assets and liabilities held for sale has increased in the first quarter mainly due to the planned divestment of a subsidiary that holds the Groups shares in Inner Mongolia North Hauler Joint Stock Co., Ltd (NHL).

## 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 (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 marketable securities (see balance sheet) and interest and currency derivatives. Derivatives with positive fair values amounted to SEK 5.2 billion and derivatives with negative fair values

amounted to SEK 1.3 billion as of March 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 132.6 billion in reported carrying value with a fair value of SEK 134.7 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, Volvo Group	Compared to first quarter 2017			Compared to fourth quarter 2017		
	First	First	Change	First	Fourth	Change
	quarter	quarter		quarter	quarter	
SEK M	2018	2017		2018	2017	
Net flow in foreign currency			-221			121
Realized and unrealized gains and losses on hedging contracts	-4	1	-5	-4	-8	4
Unrealized gains and losses on receivables and liabilities in foreign currency	-129	31	-160	-129	-105	-24
Translation effect on operating income in foreign subsidiaries			-344			-32
<b>Total currency effect on operating income, Volvo Group</b>			<b>-730</b>			<b>70</b>

Applicable currency rates	Quarterly exchange rates		Close rates	
	First	First	Mar 31	Mar 31
	quarter	quarter		
	2018	2017	2018	2017
BRL	2.50	2.84	2.49	2.84
EUR	9.97	9.52	10.29	9.56
GBP	11.28	11.06	11.76	11.13
USD	8.11	8.92	8.36	8.93
JPY	0.0749	0.0786	0.0785	0.0800
KRW	0.0076	0.0077	0.0077	0.0080

## NOTE 6 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 467 M (419) and purchases from associated companies amounted to SEK 24 M (578) during the first quarter of 2018. As of March 31, 2018, receivables from associated companies amounted to SEK 396 M (369) and liabilities to associated companies to SEK 26 M (93).

Sales to joint ventures amounted to SEK 462 M (625) and purchases from joint ventures amounted to SEK 234 M (136) during the first quarter of 2018. As of March 31, 2018, receivables from joint ventures amounted to SEK 392 M (419) and liabilities to joint ventures to SEK 123 M (63).

## NOTE 7 | RECONCILIATION OF ADJUSTED OPERATING INCOME

<b>Adjusted operating income</b>					
SEK M	1/2018	4/2017	3/2017	2/2017	1/2017
Trucks	4,909	5,590	4,184	5,282	4,728
Construction Equipment	2,888	1,820	2,023	2,460	1,615
Buses	-15	261	208	317	90
Volvo Penta	509	187	353	479	419
Group Functions & Other	-591	-1,353	-393	-641	-547
Eliminations	-4	11	9	-17	-1
<b>Industrial Operations</b>	<b>7,695</b>	<b>6,516</b>	<b>6,385</b>	<b>7,881</b>	<b>6,304</b>
Financial Services	602	588	553	521	531
<b>Volvo Group</b>	<b>8,297</b>	<b>7,105</b>	<b>6,937</b>	<b>8,402</b>	<b>6,834</b>

<b>Adjustments</b>					
SEK M	1/2018	4/2017	3/2017	2/2017	1/2017
<b>Adjustment items (segment)</b>					
Capital gain on sale of shares in Deutz AG (Group functions & Other)	-	-	400	-	-
<b>Total adjustments</b>					
Group Functions & Other	-	-	400	-	-
<b>Industrial Operations</b>	-	-	<b>400</b>	-	-
<b>Volvo Group</b>	-	-	<b>400</b>	-	-

<b>Operating income</b>					
SEK M	1/2018	4/2017	3/2017	2/2017	1/2017
Trucks	4,909	5,590	4,184	5,282	4,728
Construction Equipment	2,888	1,820	2,023	2,460	1,615
Buses	-15	261	208	317	90
Volvo Penta	509	187	353	479	419
Group Functions & Other	-591	-1,353	7	-641	-547
Eliminations	-4	11	9	-17	-1
<b>Industrial Operations</b>	<b>7,695</b>	<b>6,516</b>	<b>6,785</b>	<b>7,881</b>	<b>6,304</b>
Financial Services	602	588	553	521	531
<b>Volvo Group</b>	<b>8,297</b>	<b>7,105</b>	<b>7,337</b>	<b>8,402</b>	<b>6,834</b>

For reconciliations of other Alternative Performance Measures, see [www.volvogroup.com](http://www.volvogroup.com)

## PARENT COMPANY

Income from investments in Group companies for the first quarter includes no dividends (-).

Financial net debt amounted to SEK 35,064 M (33,413) at the end of the first quarter.

Income Statement SEK M	First quarter	
	2018	2017
<b>Net sales<sup>1</sup></b>	<b>129</b>	<b>49</b>
Cost of sales <sup>1</sup>	-129	-49
<b>Gross income</b>	<b>0</b>	<b>0</b>
Operating expenses <sup>1</sup>	-343	-350
Income from investments in Group companies	10	-121
<b>Operating income (loss)</b>	<b>-333</b>	<b>-471</b>
Interest income and expenses	-178	-196
Other financial income and expenses	-14	-7
<b>Income after financial items</b>	<b>-525</b>	<b>-674</b>
Income taxes	110	146
<b>Income for the period</b>	<b>-415</b>	<b>-528</b>

<sup>1</sup> Of net sales in the first quarter, SEK 115 M (45) pertained to Group companies, while purchases from Group companies amounted to SEK 105 M (102).

Other comprehensive income		
<b>Income for the period</b>	<b>-415</b>	<b>-528</b>
<b>Other comprehensive income, net of income taxes</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>-415</b>	<b>-528</b>

<b>Balance Sheet</b>	<b>March 31</b>	<b>Dec 31</b>
SEK M	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Tangible assets	8	8
Financial assets		
Shares and participations in Group companies	69,244	69,244
Receivables from Group companies	0	19
Investments in joint ventures and associated companies	8,895	8,895
Other shares and participations	7	7
Deferred tax assets	304	195
<b>Total non-current assets</b>	<b>78,458</b>	<b>78,368</b>
<b>Current assets</b>		
Current receivables from Group companies	25,825	25,826
Tax assets	398	23
Other current receivables	369	96
<b>Total current assets</b>	<b>26,592</b>	<b>25,945</b>
<b>Total assets</b>	<b>105,050</b>	<b>104,313</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	45,237	45,643
Untaxed reserves	6,001	6,001
Provisions	101	103
Non-current liabilities <sup>1</sup>	13,973	13,981
Current liabilities <sup>2</sup>	29,847	28,694
<b>Total shareholders' equity and liabilities</b>	<b>105,050</b>	<b>104,313</b>

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

<sup>2</sup> Of which SEK 28,803 M (27,459) pertains to Group companies.

#### Events after the balance sheet date

For important events after the balance sheet date, see page 14 of this report. No other significant events have occurred after the end of the first quarter 2018 that are expected to have a substantial effect on the Volvo Group.

Gothenburg, April 24, 2018  
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 %
	2018	2017	
Number of trucks			
Europe	31,321	28,378	10
Heavy- and medium-duty	24,802	24,426	2
Light-duty	6,519	3,952	65
North America	23,405	11,334	107
South America	4,160	2,657	57
Asia	9,644	9,649	0
Africa and Oceania	3,435	3,604	-5
<b>Total trucks</b>	<b>71,965</b>	<b>55,622</b>	<b>29</b>
Heavy-duty (>16 tons)	61,210	46,928	30
Medium-duty (7-16 tons)	3,884	4,632	-16
Light-duty (<7 tons)	6,871	4,062	69
<b>Total trucks</b>	<b>71,965</b>	<b>55,622</b>	<b>29</b>

### Net order intake of trucks by brand

#### Volvo

Europe	15,068	16,175	-7
North America	13,815	5,596	147
South America	3,568	2,261	58
Asia	4,303	4,031	7
Africa and Oceania	1,515	1,801	-16
<b>Total Volvo</b>	<b>38,269</b>	<b>29,864</b>	<b>28</b>
Heavy-duty (>16 tons)	37,375	28,727	30
Medium-duty (7-16 tons)	894	1,137	-21
<b>Total Volvo</b>	<b>38,269</b>	<b>29,864</b>	<b>28</b>

#### UD

North America	20	5	300
South America	76	8	850
Asia	4,685	5,265	-11
Africa and Oceania	1,000	857	17
<b>Total UD</b>	<b>5,781</b>	<b>6,135</b>	<b>-6</b>
Heavy-duty (>16 tons)	4,530	4,510	0
Medium-duty (7-16 tons)	1,058	1,559	-32
Light-duty (<7 tons)	193	66	192
<b>Total UD</b>	<b>5,781</b>	<b>6,135</b>	<b>-6</b>

#### Renault Trucks

Europe	16,253	12,203	33
Heavy- and medium-duty	9,734	8,251	18
Light-duty	6,519	3,952	65
North America	235	30	683
South America	133	74	80
Asia	656	353	86
Africa and Oceania	686	720	-5
<b>Total Renault Trucks</b>	<b>17,963</b>	<b>13,380</b>	<b>34</b>
Heavy-duty (>16 tons)	9,353	7,448	26
Medium-duty (7-16 tons)	1,932	1,936	0
Light-duty (<7 tons)	6,678	3,996	67
<b>Total Renault Trucks</b>	<b>17,963</b>	<b>13,380</b>	<b>34</b>

#### Mack

North America	9,335	5,703	64
South America	383	314	22
Africa and Oceania	234	226	4
<b>Total Mack</b>	<b>9,952</b>	<b>6,243</b>	<b>59</b>
Heavy-duty (>16 tons)	9,952	6,243	59
<b>Total Mack</b>	<b>9,952</b>	<b>6,243</b>	<b>59</b>



## DELIVERIES

Deliveries of trucks	First quarter		Change %
	2018	2017	
Number of trucks			
Europe	26,104	23,602	11
Heavy- and medium-duty	21,916	20,064	9
Light-duty	4,188	3,538	18
North America	12,126	7,065	72
South America	3,220	1,889	70
Asia	7,030	8,470	-17
Africa and Oceania	3,094	2,901	7
<b>Total trucks</b>	<b>51,574</b>	<b>43,927</b>	<b>17</b>
Heavy-duty (>16 tons)	43,749	36,764	19
Medium-duty (7-16 tons)	3,518	3,548	-1
Light-duty (<7 tons)	4,307	3,615	19
<b>Total trucks</b>	<b>51,574</b>	<b>43,927</b>	<b>17</b>

### Deliveries of trucks by brand

Volvo			
Europe	14,576	13,325	9
North America	7,454	3,484	114
South America	3,039	1,674	82
Asia	3,109	4,132	-25
Africa and Oceania	1,477	1,105	34
<b>Total Volvo</b>	<b>29,655</b>	<b>23,720</b>	<b>25</b>
Heavy-duty (>16 tons)	28,736	22,925	25
Medium-duty (7-16 tons)	919	795	16
<b>Total Volvo</b>	<b>29,655</b>	<b>23,720</b>	<b>25</b>

UD			
North America	12	11	9
South America	59	-	-
Asia	3,483	3,938	-12
Africa and Oceania	856	800	7
<b>Total UD</b>	<b>4,410</b>	<b>4,749</b>	<b>-7</b>
Heavy-duty (>16 tons)	3,300	3,554	-7
Medium-duty (7-16 tons)	1,052	1,145	-8
Light-duty (<7 tons)	58	50	16
<b>Total UD</b>	<b>4,410</b>	<b>4,749</b>	<b>-7</b>

Renault Trucks			
Europe	11,528	10,277	12
Heavy- and medium-duty	7,340	6,739	9
Light-duty	4,188	3,538	18
North America	69	40	73
South America	9	75	-88
Asia	438	400	10
Africa and Oceania	505	741	-32
<b>Total Renault Trucks</b>	<b>12,549</b>	<b>11,533</b>	<b>9</b>
Heavy-duty (>16 tons)	6,753	6,360	6
Medium-duty (7-16 tons)	1,547	1,608	-4
Light-duty (<7 tons)	4,249	3,565	19
<b>Total Renault Trucks</b>	<b>12,549</b>	<b>11,533</b>	<b>9</b>

Mack			
North America	4,591	3,530	30
South America	113	140	-19
Africa and Oceania	256	255	0
<b>Total Mack</b>	<b>4,960</b>	<b>3,925</b>	<b>26</b>
Heavy-duty (>16 tons)	4,960	3,925	26
<b>Total Mack</b>	<b>4,960</b>	<b>3,925</b>	<b>26</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 April 24, 2018.

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

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Report on the second quarter 2018	July 19, 2018
Report on the third quarter 2018	October 19, 2018
Report on the fourth quarter 2018	January 30, 2019

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