

VOLVO

Volvo Group

REPORT ON THE FIRST QUARTER 2016



- » In Q1 2016 net sales decreased by 4% to SEK 71.7 billion (74.8). Adjusted for currency movements and acquired and divested units sales decreased by 2%.
- » Operating income amounted to SEK 5,344 M compared with SEK 7,066 M, excluding restructuring charges of SEK 229 M in Q1 2015.
- » Operating income in Q1 2016 includes a capital gain of SEK 885 M from the sale of the external IT operation while operating income in Q1 2015 included a capital gain of SEK 2,471 M from the sale of shares in Eicher Motors Limited.
- » Adjusted for capital gains and restructuring charges (in 2015), operating income amounted to SEK 4,459 M (4,595), corresponding to an operating margin of 6.2% (6.1).
- » Currency movements had a negative impact of SEK 417 M on operating income.
- » Operating cash flow in the Industrial Operations was negative in an amount of SEK 10.4 billion (-1.7).

	First quarter	
	2016	2015
Net sales, SEK M	71,707	74,788
Operating income excl. restructuring charges, SEK M	5,344	7,066
Operating margin excl. restructuring charges, %	7.5	9.4
Restructuring charges related to efficiency program 2015, SEK M	-	-229
Operating income, SEK M	5,344	6,837
Operating margin, %	7.5	9.1
Income after financial items, SEK M	5,299	5,967
Income for the period, SEK M	3,789	4,236
Diluted earnings per share, SEK	1.85	2.09
Operating cash flow in Industrial Operations, SEK bn	-10.4	-1.7
Return on shareholders' equity, 12 months rolling, %	17.5	6.7
Net order intake, number of trucks	50,046	56,770
Deliveries, number of trucks	46,110	48,326
Net order intake, number of construction equipment	13,090	14,692
Deliveries, number of construction equipment	12,172	11,984

CEO'S COMMENTS

Maintained profitability on slightly lower sales



In the first quarter profitability was maintained thanks to a lower cost base and focus on adapting to changes in demand. This was despite slightly lower revenues. Sales amounted to SEK 71.7 billion, a decline of 4%, half of which was due to currency effects. Operating income totaled SEK 5.3 billion, representing an operating margin of 7.5%.

Truck markets are following the trend we have seen since last year. While truck deliveries declined 5% in total, we succeeded in improving our operating margin in the truck business to 7.8%. Demand in North America is slowing from high levels. In the first quarter, the organization did a good job in adjusting capacity for lower volumes. Volumes in South America decrease due to the already weak demand in Brazil. It will be some time before demand improves. Asia is showing a stable trend. The European market is performing strongly and order intake increased by 23%. We are pleased that both Volvo and Renault Trucks continue to grow. Volvo Trucks launched a number of product news in the construction segment.

Volvo CE's sales decrease marginally. Through a strong focus on profitable product segments and markets, we achieved the same margins as in the first quarter of last year. The market share continued to increase in the heavy segment. We launched several new products at Bauma, the leading trade fair in the construction industry. Most attention was focused on our new articulated hauler and our new excavator, both with load capacity increases that will generate significant productivity gains for customers and mean entry into new segments.

Sales developed well for Buses coming from strong order intake at the end of last year, and this trend has continued into the first quarter. Despite strong deliveries during the quarter, profitability was adversely impacted by currency effects.

Volvo Penta performed well during the first quarter, with increased sales and strong profitability.

Our financial services operation is an important part of our total offering. Earnings rose slightly compared with the year-earlier quarter, and return on equity was 13.5%.

During the quarter, we reported a capital gain of SEK 885 M from the divestment of parts of our IT operation. In the long term, the deal with HCL will also generate significant cost savings and allow the Volvo Group to concentrate the remaining IT competence around the core business.

As of this quarter, sales of services and spare parts are disclosed separately. This is an important part of our business, and in combination with our products they create tailor made customer solutions, greatly contributing to the profitability of our customers through increased availability, improved reliability and lower costs. Sales of services and spare parts, excluding financial services, accounted for 23% of net sales.

During the quarter we also implemented our new brand based organization for trucks with clear profit responsibility for each brand and business area. Furthermore a new governance model is implemented with the aim of further increasing customer focus, moving decisions closer to customers and securing clarity about our areas of improvement. Through continuous improvements we can create further efficiency in important areas such as quality, delivery precision and service offerings and thereby an improvement in customer satisfaction. This will step by step continue to improve the Group's profitability.

Martin Lundstedt
President and CEO

FINANCIAL SUMMARY OF THE FIRST QUARTER 2016

Net sales

In the first quarter of 2016, net sales for the Volvo Group decreased by 4% to SEK 71,707 M (74,788). The decrease is primarily an effect of the slowdown in the North American truck market, which was partly counterbalanced by improving demand for the Group's products in Europe. Adjusted for currency movements, net sales decreased by 2% compared with the previous year.

Vehicle sales (which comprises the sale of new vehicles, machinery and engines as well as the sale of used vehicles and machines, trailers, superstructures and special vehicles) decreased by 5%, primarily as a consequence of lower truck volumes in North and South America. Adjusted for currency movements vehicle sales decreased by 3% compared with the preceding year.

Service sales (comprising spare parts, maintenance and

service) decreased by 3%, primarily as a consequence of currency movements. Adjusted for currency movements, service sales were on the same level as last year.

Operating income

In the first quarter of 2016 operating income amounted to SEK 5,344 M including a capital gain from the divestment of the external IT business amounting to SEK 885 M.

Operating income in the first quarter of 2015 amounted to SEK 7,066 M excluding restructuring charges of SEK 229 M, but including a capital gain from the sales of shares in Eicher Motor Limited of SEK 2,471 M. Adjusting for above mentioned capital gains, operating income was SEK 4,459 M (4,595) corresponding operating margin of 6.2% (6.1).

Operating income was negatively impacted by lower net sales, costs for safety campaigns and production

Net sales by market area SEK M	First quarter		Change in %
	2016	2015	
Europe	30,519	28,476	7
North America	20,732	24,465	-15
South America	2,910	3,836	-24
Asia	13,611	13,326	2
Africa and Oceania	3,935	4,683	-16
Total	71,707	74,788	-4
Of which:			
Vehicles ¹	53,157	55,891	-5
Services	16,129	16,581	-3
Financial Services revenue	2,701	2,811	-4
Eliminations	-279	-496	-44

¹Including construction equipment machines and Volvo Penta engines

Consolidated income statement, Volvo Group SEK M	First quarter	
	2016	2015
Net sales	71,707	74,788
Cost of sales	-55,400	-57,450
Gross income	16,307	17,337
Research and development expenses	-3,449	-4,086
Selling expenses	-6,524	-6,925
Administrative expenses	-1,342	-1,424
Other operating income and expenses	502	-536
Income/loss from investments in joint ventures and associated companies	-201	2
Income from other investments	52	2,469
Operating income	5,344	6,837
Interest income and similar credits	66	66
Interest expense and similar charges	-453	-567
Other financial income and expenses	343	-369
Income after financial items	5,299	5,967
Income taxes	-1,510	-1,731
Income for the period*	3,789	4,236
*Attributable to:		
Equity holders of the parent company	3,767	4,248
Minority interests	22	-12
	3,789	4,236
Basic earnings per share, SEK	1.85	2.09
Diluted earnings per share, SEK	1.85	2.09

adjustments in North America and unfavorable currency movements. This was partly off-set by lower R&D expenses as a consequence of higher capitalization as well as lower selling and administrative expenses related to the efficiency program.

The total impact on operating income from currency movements was unfavorable in an amount of SEK 417 M compared with the same quarter in the preceding year.

Operating income also includes a negative impact from costs for credit losses in China in amount of SEK 149 M in Volvo CE.

Also the first quarter last year included a negative impact of SEK 149 M in Volvo CE from a provision for expected credit losses in China.

Net financial items

Compared with the first quarter of 2015, net interest expense decreased primarily due to lower outstanding debt. Net interest expense amounted to SEK 387 M (501). Net interest expense in the fourth quarter of 2015 amounted to SEK 631 M.

In the first quarter of 2016 other financial income and expenses were positively impacted in an amount of SEK 487 M from realized result and unrealized revaluation of derivatives, compared with a negative impact of SEK 319 M in the first quarter of 2015.

Income taxes

In the first quarter 2016 the tax expense amounted to SEK 1,510 M (1,731), corresponding to a tax rate of 28% (29). The tax expense in the first quarter 2016 was negatively impacted by a changed tax rate in Japan.

Income for the period and earnings per share

In the first quarter 2016, income for the period amounted to SEK 3,789 M (4,236). Diluted earnings per share amounted to SEK 1.85 (2.09).

Operating cash flow in the Industrial Operations

In the first quarter of 2016, operating cash flow in the Industrial Operations was negative in an amount of SEK

10.4 billion. The negative cash flow is due to the normal seasonal build-up of working capital in the first quarter combined with an additional negative effect from reduced trade payables as a result of the reduction of truck production in North America.

Volvo Group financial position

At the end of the first quarter 2016, net financial debt, excluding provision for post-employment benefits, in the Industrial Operations amounted to SEK 8.4 billion, an increase of SEK 8.7 billion compared to the end of 2015 and equal to 10.7% of shareholders' equity. Including provisions for post-employment benefits, the Industrial Operations net financial debt amounted to SEK 24.2 billion which is equal to 31.0% of shareholders' equity. The increase is mainly explained by a negative operating cash flow of SEK 10.4 billion, remeasurements of the defined benefit pension obligations of SEK 2.2 billion, which was partly reduced by the divestment of the external IT operation within the Volvo Group. The increase in the defined benefit obligations is an effect of a decrease in the discount rates, mainly in the US and Sweden. During the first quarter the currency movements increased net financial debt by SEK 0.7 billion.

At the end of the first quarter 2016 the shareholders' equity in the Volvo Group amounted to SEK 88.4 billion compared to SEK 85.6 billion at year-end 2015. The equity ratio was 23.6% compared to 22.9% on December 31 2015. On the same date the equity ratio in the Industrial Operations amounted to 29.8% (28.6).

Number of employees

On March 31, 2016 the Volvo Group had 98,644 employees including temporary employees and consultants, which was a decrease of 857 employees compared with December 31, 2015 and 5,738 employees compared with a year ago.

Number of employees	Mar 31 2016	Mar 31 2015	Dec 31 2015
Blue-collar	46,825	50,554	47,368
Of which temporary employees and consultants	4,977	6,072	4,341
White-collar	51,819	53,828	52,133
Of which temporary employees and consultants	6,806	6,914	6,696
Total number of employees	98,644	104,382	99,501
Of which temporary employees and consultants	11,783	12,986	11,037

BUSINESS SEGMENT OVERVIEW

Net sales	First quarter		Change in %	Change in % ¹
	2016	2015		
SEK M				
Trucks	48,037	51,657	-7	-5
Construction Equipment	12,452	12,737	-2	0
Buses	5,258	4,748	11	14
Volvo Penta	2,340	2,250	4	6
Group Functions & Other	1,870	1,687	11	11
Eliminations	-672	-607	-11	-
Industrial operations	69,285	72,473	-4	-2
Financial Services	2,701	2,811	-4	1
Reclassifications and eliminations	-279	-496	44	-
Volvo Group	71,707	74,788	-4	-2

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

Operating income	First quarter	
	2016	2015 ¹
SEK M		
Trucks ²	3,741	6,246
Construction Equipment	341	352
Buses	59	104
Volvo Penta	366	292
Group Functions & Other ³	366	-407
Eliminations	-22	5
Industrial operations	4,851	6,592
Financial Services	493	474
Volvo Group	5,344	7,066

¹Excluding restructuring charges in 2015. For more information, please see note 6.

²First quarter of 2015 included a capital gain of SEK 2,471 M from the sale of shares in Eicher Motors Limited. Excluding the capital gain, operating income amounted to SEK 3,775 M.

³First quarter of 2016 includes a capital gain of SEK 885 M from the divestment of the external IT operation.

Operating margin	First quarter	
	2016	2015 ¹
%		
Trucks ²	7.8	12.1
Construction Equipment	2.7	2.8
Buses	1.1	2.2
Volvo Penta	15.6	13.0
Industrial operations	7.0	9.1
Volvo Group excl. restructuring charges	7.5	9.4
Volvo Group	7.5	9.1

¹Excluding restructuring charges in 2015. For more information, please see note 6.

²Excluding the capital gain from the sale of shares in Eicher Motors Limited, operating margin in the first quarter of 2015 was 7.3%.

TRUCKS

Lower volumes driven by correction in North America

- » Good demand in Europe, weakening in North America and continued low in Brazil
- » Production adjustments in Europe and North America executed
- » Slight improvement in underlying profitability – operating margin adjusted for capital gains on 7.8% (7.3)



Market development

In the beginning of 2016 truck demand has continued to develop favorably in Europe with an increase in registrations of 23% through February. Freight activity remained high, resulting in good capacity utilization of the truck fleet and good customer profitability. There is still some need for fleet renewal, which supports the expectation of growth in the European market in 2016.

The total North American retail market for heavy-duty trucks decreased by 7% in the first quarter of 2016. The correction in the North American market, primarily in the long-haul segment, continued. A strengthened construction segment, low fuel prices and low interest rates support the market, but with stagnant freight volumes, increased availability of competitively priced

used trucks and less need for fleet renewal, the market is expected to settle on a more normalized level during 2016.

In Brazil registrations declined by 27% in the first quarter from already low levels. With a continued contracting economy and low business confidence, the Brazilian market is expected to continue to slow down during 2016.

In India registrations of heavy-duty trucks increased by 35% in the first quarter 2016, driven by good economic activity and a continued good business confidence.

The Chinese total market for medium- and heavy-duty trucks increased by 9% in the first quarter of 2016.

In Japan, demand remained healthy in the first quarter although registrations of medium- and heavy-duty trucks decreased somewhat compared to the same quarter last year.

Total market development	First quarter		Change in %	Full year 2015	Forecast 2016	Change vs. previous forecast
	2016	2015				
Registrations, number of trucks						
Europe 30 ¹ heavy-duty (as of Feb.)	45,677	37,148	23	270,000	290,000	+10,000
North America heavy-duty	62,784	67,537	-7	301,700	250,000	-10,000
Brazil heavy-duty	7,943	10,909	-27	41,600	30,000	-5,000
China heavy-duty	146,415	134,625	9	550,700	555,000	Unchanged
China medium-duty	49,617	45,155	10	200,400	195,000	Unchanged
India heavy-duty	71,931	53,389	35	209,900	250,000	+5,000
India medium-duty	21,120	16,835	25	68,200	80,000	+10,000
Japan heavy-duty	12,937	13,174	-2	44,500	45,000	Unchanged
Japan medium-duty	12,391	13,170	-6	45,200	45,000	Unchanged

¹EU minus Bulgaria plus Norway and Switzerland

Net order intake per market	First quarter		Change in %
	2016	2015	
Number of trucks			
Europe	28,752	23,445	23
North America	8,892	19,291	-54
South America	2,055	2,268	-9
Asia	7,359	8,666	-15
Africa and Oceania	2,988	3,100	-4
Total Trucks	50,046	56,770	-12
Heavy duty (>16 tons)	39,503	48,811	-19
Medium duty (7-16 tons)	3,970	3,910	2
Light duty (<7 tons)	6,573	4,049	62
Total Trucks	50,046	56,770	-12
Volvo	25,355	29,234	-13
UD	5,232	5,929	-12
Renault Trucks	14,781	12,870	15
Mack	4,678	8,737	-46
Total Trucks	50,046	56,770	-12
Non-consolidated operations			
VE Commercial Vehicles (Eicher)	11,920	10,797	10

Orders and deliveries

Total net orders decreased by 12% in the first quarter compared with the first quarter last year while deliveries declined by 5%.

Orders in Europe rose by 23% with a continued positive trend for both Volvo and Renault Trucks. Production in Europe has been adjusted in order to meet the increase in demand and deliveries rose by 16%.

In North America orders were down 54% compared to the same quarter last year and deliveries came down by 33% in total. The decline in both orders and deliveries is an effect of the market correction with dealers focusing on reducing their inventories as well as a result of the comparison with an extraordinarily high quarter last year for both orders and deliveries. The production rates in the Group's North American production system were reduced

in the quarter to meet the lower demand and allow for inventory reduction at dealers.

Orders in South America declined by 9% as a consequence of the further deterioration in the Brazilian market. In addition to the major adjustments made last year to the Group's production system in Brazil, actions were taken in the quarter to adapt production to the weaker demand.

In Asia orders decreased by 15%, with the same pattern for all brands, reflecting soft demand in many parts of the region, including the Middle East. Deliveries on the other hand were slightly higher compared to the same quarter last year.

Deliveries per market	First quarter		Change in %
	2016	2015	
Number of trucks			
Europe	22,917	19,794	16
North America	10,740	15,950	-33
South America	1,890	2,117	-11
Asia	7,854	7,314	7
Africa and Oceania	2,709	3,151	-14
Total Trucks	46,110	48,326	-5
Heavy duty (>16 tons)	38,282	40,875	-6
Medium duty (7-16 tons)	3,765	3,537	6
Light duty (<7 tons)	4,063	3,914	4
Total Trucks	46,110	48,326	-5
Volvo	24,315	26,373	-8
UD	5,397	4,969	9
Renault Trucks	11,222	10,413	8
Mack	5,176	6,571	-21
Total Trucks	46,110	48,326	-5
Non-consolidated operations			
VE Commercial Vehicles (Eicher)	11,809	8,126	45
Dongfeng Commercial Vehicle Company (Dongfeng Trucks) ¹	13,905	15,813	-12

¹Deliveries as of February in both 2015 and 2016.

Net sales and operating income SEK M	First quarter		Change in %
	2016	2015	
Europe	21,635	20,269	7
North America	13,801	17,963	-23
South America	2,130	2,468	-14
Asia	7,724	7,523	3
Africa and Oceania	2,747	3,434	-20
Total net sales	48,037	51,657	-7
Of which			
Vehicles	35,977	39,226	-8
Services	12,060	12,430	-3
Operating income¹	3,741	6,246	-40
Operating margin ¹ , %	7.8	12.1	

¹Excluding restructuring charges in 2015. For more information, please see note 6.

Net sales and operating income

During the first quarter of 2016, the truck operation's net sales amounted to SEK 48,037 M, which was 7% lower than the first quarter last year. The decrease in sales was mainly driven by North America, South America, Africa and Oceania. Adjusted for currency movements, net sales decreased by 5%. Service sales amounted to SEK 12,060 M, which was almost flat when adjusted for currency impact in the quarter.

Operating income in the first quarter 2016 amounted to SEK 3,741 M compared with SEK 6,246 M in the same quarter last year, excluding restructuring charges of SEK 127 M but including a capital gain of SEK 2,471 M from the sale of shares in Eicher Motors Limited. Adjusted for the capital gain, operating income in the first quarter 2015 was SEK 3,775 M. In the first quarter of 2016 the operating margin amounted to 7.8% compared with 7.3% in the first quarter for 2015 when adjusted for the capital gain.

Earnings were positively impacted by lower selling and administrative expenses as a consequence of the efficiency program as well as lower R&D expenses as a consequence of higher capitalization compared to the same quarter last year. Lower volumes, unfavorable currency movements and costs for safety campaigns had a negative impact on earnings.

Compared with the first quarter of 2015 currency movements had a negative impact of SEK 340 M.

Events in the quarter

Volvo Group participated in the EU Truck Platooning Challenge, with very positive reactions from decision-makers, politicians and the general public. Three Volvo trucks drove closely behind one another using wireless communication, in a platoon, from Göteborg, Sweden to Rotterdam, the Netherlands with the purpose of highlighting the changes required in European transportation legislation to facilitate the introduction of platooning.

In North America, Volvo Trucks launched several new integrated powertrain solutions including new engine features, offering increased fuel efficiency, productivity, reliability and more efficient chassis packaging.

Volvo Trucks also launched a new transmission, Volvo I-shift with crawler gears, ideal for applications requiring a slow speed and maneuverability and with the ability to start off from standstill with up to 325 tons of cargo.

CONSTRUCTION EQUIPMENT

Improvement in Europe, continued uncertainty in emerging markets

- » Sales and profitability on the same level as last year – operating margin of 2.7% (2.8)
- » Strong interest in products and services launched at the Bauma trade show
- » Continued market share gains on large machines



Market development

The construction equipment industry continued to decline in a number of major markets, in particular the Middle East and Latin America. The European market is showing positive growth. In the quarter, the European market was up by 6% compared to the same period last year. This was mainly driven by a significant recovery in the important French market (+55%). This growth was tempered by a slowdown in the UK market, as well as further decline in the Russian market, from already low levels in 2015.

The North American market remained stable. A decline in the sales of larger general purpose machines was partially offset by growth in the sale of compact equipment machines.

The decline in South America, especially Brazil, continued in the first quarter due to a weak economy and low overall business confidence.

The Chinese market started the year with very weak demand but gained momentum towards the end of the quarter, much driven by a pre-buying ahead of new emission rules effective April 1. Through March the market for the two product categories wheel loaders and excavators increased by 8%.

The Asian (excluding China) total market was 5% below last year. This was mainly driven by Japan, Korea and Southeast Asia. However the Indian market continued to grow strongly.

Orders and deliveries

Net order intake was 11% below the first quarter 2015 with a decline for Volvo, which was partially off-set by an increase for SDLG due to the pre-buy in China. The year-over-year comparison is influenced by the unusually large order intake for Volvo branded backhoe loaders, motor graders and milling machines last year, when it was announced that these machines were to be discontinued. Excluding these product exits, order intake was 4% below last year.

In Europe, order intake was 5% below the same quarter last year. However, excluding the impact of the product exits, it was 9% above last year due to good order intake in France and Germany.

Order intake in North America was 7% below the first quarter last year. This was mainly driven by the declining market for large machines, in which Volvo has a strong position.

Total market development	Year-to-date Feb.		
	2016	Forecast 2016	Previous forecast
Change in % measured in units			
Europe	6	0% to +10%	-5% to +5%
North America	-2	-10% to 0%	-10% to 0%
South America	-40	-20% to -10%	-10% to 0%
Asia excl. China	-5	-10% to 0%	-10% to 0%
China ¹	-17	-15% to -5%	-20% to -10%

¹Through March, the Chinese market for wheel loaders and excavators increased by 8%.

Net order intake per market	First quarter		Change in %
	2016	2015	
Number of construction equipment			
Europe	3,983	4,195	-5
North America	1,683	1,818	-7
South America	147	982	-85
Asia	6,738	7,096	-5
Africa and Oceania	539	601	-10
Total orders	13,090	14,692	-11
Of which:			
Volvo	8,544	10,805	-21
SDLG	4,510	3,887	16
Of which in China	3,999	3,135	28

In South America order intake was 85% below last year. This was driven by continued strong market decline, especially in Brazil.

Order intake in Asia (including China) was 5% below last year. This was caused by market declines in Korea and Southeast Asia, which was partly off-set by the pre-buying in China.

In the first quarter deliveries increased by 2% compared to the same period in 2015, mainly driven by increased sales in Europe. Deliveries in Europe were 24% above last year. This was mainly driven by higher sales in France, Germany and Scandinavia as well as market share gains.

Deliveries in North America decreased by 3% compared to the same period last year. However, when the product exits from 2015 are excluded, they were 3% higher than last year. Additionally, sales of larger more profitable products were above last year despite the decline in the market.

In South America deliveries continued to decrease significantly in the first quarter (-70%), mainly because of lower market demand in the area, and especially in Brazil.

In Asia (including China) deliveries were 2% above last year. This was driven by increased sales of SDLG branded machines in China ahead of new emissions regulations effective April 1. Volvo branded sales in the region were below last year as a result of low market demand.

Net sales and operating income

In the first quarter net sales decreased by 2% to SEK 12,452 M. Adjusted for currency fluctuations net sales

were flat compared with the first quarter last year.

Net sales of machines decreased by 2%. The overall market situation in Brazil and Russia remains difficult, partly offset by strong performance in Northern Europe. Adjusted for currency movements, net sales of machines were flat compared with Q1 2015. Service sales decreased by 5%, driven mainly by currency and low machine utilization in China. Adjusted for currency movements service sales decreased by 1%.

Operating income amounted to SEK 341 M compared with SEK 352 M excluding restructuring charges of SEK 75 M in Q1 2015, corresponding to an operating margin of 2.7% (2.8). Lower operating expenses were off-set by negative brand and product mix as well as negative currency movements in an amount of SEK 49 M. Earnings were also negatively impacted by costs for credit losses in China of SEK 149 M.

Also in the first quarter of 2015 operating income was negatively impacted by provisions for expected credit losses in China in an amount of SEK 149 M.

Events in the quarter

The start of the year saw Volvo CE celebrating the 50th anniversary of articulated hauler production. It also saw the unveiling a host of new products for 2016 at the Bauma trade show in Munich, Germany, including the A60H articulated hauler and the EC950E excavator – by far the largest machines of these types the company has ever introduced.

Deliveries per market	First quarter		Change in %
	2016	2015	
Number of construction equipment			
Europe	3,558	2,871	24
North America	1,198	1,229	-3
South America	217	728	-70
Asia	6,741	6,635	2
Africa and Oceania	458	521	-12
Total deliveries	12,172	11,984	2
Of which:			
Volvo	7,626	8,099	-6
SDLG	4,510	3,885	16
Of which in China	3,999	3,135	28

Net sales and operating income	First quarter		Change in %
	2016	2015	
SEK M			
Europe	4,567	4,069	12
North America	2,605	2,576	1
South America	246	682	-64
Asia	4,472	4,682	-4
Africa and Oceania	562	729	-23
Total net sales	12,452	12,737	-2
Of which			
Construction Equipment	10,194	10,368	-2
Services	2,257	2,369	-5
Operating income¹	341	352	-3
Operating margin ¹ , %	2.7	2.8	

¹Excluding restructuring charges in 2015. For more information, please see note 6.

BUSES

Good sales momentum

- » Order intake improved by 13%
- » Operating income SEK 59 M (104)
- » Order for 11 electric hybrid buses to Namur, Belgium



The European bus market improved somewhat during the first two months of 2016. In North America there is a positive development, while in Brazil the negative economic development continues to impact demand for buses and coaches. The Asian markets are recovering gradually, including the Indian bus and coach market.

Order intake in the first quarter increased by 13% mainly driven by a good development in Europe. Major orders in the quarter were 200 units to Egypt, 130 Volvo 9800 coaches to Mexico and 80 buses to Ecuador. Volvo Buses also received an order for 11 electric hybrid buses and 2 electric bus charging stations to the city of Namur in Belgium. The charging stations will be supplied by ABB. This is the largest order to date for the company's electric bus system.

Bus deliveries increased by 28% in the first quarter of 2016, driven by North America and Asia.

Net sales increased by 11% to SEK 5,258 M (4,748). Adjusted for currency fluctuations, sales increased by 14% compared with the same period 2015.

Vehicle sales increased by 13% mainly due to increased sales in Asia and North America. Adjusted for currency movements vehicle sales increased by 16%. Service sales increased by 1%. Adjusted for currency movements service sales increased by 6%.

Buses reported an operating income of SEK 59 M (104). The operating margin was 1.1% (2.2). The positive effects from higher volumes could not fully off-set a negative currency development. Compared with the first quarter of 2015, operating income was negatively impacted by currency movements in an amount of SEK 141 M.

Net order intake and deliveries	First quarter		Change in %
	2016	2015	
Number of buses			
Total orders	2,367	2,101	13
Total deliveries	2,031	1,584	28

Net sales and operating income	First quarter		Change in %
	2016	2015	
SEK M			
Europe	1,167	1,302	-10
North America	2,728	2,360	16
South America	207	298	-31
Asia	798	514	55
Africa and Oceania	358	274	31
Total net sales	5,258	4,748	11
Of which			
Vehicles	4,266	3,768	13
Services	992	980	1
Operating income¹	59	104	-43
Operating margin ¹ , %	1.1	2.2	

¹Excluding restructuring charges in 2015. For more information, please see note 6.

VOLVO PENTA

Increased profitability

- » Positive sales growth continues in most segments
- » Operating margin of 15.6%
- » Launch of updated Glass Cockpit system at Miami Boat Show



The marine leisure market remains flat. In February, Volvo Penta launched an upgraded Glass Cockpit System, which encompasses the latest navigational technology from Garmin and Volvo Penta's Electronic Vessel Control system (EVC) to provide a single interface for monitoring and controlling engine and navigation data.

The marine commercial market is lingering on low levels, but shows positive signs in certain sub-segments, such as wind farming vessels.

For industrial off-road engines, the market is fragmented, showing mixed signs within certain sub-segments. The markets in Brazil, Russia, and China continue to decline. The market for industrial power generation engines shows a positive annual growth rate with a stable development in the Middle East and the export-oriented European market.

Net order intake during the first quarter was 9,974 units, which was 11% lower than last year driven by lower demand for marine gasoline and industrial genset engines.

In the quarter a total of 9,279 engines were delivered, an increase of 1% compared with the preceding year.

Net sales increased by 4% to SEK 2,340 M (2,250). Adjusted for currency movements, net sales increased by 6%.

Net sales of engines increased by 4% driven by higher volumes and a positive product mix. Adjusted for currency the increase was 6%. Net sales of services increased by 5% driven by higher volumes. Adjusted for currency the increase was 7%.

Operating income amounted to SEK 366 M compared with SEK 292 M excluding restructuring charges of SEK 16 M in the first quarter of 2015. The operating margin was 15.6% (13.0). Earnings were positively impacted by higher sales, a good product mix and somewhat lower operating expenses. Compared with the first quarter of 2015, operating income was impacted negatively by currency movements in an amount of SEK 7 M.

Net order intake and deliveries	First quarter		Change in %
	2016	2015	
Number of engines			
Total orders	9,974	11,251	-11
Total deliveries	9,279	9,142	1

Net sales and operating income	First quarter		Change in %
	2016	2015	
SEK M			
Europe	1,218	1,140	7
North America	501	486	3
South America	73	103	-29
Asia	426	396	8
Africa and Oceania	121	125	-3
Total net sales	2,340	2,250	4
Of which			
Engines	1,734	1,673	4
Services	605	577	5
Operating income¹	366	292	25
Operating margin ¹ , %	15.6	13.0	

¹Excluding restructuring charges in 2015. For more information, please see note 6.

FINANCIAL SERVICES

Strong performance

- » Record new business volumes
- » Continued good portfolio performance
- » Improved profitability



Volvo Financial Services (VFS) had record first quarter new business volume and improved penetration as good results in North America and most of Europe outweighed weak demand in Brazil, China and Russia. Adjusted for currency, the credit portfolio grew by 5% compared with the same quarter 2015.

The portfolio continued to perform well during the quarter, highlighted by low customer overdues in most markets. The Brazil portfolio continues to be negatively impacted by the economic downturn and activities are in place to mitigate the negative effects.

Operating income in the first quarter 2016 improved to SEK 493 M (474) driven primarily by lower credit losses which were partially offset by unfavorable currency movements.

In January, VFS successfully completed an asset-backed securitization program. Under the terms of the transaction, SEK 5.6 billion of securities tied to US-based loans on trucking and construction equipment assets were issued. In addition, SEK 1.2 billion of assets was syndicated in the quarter, effectively reducing concentration risks and freeing up credit capacity to support sales.

Financial Services SEK M	First quarter	
	2016	2015
Number of financed units	11,585	10,319
Total penetration rate ¹ , %	26	24
New financing volume, SEK billion	12.2	11.6
Credit portfolio net, SEK billion	120	122
Credit provision expenses	130	207
Operating income, SEK M	493	474
Credit reserves, % of credit portfolio	1.42	1.40
Return on shareholders' equity, rolling 12 months, %	13.5	12.9

¹Share 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

New truck organization

On January 27, it was announced that the Volvo Group had decided to introduce a brand-based organization with clearer commercial accountability for the Group's various truck brands. Five separate units were to be created: Volvo Trucks, UD Trucks, Renault Trucks, Mack Trucks, and Value Truck & JV:s, each with profit and loss responsibility for their respective business. The new organization came into effect on March 1, 2016. Thereafter, the Volvo Group comprises ten business areas: Volvo Trucks, UD Trucks, Mack Trucks, Renault Trucks, Value Truck & JV:s, Volvo Construction Equipment, Volvo Buses, Volvo Penta, Governmental Sales and Volvo Financial Services.

Volvo completed sale of IT operation

On March 31, the Volvo Group completed the sale of its external IT operation and related assets and the outsourcing of its IT infrastructure to HCL Technologies. The transaction gave a capital gain of SEK 885 M, which had a positive impact on the operating income in the first quarter of 2016.

Annual General Meeting of AB Volvo

The Annual General Meeting of AB Volvo held on April 6, 2016, approved the Board of Directors' motions that a

dividend of SEK 3.00 per share be paid to the company's shareholders.

Matti Alahuhta, Eckhard Cordes, James W. Griffith, Kathryn V. Marinello, Martina Merz, Hanne de Mora, Carl-Henric Svanberg and Lars Westerberg were reelected as members of the Board. Martin Lundstedt, Håkan Samuelsson and Helena Stjernholm were elected as new 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' motion.

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	
	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	69,285	72,473	2,701	2,811	-279	-496	71,707	74,788
Cost of sales	-54,056	-56,275	-1,624	-1,671	279	496	-55,400	-57,450
Gross income	15,230	16,198	1,077	1,139	-	-	16,307	17,337
Research and development expenses	-3,449	-4,086	-	-	-	-	-3,449	-4,086
Selling expenses	-6,057	-6,456	-467	-469	-	-	-6,524	-6,925
Administrative expenses	-1,332	-1,414	-10	-10	-	-	-1,342	-1,424
Other operating income and expenses	610	-351	-107	-185	-	-	502	-536
Income/loss from investments in joint ventures and associated companies	-201	2	-	-	-	-	-201	2
Income from other investments	52	2,470	0	-2	-	-	52	2,469
Operating income	4,851	6,363	493	474	-	-	5,344	6,837
Interest income and similar credits	66	66	-	-	-	-	66	66
Interest expense and similar charges	-453	-567	0	-	-	-	-453	-567
Other financial income and expenses	343	-369	0	-	-	-	343	-369
Income after financial items	4,808	5,493	493	474	-	-	5,299	5,967
Income taxes	-1,364	-1,575	-147	-156	-	-	-1,510	-1,731
Income for the period*	3,444	3,918	346	318	-	-	3,789	4,236
*Attributable to:								
Equity holders of the parent company							3,767	4,248
Minority interests							22	-12
							3,789	4,236
Basic earnings per share, SEK							1.85	2.09
Diluted earnings per share, SEK							1.85	2.09
Key operating ratios, %								
Gross margin	22.0	22.4	-	-	-	-	22.7	23.2
Research and development expenses as percentage of net sales	5.0	5.6	-	-	-	-	4.8	5.5
Selling expenses as percentage of net sales	8.7	8.9	-	-	-	-	9.1	9.3
Administrative expenses as percentage of net sales	1.9	2.0	-	-	-	-	1.9	1.9
Operating margin	7.0	8.8	-	-	-	-	7.5	9.1

CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST QUARTER

SEK M	2016	2015
Income for the period	3,789	4,236
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	-1,551	-2,691
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	727	2,613
Share of OCI related to joint ventures and associated companies	-60	10
Accumulated translation difference reversed to income	0	-10
Available-for-sale investments	-74	-1,860
Change in cash flow hedges	2	-9
Other comprehensive income, net of income taxes	-956	-1,947
Total comprehensive income for the period*	2,833	2,289
*Attributable to:		
Equity holders of the parent company	2,848	2,125
Minority interests	-15	164
	2,833	2,289

CONSOLIDATED BALANCE SHEET

	Industrial operations		Financial services		Eliminations		Volvo Group Total	
	Mar 31 2016	Dec 31 2015	Mar 31 2016	Dec 31 2015	Mar 31 2016	Dec 31 2015	Mar 31 2016	Dec 31 2015
SEK M								
Assets								
Non-current assets								
Intangible assets	36,657	36,314	117	102	-	-	36,774	36,416
<i>Tangible assets</i>								
Property, plant and equipment	53,354	53,554	64	64	-	-	53,418	53,618
Assets under operating leases	20,427	20,616	17,383	18,253	-6,527	-6,338	31,284	32,531
<i>Financial assets</i>								
Investments in joint ventures and associated companies	11,316	11,148	-	-	-	-	11,316	11,148
Other shares and participations	747	893	9	8	-	-	756	902
Non-current customer-financing receivables	-	3	52,267	52,163	-1,085	-1,204	51,181	50,962
Prepaid pensions	42	34	-	-	-	-	42	34
Non-current interest-bearing receivables	1,360	1,138	7	500	-108	-487	1,259	1,150
Other non-current receivables	4,042	3,271	150	140	-122	-143	4,069	3,268
Deferred tax assets	12,733	12,582	895	868	-	-	13,628	13,450
Total non-current assets	140,677	139,552	70,891	72,098	-7,843	-8,172	203,726	203,478
Current assets								
Inventories	46,134	44,194	711	196	-	-	46,845	44,390
<i>Current receivables</i>								
Customer-financing receivables	5	9	50,770	52,404	-770	-792	50,005	51,621
Tax assets	1,441	1,537	127	624	-	-	1,568	2,161
Interest-bearing receivables	2,002	2,600	13	14	-863	-827	1,152	1,788
Internal funding	4,846	7,963	-	-	-4,846	-7,963	-	-
Accounts receivable	30,708	28,577	586	525	-	-	31,295	29,101
Other receivables	15,470	14,259	1,294	1,327	-1,542	-1,667	15,222	13,920
Non interest-bearing assets held for sale	2,697	3,314	-	-	-	-	2,697	3,314
Marketable securities	6,027	3,344	-	-	-	-	6,027	3,344
Cash and cash equivalents	12,515	17,866	3,752	3,651	-462	-469	15,805	21,048
Total current assets	121,845	123,664	57,253	58,741	-8,483	-11,717	170,616	170,687
Total assets	262,522	263,216	128,145	130,839	-16,325	-19,890	374,342	374,165
Equity and liabilities								
Equity attributable to the equity holders of the parent company	76,410	73,350	10,251	10,460	-	-	86,661	83,810
Minority interests	1,787	1,801	-	-	-	-	1,787	1,801
Total equity	78,197	75,151	10,251	10,460	-	-	88,448	85,610
<i>Non-current provisions</i>								
Provisions for post-employment benefits	15,875	13,621	55	53	-	-	15,930	13,673
Provisions for deferred taxes	27	546	2,982	2,949	-	-	3,009	3,495
Other provisions	9,392	9,286	208	214	33	35	9,633	9,536
<i>Non-current liabilities</i>								
Bond loans	50,879	47,776	-	-	-	-	50,879	47,776
Other loans	15,459	17,123	13,784	11,581	-1,085	-1,204	28,157	27,500
Internal funding	-42,297	-42,442	39,939	42,712	2,358	-270	-	-
Other liabilities	20,309	20,359	778	733	-4,686	-4,554	16,401	16,538
Current provisions	13,915	14,104	73	67	12	6	14,000	14,176
<i>Current liabilities</i>								
Loans	49,260	50,339	10,197	8,480	-1,547	-1,488	57,910	57,331
Internal funding	-38,159	-40,234	45,979	49,013	-7,821	-8,780	-	-
Non interest-bearing liabilities held for sale	377	573	-	-	-	-	377	573
Trade payables	45,506	55,250	426	398	-	-	45,932	55,648
Tax liabilities	1,502	1,113	169	209	-	-	1,672	1,322
Other liabilities	42,280	40,652	3,303	3,970	-3,590	-3,635	41,994	40,986
Total equity and liabilities	262,522	263,216	128,145	130,839	-16,325	-19,890	374,342	374,165
Key ratios, %								
Shareholders' equity as percentage of total assets	29.8	28.6	8.0	8.0	-	-	23.6	22.9
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	42.7	41.3
Return on operating capital, 12 months rolling	23.5	9.6	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling	-	-	13.5	13.4	-	-	17.5	6.7

CONSOLIDATED CASH FLOW STATEMENT FIRST QUARTER

SEK bn	Industrial operations		Financial services		Eliminations		Volvo Group Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Operating activities								
Operating income	4.9	6.4	0.5	0.5	0.0	-	5.3	6.8
Depreciation tangible assets	1.5	1.6	0.0	0.0	-	-	1.5	1.6
Amortization intangible assets	0.8	0.9	0.0	0.0	-	0.0	0.8	0.9
Depreciation leasing vehicles	0.7	0.7	1.0	1.0	0.0	-	1.7	1.7
Other non-cash items	-0.2	-2.0	0.1	0.2	0.0	0.0	-0.1	-1.8
Total change in working capital whereof	-15.3	-6.2	1.2	-0.5	-0.2	0.6	-14.3	-6.2
<i>Change in accounts receivables</i>	-2.3	-0.2	-0.1	0.1	0.0	0.0	-2.3	-0.2
<i>Change in customer financing receivables</i>	0.1	0.0	1.2	-0.9	-0.1	0.2	1.1	-0.7
<i>Change in inventories</i>	-2.2	-4.9	-0.1	0.0	0.0	-0.1	-2.3	-5.0
<i>Change in trade payables</i>	-10.0	-1.2	0.0	0.0	-	0.0	-9.9	-1.1
<i>Other changes in working capital</i>	-1.0	0.1	0.2	0.4	0.0	0.4	-0.9	0.9
Interest and similar items received	0.1	0.1	-	-	0.0	0.0	0.1	0.1
Interest and similar items paid	-0.4	-0.4	-	-	0.0	0.0	-0.5	-0.4
Other financial items	-0.1	-0.1	-	-	-	-	-0.1	-0.1
Income taxes paid	-0.4	-1.2	-0.1	0.4	0.0	0.0	-0.5	-0.8
Cash flow from operating activities	-8.5	-0.3	2.7	1.5	-0.2	0.6	-6.0	1.9
Investing activities								
Investments in tangible assets	-1.2	-1.3	0.0	0.0	-	-	-1.2	-1.3
Investments in intangible assets	-0.8	-0.4	0.0	0.0	-	-	-0.9	-0.4
Investment in leasing vehicles	0.0	-0.1	-2.0	-1.8	0.0	0.0	-2.0	-1.8
Disposals of fixed assets and leasing vehicles	0.2	0.3	1.2	1.1	-	0.0	1.4	1.5
Operating cash flow	-10.4	-1.7	1.8	0.9	-0.2	0.6	-8.8	-0.2
Investments and divestments of shares, net							0.1	-4.4
Acquired and divested operations, net							1.4	0.3
Interest-bearing receivables incl. marketable securities							-2.4	-1.0
Cash flow after net investments							-9.7	-5.3
Financing activities								
Change in loans, net							4.4	3.1
Dividend to AB Volvo shareholders							-	-
Dividend to minority shareholders							0.0	0.0
Other							0.0	0.0
Change in cash and cash equivalents excl. translation differences							-5.3	-2.2
Translation difference on cash and cash equivalents							0.0	0.7
Change in cash and cash equivalents							-5.2	-1.6

CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial operations		Volvo Group	
	Mar 31 2016	Dec 31 2015	Mar 31 2016	Dec 31 2015
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	51.2	51.0
Non-current interest-bearing receivables	1.4	1.1	1.3	1.2
Current interest-bearing assets				
Customer-financing receivables	-	-	50.0	51.6
Interest-bearing receivables	2.0	2.6	1.2	1.8
Internal funding	4.8	8.0	-	-
Marketable securities	6.0	3.3	6.0	3.3
Cash and cash equivalents	12.5	17.9	15.8	21.0
Total interest-bearing financial assets	26.7	32.9	125.4	129.9
Non-current interest-bearing liabilities				
Bond loans	-50.9	-47.8	-50.9	-47.8
Other loans	-15.5	-17.1	-28.2	-27.5
Internal funding	42.3	42.4	-	-
Current interest-bearing liabilities				
Loans	-49.3	-50.3	-57.9	-57.3
Internal funding	38.2	40.2	-	-
Total interest-bearing financial liabilities	-35.1	-32.6	-136.9	-132.6
Net financial position excl. post-employment benefits	-8.4	0.3	-11.5	-2.7
Provisions for post-employment benefits, net	-15.8	-13.6	-15.9	-13.6
Net financial position incl. post-employment benefits	-24.2	-13.2	-27.4	-16.3
Key ratios, %				
Net financial position excl. post-employment benefits as percentage of shareholders' equity	-10.7	0.5		
Net financial position incl. post-employment benefits as percentage of shareholders' equity	-31.0	-17.6		

CHANGES IN NET FINANCIAL POSITION, INDUSTRIAL OPERATIONS

SEK bn	First quarter 2016
Beginning of period	-13.2
Cash flow from operating activities	-8.5
Investments in fixed assets	-2.1
Disposals	0.2
Operating cash flow	-10.4
Investments and divestments of shares, net	0.1
Acquired and divested operations, net	1.4
Capital injections to/from Customer Finance operations	0.6
Currency effect	-0.7
Remeasurements of defined benefit pension plans	-2.2
Pension payments and costs, net	0.0
Other changes	0.2
Total change	-11.0
Net financial position at end of period	-24.2

CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	Mar 31 2016	Dec 31 2015
Total equity at end of previous period	85.6	80.0
Shareholders' equity attributable to equity holders of the parent company at beginning of period	83.8	78.3
Income for the period	3.8	15.1
Other comprehensive income	-0.9	-3.5
Total comprehensive income	2.8	11.5
Dividend to AB Volvo's shareholders	-	-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	86.7	83.8
Minority interests at beginning of period	1.8	1.7
Income for the period	0.0	0.0
Other comprehensive income	0.0	0.0
Total comprehensive income	0.0	0.1
Other changes	0.0	0.0
Minority interests at end of period	1.8	1.8
Total equity at end of period	88.4	85.6

QUARTERLY FIGURES

Income statement, Volvo Group					
SEK M unless otherwise stated	1/2015	2/2015	3/2015	4/2015	1/2016
Net sales	74,788	84,783	73,309	79,636	71,707
Cost of Sales	-57,450	-65,403	-56,042	-61,757	-55,400
Gross income	17,337	19,379	17,266	17,879	16,307
Research and development expenses	-4,086	-3,941	-3,497	-3,844	-3,449
Selling expenses	-6,925	-7,175	-6,460	-7,134	-6,524
Administrative expenses	-1,424	-1,594	-1,223	-1,529	-1,342
Other operating income and expenses	-536	-1,528	-1,348	-768	502
Income/loss from investments in joint ventures and associated companies	2	31	-75	-100	-201
Income from other investments	2,469	2,144	-10	6	52
Operating income	6,837	7,317	4,653	4,511	5,344
Interest income and similar credits	66	80	58	52	66
Interest expense and similar charges	-567	-548	-568	-683	-453
Other financial income and expenses	-369	-487	45	20	343
Income after financial items	5,967	6,362	4,188	3,901	5,299
Income taxes	-1,731	-1,169	-1,115	-1,305	-1,510
Income for the period*	4,236	5,193	3,073	2,597	3,789
*Attributable to:					
Equity holders of the parent company	4,248	5,150	3,071	2,589	3,767
Minority interests	-12	43	3	8	22
	4,236	5,193	3,073	2,597	3,789
Key operating ratios, Volvo Group, %					
Gross margin	23.2	22.9	23.6	22.5	22.7
Research and development expenses as percentage of net sales	5.5	4.6	4.8	4.8	4.8
Selling expenses as percentage of net sales	9.3	8.5	8.8	9.0	9.1
Administrative expenses as percentage of net sales	1.9	1.9	1.7	1.9	1.9
Operating margin	9.1	8.6	6.3	5.7	7.5
Key operating ratios, Industrial operations, %					
Gross margin	22.4	22.1	22.7	21.6	22.0
Research and development expenses as percentage of net sales	5.6	4.8	4.9	5.0	5.0
Selling expenses as percentage of net sales	8.9	8.1	8.4	8.6	8.7
Administrative expenses as percentage of net sales	2.0	1.9	1.7	2.0	1.9
Operating margin	8.8	8.3	5.8	5.1	7.0
EBITDA, Industrial operations, %					
Operating income Industrial operations	6,363	6,821	4,153	3,976	4,851
Product and Software development, amortization	823	728	702	701	672
Other intangible assets, amortization	90	90	90	91	90
Tangible assets, depreciation	2,298	2,347	2,198	2,418	2,230
Total depreciation and amortization	3,210	3,165	2,990	3,210	2,993
Operating income before depreciation and amortization (EBITDA)	9,573	9,986	7,143	7,186	7,844
<i>EBITDA margin, %</i>	13.2	12.1	10.0	9.3	11.3
Net capitalization of research and development					
Capitalization	326	516	433	863	806
Amortization	-751	-662	-635	-639	-622
Net capitalization and amortization	-425	-146	-202	223	184

QUARTERLY FIGURES

Net sales					
SEK M	1/2015	2/2015	3/2015	4/2015	1/2016
Trucks	51,657	57,062	50,182	55,077	48,037
Construction Equipment	12,737	15,419	11,884	10,967	12,452
Buses	4,748	6,051	5,492	7,289	5,258
Volvo Penta	2,250	2,584	2,344	2,228	2,340
Group Functions & Other	1,687	2,080	1,843	2,736	1,870
Eliminations	-607	-677	-585	-868	-672
Industrial operations	72,473	82,520	71,160	77,429	69,285
Financial Services	2,811	2,803	2,825	2,760	2,701
Reclassifications and eliminations	-496	-541	-676	-553	-279
Volvo Group	74,788	84,783	73,309	79,636	71,707

Operating income ¹					
SEK M	1/2015	2/2015	3/2015	4/2015	1/2016
Trucks	6,246	6,542	3,615	5,146	3,741
Construction Equipment	352	1,353	576	-191	341
Buses	104	111	337	331	59
Volvo Penta	292	353	316	140	366
Group Functions & Other	-407	-726	-266	-574	366
Eliminations	5	-13	8	-5	-22
Industrial operations	6,592	7,619	4,586	4,848	4,851
Financial Services	474	497	501	534	493
Volvo Group	7,066	8,116	5,087	5,382	5,344

¹Excluding restructuring charges in 2015. For more information, please see note 6.

Operating margin ¹					
%	1/2015	2/2015	3/2015	4/2015	1/2016
Trucks	12.1	11.5	7.2	9.3	7.8
Construction Equipment	2.8	8.8	4.8	-1.7	2.7
Buses	2.2	1.8	6.1	4.5	1.1
Volvo Penta	13.0	13.7	13.5	6.3	15.6
Industrial operations	9.1	9.2	6.4	6.3	7.0
Volvo Group	9.4	9.6	6.9	6.8	7.5

¹Excluding restructuring charges in 2015. For more information, please see note 6.

Share data					
	1/2015	2/2015	3/2015	4/2015	1/2016
Earnings per share, SEK ¹	2.09	2.54	1.51	1.27	1.85
Earnings per share, SEK ¹ , 12 months rolling	2.59	3.91	4.68	7.42	7.18
Diluted earnings per share, SEK	2.09	2.53	1.51	1.27	1.85
Number of outstanding shares in millions	2,030	2,030	2,030	2,031	2,031
Average number of shares before dilution in millions	2,030	2,030	2,030	2,031	2,031
Average number of shares after dilution in millions	2,031	2,032	2,032	2,032	2,032
Number of own shares in millions	98	98	98	98	77
Average number of own shares in millions	99	98	98	98	98

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

NOTE 1 | ACCOUNTING PRINCIPLES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted are consistent with those described in the Volvo Group Annual Report 2015 note 1 (available at www.volvogroup.com). There are no new accounting principles applicable from 2016 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 107-109 in the Volvo Group Annual Report 2015 (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, 2016, amounted to SEK 15.2 billion compared to SEK 15.6 billion as of December 31, 2015. The gross exposure of SEK 15.2 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, and in the first quarter of 2016 an additional cost for credit losses of SEK 149 M was recognized. The other significant part is related to tax claims. No major changes have occurred in this matter in the first quarter 2016.

Please refer to the Volvo Group Annual Report 2015 note 21 and note 24 for descriptions of the nature of provisions and contingent liabilities for legal proceedings and investigations, including information on legal proceedings and investigations that the Group is currently involved in and subject to.

NOTE 3 | CORPORATE ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments

Volvo completed the sale of its external IT operation and related assets and the outsourcing of its IT infrastructure during the first quarter. The divestment resulted in a positive effect on operating income and net financial debt of SEK 885 M.

Volvo has not made any other acquisitions or divestments 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 2,697 M and liabilities amounting to SEK 377 M are classified as held for sale. This mainly pertains to the planned divestment of the North American used truck business, Arrow Truck Sales.

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 2015 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 3.5 billion and derivatives with negative fair values amounted to SEK 1.3 billion as of March 31, 2016. The derivatives are accounted for on

gross-basis, with the exception of derivatives with positive fair values amounting to SEK 0.5 billion, netted against a fair value of a loan of negative SEK 0.5 billion, related to hedge accounting.

Financial liabilities valued at amortized cost, reported as Current and non-current bond loans and other loans, amounted to SEK 136.2 billion in reported carrying value with a fair value of SEK 138.5 billion. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 0.7 billion.

Currency effect on operating income Industrial operations	Compared to first quarter 2015			Compared to fourth quarter 2015		
	First quarter 2016	First quarter 2015	Change	First quarter 2016	Fourth quarter 2015	Change
SEK M						
Net flow in foreign currency			-290			-121
Realized and unrealized gains and losses on hedging	2	-7	8	2	-2	3
Unrealized gains and losses on receivables and liabilities in foreign currency	4	130	-126	4	-58	62
Translation effect on operating income in foreign subsidiaries			-9			-28
Total currency effect on operating income Industrial operations¹			-417			-83

¹The devaluation effect in Venezuela of SEK 208 M in the first quarter of 2015 is excluded as the entity was divested in 2015.

Applicable currency rates	Quarterly exchange rates		Close rates	
	First quarter 2016	First quarter 2015	Mar 31 2016	Mar 31 2015
BRL	2.17	2.92	2.27	2.67
CNY	1.29	1.34	1.26	1.39
EUR	9.33	9.38	9.24	9.30
USD	8.46	8.34	8.15	8.62
JPY	0.0735	0.0700	0.0725	0.0718

NOTE 5 | TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 507M (577) and purchases from associated companies amounted to SEK 437 M (539) during the first quarter of 2016. Revenue to associated companies recognized as Other operating income and expense amounted to SEK 208 M (-) during the first quarter of 2016. As of March 31, 2016, receivables from associated companies amounted

to SEK 851 M (637) and liabilities to associated companies to SEK 426 M (515). Sales to joint ventures amounted to SEK 498 M (336) and purchases from joint ventures amounted to SEK 211 M (156) during the first quarter of 2016. As of March 31, 2016, receivables from joint ventures amounted to SEK 330 M (319) and liabilities to joint ventures to SEK 255 M (194).

NOTE 6 | OTHER INFORMATION

Restructuring charges related to Efficiency program in 2015

SEK M	1/2015	2/2015	3/2015	4/2015	Year
Trucks	-127	-701	-368	-837	-2,032
Construction Equipment	-75	-17	5	41	-46
Buses	-	-5	-9	-8	-23
Volvo Penta	-16	-	-	-	-16
Group Functions & Other	-11	-76	-62	-67	-216
Industrial operations	-229	-799	-434	-871	-2,333
Financial Services	-	-	-	-	-
Volvo Group	-229	-799	-434	-871	-2,333

Net sales

SEK M	1/2015	2/2015	3/2015	4/2015	Year
Trucks	51,657	57,062	50,182	55,077	213,978
whereof Services	12,430	12,112	12,294	12,112	48,949
Construction Equipment	12,737	15,419	11,884	10,967	51,008
whereof Services	2,369	2,481	2,437	2,300	9,588
Buses	4,748	6,051	5,492	7,289	23,580
whereof Services	980	1,050	1,008	972	4,011
Volvo Penta	2,250	2,584	2,344	2,228	9,406
whereof Services	577	721	714	558	2,570
Volvo Group	74,788	84,783	73,309	79,636	312,515
whereof Services	16,581	16,675	16,552	16,344	66,152
whereof Financial Services revenue	2,811	2,803	2,825	2,760	11,199

PARENT COMPANY

During the first quarter dividend of SEK 51 M was received from the associated company VE Commercial Vehicles Ltd. Financial net debt amounted to SEK 43,534 M (42,933) at the end of the first quarter.

Investments in tangible assets amounted to SEK 1 M (10).

Income Statement SEK M	First quarter	
	2016	2015
Net sales¹	88	155
Cost of sales ¹	-88	-155
Gross income	0	0
Operating expenses ¹	-409	-379
Income from investments in Group companies	-172	-177
Income from investments in joint ventures and associated companies	51	35
Income from other investments	-	2,471
Operating income (loss)	-530	1,950
Interest income and expenses	-241	-326
Other financial income and expenses	-10	16
Income after financial items	-781	1,640
Income taxes	182	160
Income for the period	-599	1,800

¹ Of net sales in the first quarter, SEK 71 M (128) pertained to Group companies, while purchases from Group companies amounted to SEK 176 M (201).

Other comprehensive income		
Income for the period	-599	1,800
<i>Items that may be reclassified subsequently to income statement:</i>		
Available-for-sale investments	-	-1,890
Other comprehensive income, net of income taxes	-599	-1,890
Total comprehensive income for the period	-599	-90

Balance Sheet	March 31	Dec 31
SEK M	2016	2015
Assets		
Non-current assets		
Intangible assets	5	8
Tangible assets	41	41
Financial assets		
Shares and participations in Group companies	60,766	60,766
Receivables from Group companies	55	54
Investments in joint ventures and associated companies	10,397	10,397
Other shares and participations	13	13
Deferred tax assets	339	157
Total non-current assets	71,616	71,436
Current assets		
Current receivables from Group companies	28,299	28,627
Other current receivables	230	116
Total current assets	28,529	28,743
Total assets	100,145	100,179
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	30,531	31,115
Untaxed reserves	4	4
Provisions	124	128
Non-current liabilities ¹	13,976	13,976
Current liabilities ²	45,619	45,065
Total shareholders' equity and liabilities	100,145	100,179

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

² Of which SEK 45,003 M (44,470) 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 2016 that are expected to have a substantial effect on the Volvo Group.

Göteborg April 22, 2016
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 by brand	First quarter		Change in %
	2016	2015	
Volvo			
Europe	14,972	12,012	25
North America	4,687	11,200	-58
South America	1,657	1,625	2
Asia	2,751	3,150	-13
Africa and Oceania	1,288	1,247	3
Total Volvo	25,355	29,234	-13
Heavy duty (>16 tons)	24,462	28,600	-14
Medium duty (7-16 tons)	893	634	41
Light duty (<7 tons)	-	-	-
Total Volvo	25,355	29,234	-13
UD			
Europe	-	-	-
North America	32	34	-6
South America	97	83	17
Asia	4,240	4,899	-13
Africa and Oceania	863	913	-5
Total UD	5,232	5,929	-12
Heavy duty (>16 tons)	3,313	3,776	-12
Medium duty (7-16 tons)	1,737	2,010	-14
Light duty (<7 tons)	182	143	27
Total UD	5,232	5,929	-12
Renault Trucks			
Europe	13,780	11,433	21
North America	56	80	-30
South America	3	10	-70
Asia	368	617	-40
Africa and Oceania	574	730	-21
Total Renault Trucks	14,781	12,870	15
Heavy duty (>16 tons)	7,050	7,698	-8
Medium duty (7-16 tons)	1,340	1,266	6
Light duty (<7 tons)	6,391	3,906	64
Total Renault Trucks	14,781	12,870	15
Mack			
Europe	-	-	-
North America	4,117	7,977	-48
South America	298	550	-46
Asia	-	-	-
Africa and Oceania	263	210	25
Total Mack	4,678	8,737	-46
Heavy duty (>16 tons)	4,678	8,737	-46
Medium duty (7-16 tons)	-	-	-
Light duty (<7 tons)	-	-	-
Total Mack	4,678	8,737	-46

DELIVERIES

Delivered trucks by brand	First quarter		Change in %
	2016	2015	
Volvo			
Europe	12,852	10,896	18
North America	5,797	9,779	-41
South America	1,639	1,747	-6
Asia	2,932	2,819	4
Africa and Oceania	1,095	1,132	-3
Total Volvo	24,315	26,373	-8
Heavy duty (>16 tons)	23,613	25,780	-8
Medium duty (7-16 tons)	702	593	18
Light duty (<7 tons)	-	-	-
Total Volvo	24,315	26,373	-8
UD			
Europe	-	-	-
North America	56	31	81
South America	101	67	51
Asia	4,394	4,001	10
Africa and Oceania	846	870	-3
Total UD	5,397	4,969	9
Heavy duty (>16 tons)	3,467	3,113	11
Medium duty (7-16 tons)	1,742	1,689	3
Light duty (<7 tons)	188	167	13
Total UD	5,397	4,969	9
Renault Trucks			
Europe	10,065	8,898	13
North America	44	43	2
South America	4	44	-91
Asia	527	474	11
Africa and Oceania	582	954	-39
Total Renault Trucks	11,222	10,413	8
Heavy duty (>16 tons)	6,026	5,411	11
Medium duty (7-16 tons)	1,321	1,255	5
Light duty (<7 tons)	3,875	3,747	3
Total Renault Trucks	11,222	10,413	8
Mack			
Europe	-	-	-
North America	4,843	6,097	-21
South America	146	259	-44
Asia	1	20	-95
Africa and Oceania	186	195	-5
Total Mack	5,176	6,571	-21
Heavy duty (>16 tons)	5,176	6,571	-21
Medium duty (7-16 tons)	-	-	-
Light duty (<7 tons)	-	-	-
Total Mack	5,176	6,571	-21

AB Volvo (publ) is obliged to disclose the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 07.20 a.m. April 22, 2016.

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 2016	July 19, 2016
Report on the third quarter 2016	October 21, 2016
Report on the fourth quarter 2016	February 1, 2017

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