

# VOLVO GROUP REPORT ON THE FIRST QUARTER 2014

- » In the first quarter net sales increased by 13% to SEK 65.6 billion (58.3). Adjusted for currency movements and acquired and divested units sales increased by 15%.
- » The first quarter operating income amounted to SEK 2,588 M (496) excluding restructuring charges of SEK 318 M (14). Currency exchange rates had a negative impact of SEK 1,104 M.
- » Operating margin in the first quarter was 3.9% (0.9) excluding restructuring charges.
- » In the first quarter diluted earnings per share were SEK 0.53 (negative SEK 0.15).
- » In the first quarter operating cash flow in the Industrial Operations was negative in an amount of SEK 9.0 billion (negative SEK 7.6 billion).



	First quarter	
	2014	2013
Net sales, SEK M	<b>65,646</b>	58,344
Operating income excl. restructuring charges, SEK M	<b>2,588</b>	496
Operating margin excl. restructuring charges, %	<b>3.9</b>	0.9
Restructuring charges, SEK M	<b>(318)</b>	(14)
Operating income, SEK M	<b>2,269</b>	482
Operating margin, %	<b>3.5</b>	0.8
Income after financial items, SEK M	<b>1,727</b>	(101)
Income for the period, SEK M	<b>1,141</b>	(248)
Diluted earnings per share, SEK	<b>0.53</b>	(0.15)
Operating Cash Flow in Industrial Operations, SEK Bn	<b>(9.0)</b>	(7.6)
Return on shareholders' equity, rolling 12 months, %	<b>6.8</b>	9.3
Net order intake, number of trucks	<b>55,146</b>	61,045
Net order intake, number of construction equipment	<b>19,241</b>	17,670

**VOLVO**

## CEO'S COMMENTS

# Higher volumes and operational improvements



During the first quarter of 2014, demand for our products continued its gradual improvement in the mature economies in North America, Western Europe and Japan, while the emerging economies in South America and Asia saw weaker demand.

Net sales for the Volvo Group rose by 13% to SEK 65.6 billion and operating income amounted to SEK 2.6 billion excluding restructuring costs, corresponding to a margin of 3.9%. The measures we are implementing to increase the Group's profitability are running according to plan and are starting to have a positive impact on our gross margin and costs, but there is still more work to do in terms of cost reductions and this is the Group's main focus for 2014.

## Competitive new trucks

The operating margin excluding restructuring charges for the truck operations amounted to 4.1%, positively impacted by higher sales, improved gross margins and better capacity utilization, partly offset by negative currency effects.

As expected, the beginning of the year was weaker in Europe than the very strong close of last year, which was driven by prebuying ahead of the change to Euro 6. We expect a gradual improvement over the course of the year and maintain our forecast for the European heavy-duty truck market. In Europe we have adjusted production from the elevated levels of the fourth quarter to a level which is in line with current demand. Volvo Trucks' new truck generation continues to be successful and has advanced its position in the market and Renault Trucks' new products are starting to be delivered to an increasing number of customers, although volumes remain limited so far.

In North America, the truck market continues its gradual improvement and, based on this, we raise our forecast for the truck market somewhat. We are also planning for a slight increase in the production level towards summer.

In the Brazilian truck market demand has weakened from its high levels as a result of the sluggish economy and we have therefore reduced the forecast for the heavy-duty truck market to 90,000 trucks which is still a good market from an historical perspective. As a consequence of the lower demand, we will reduce the production level during the second quarter. Volvo has a strong position in Brazil and continues to outperform the market in general.

In Asia, the Japanese market stood out with a good performance during the quarter. The economy is developing in the right direction and customers' confidence has strengthened. However, the economic trend in India and South-east Asia is weak and customers in several countries are hesitant to invest in new trucks.

## Higher volumes in Volvo CE

For Volvo CE, the seasonally strong first quarter had a positive impact on volumes, which contributed to improved profitability compared with the weak close of 2013. Operating margin amounted to 4.8%. To further increase profitability we are currently implementing a number of activities to reduce costs.

We expect a moderate growth in Volvo CE's mature markets but a relatively weak development in emerging markets. The situation is still challenging for some customers and dealers with large exposure to the mining industry, primarily in China. In Europe and North America Volvo CE is in the process of launching machines which are compliant with the latest emission regulations.

## Profit in Buses and good profitability in Volvo Penta

Volvo Buses reversed last year's losses to an operating income of SEK 36 M. The improvement is primarily attributable to improved gross margins rather than better demand in the markets.

Volvo Penta's profitability improved compared with last year as a result of a competitive product portfolio in both the marine and industrial segments.

Our customer finance operation had a stable portfolio growth and good profitability with a return on shareholders' equity of 11.7%.

## Efficiency program being implemented

We continue to focus on launch activities, while at the same time implementing the Group-wide efficiency program, which includes a large number of important measures to increase the Group's profitability.

The optimization of the truck operations in Europe has started and we closed one production line for heavy-duty trucks during the quarter. We have also closed the component plant in Leganes in Spain. At the same time, the major adaptation of our Japanese industrial system continues and we are looking into divesting or closing non-core industrial operations.

We have also initiated the efficiency program to structurally reduce the number of white-collar employees and consultants by 4,400 individuals. In Sweden we have launched a voluntary leave program. Similar measures will be implemented in more countries during the year. Since the announcement of the program in the autumn of last year 900 white-collar employees and consultants have left the Group.

We follow the strategic plan that we have established to increase cost efficiency, capital efficiency and process efficiency. In the coming quarters our focus will be on reducing the activity level in the Group following the extensive product renewal that marked 2013 as well as on the implementation of structural cost reductions and on work to increase productivity and efficiency.

A handwritten signature in black ink, appearing to be 'Olof Persson'.

Olof Persson  
President and CEO

## FINANCIAL SUMMARY OF THE FIRST QUARTER

**Net sales increase in mature markets**

In the first quarter, net sales for the Volvo Group increased by 13% to SEK 65,646 M (58,344). Adjusted for changes in currency exchange rates net sales increased by 15%. The sales increase is primarily related to growth in mature markets in North America, Europe and Japan, but also China.

**Operating income improvement**

In the first quarter of 2014 the Volvo Group's operating income excluding restructuring charges amounted to SEK 2,588 M compared with SEK 496 M in the first quarter of 2013. Including restructuring charges of SEK 318 M (14) operating income amounted to SEK 2,269 M (482). Operating margin excluding restructuring charges was 3.9% (0.9).

The increased operating income is primarily driven by higher sales and improved price realization as well as improved capacity utilization and productivity in the industrial system, which all together increased the gross income by SEK 2,442 M. Compared with the first quarter of 2013 operating income was negatively impacted by currency exchange rate movements amounting to SEK 1,104 M as well as higher research and development expenses in an amount of SEK 511 M as a result of reduced capitalization. The year-over-year impact from moving from net capitalization in the first quarter of 2013 to net amortization in the first quarter of 2014 amounted to SEK 724 M. Cash spend in research and development was reduced by SEK 213 M compared to the first quarter of 2013.

Consolidated income statement, Volvo Group		First quarter	
		2014	2013
SEK M			
<b>Net sales</b>	<b>65,646</b>	<b>58,344</b>	
Cost of Sales	<b>(50,687)</b>	(45,827)	
<b>Gross income</b>	<b>14,959</b>	<b>12,517</b>	
Research and development expenses	<b>(4,137)</b>	(3,626)	
Selling expenses	<b>(6,646)</b>	(6,789)	
Administrative expenses	<b>(1,380)</b>	(1,305)	
Other operating income and expenses	<b>(555)</b>	(337)	
Income (loss) from investments in joint ventures and associated companies	<b>21</b>	42	
Income from other investments	<b>8</b>	(20)	
<b>Operating income</b>	<b>2,269</b>	<b>482</b>	
Interest income and similar credits	<b>89</b>	98	
Interest expense and similar charges	<b>(534)</b>	(558)	
Other financial income and expenses	<b>(97)</b>	(123)	
<b>Income after financial items</b>	<b>1,727</b>	<b>(101)</b>	
Income taxes	<b>(586)</b>	(147)	
<b>Income for the period*</b>	<b>1,141</b>	<b>(248)</b>	
*Attributable to:			
Equity holders of the parent company	<b>1,084</b>	(304)	
Minority interests	<b>57</b>	56	
	<b>1,141</b>	<b>(248)</b>	
Basic earnings per share, SEK	<b>0.53</b>	(0.15)	
Diluted earnings per share, SEK	<b>0.53</b>	(0.15)	

Net sales by market area				
SEK M	First quarter			Share of Group's net sales, %
	2014	2013	Change in, %	
Western Europe	<b>19,916</b>	18,180	10	30
Eastern Europe	<b>4,325</b>	4,007	8	7
North America	<b>16,368</b>	12,749	28	25
South America	<b>6,640</b>	6,664	0	10
Asia	<b>13,851</b>	12,440	11	21
Other markets	<b>4,546</b>	4,304	6	7
<b>Volvo Group</b>	<b>65,646</b>	<b>58,344</b>	<b>13</b>	<b>100</b>

**Net financial items**

Net interest expense in the first quarter was SEK 445 M (460). Net interest expense in the fourth quarter of 2013, which included an adjustment of capitalized borrowing cost of SEK 156 M mainly as a result of applying a lower interest rate, amounted to SEK 804 M.

**Income taxes**

The tax expense in the first quarter amounted to SEK 586 M (147), corresponding to a tax rate of 34%.

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

Income for the period amounted to SEK 1,141 M in the first quarter of 2014 compared with a negative SEK 248 M in the first quarter of 2013.

Diluted earnings per share in the first quarter amounted to SEK 0.53 compared to a negative SEK 0.15 in the first quarter of 2013.

**Seasonally weak cash flow for the Industrial Operations**

In the first quarter of 2014, the operating cash flow for the Industrial Operations was negative in an amount of SEK 9.0 billion as a

result of a seasonal build-up of working capital. The increase in working capital amounted to SEK 11.0 billion and was primarily a result of higher inventories of SEK 4.3 billion ahead of the selling season in the second quarter and lower payables of SEK 3.6 billion related to the higher production volumes during the fourth quarter of 2013 when compared to the first quarter of 2014.

**Volvo Group financial position**

On March 31, 2014 total assets in the Volvo Group amounted to SEK 340.4 billion, a decrease by SEK 4.4 billion since year-end 2013 mainly as an effect of the divestiture of assets of SEK 6.9 billion related to Volvo Rents. Currency effects had a limited effect on total assets during the first quarter.

Net financial debt, excluding provision for post-employment benefits, in the Industrial Operations amounted to SEK 21.6 billion, equal to 31% of shareholders equity, which is an increase by SEK 1.8 billion compared to year-end 2013. The increase is mainly an effect of negative operating cash flow partly reduced by positive cash flow from the divestment of Volvo Rents. Including post-employment benefits the Industrial Operations' net

debt amounted to SEK 34.5 billion which is equal to 49.4% of shareholders equity.

At the end of the first quarter the shareholder's equity for the Volvo Group amounted to SEK 78.3 billion compared to SEK 77.4 billion at year-end 2013. The equity ratio was 23.0% compared to 22.4% on December 31 2013. At the same date the equity ratio in the Industrial Operations amounted to 28.3% (27.0).

**Number of employees**

On March 31, 2014 the Volvo Group had 93,476 regular employees and 14,166 temporary employees and consultants, compared with 95,533 regular employees and 14,794 temporary employees and consultants at year-end 2013. The divestment of Volvo Rents reduced the number of regular employees by 2,166.



## SEGMENT OVERVIEW

Net sales	First quarter				12 months rolling values	Jan-Dec 2013
	2014	2013	Change in, %	Change in, %*		
SEK M						
Trucks	43,845	37,031	18	22	185,288	178,474
Construction Equipment	13,371	12,136	10	11	54,673	53,437
Buses	3,367	3,482	(3)	(2)	16,591	16,707
Volvo Penta	1,804	1,839	(2)	(2)	7,516	7,550
Corporate Functions, Group Functions & Other	2,206	2,554	-	-	12,062	12,410
Eliminations	(471)	(662)	-	-	(2,967)	(3,158)
<b>Industrial operations</b>	<b>64,123</b>	<b>56,380</b>	<b>14</b>	<b>16</b>	<b>273,163</b>	<b>265,420</b>
Customer Finance	2,351	2,351	0	1	9,539	9,539
Reclassifications and eliminations	(828)	(387)	-	-	(2,777)	(2,336)
<b>Volvo Group</b>	<b>65,646</b>	<b>58,344</b>	<b>13</b>	<b>15</b>	<b>279,925</b>	<b>272,622</b>

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

Operating income excl. restructuring charges	First quarter			12 months rolling values	Jan-Dec 2013
	2014	2013	Change in, %		
SEK M					
Trucks	1,798	115	1,462	8,507	6,824
Construction Equipment	647	500	29	2,740	2,592
Buses	36	(88)	141	(67)	(190)
Volvo Penta	151	100	51	677	626
Corporate Functions, Group Functions & Other	(592)*	(516)	-	(3,645)	(3,570)
Eliminations	152	4	-	198	49
<b>Industrial operations</b>	<b>2,192</b>	<b>115</b>	<b>1,807</b>	<b>8,410</b>	<b>6,332</b>
Customer Finance	395	381	4	1,537	1,522
<b>Volvo Group excl. restructuring charges</b>	<b>2,588</b>	<b>496</b>	<b>422</b>	<b>9,946</b>	<b>7,854</b>

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

Restructuring charges					
Trucks	(318)	(14)		(983)	(679)
Construction Equipment	0	0		-	0
Buses	0	0		0	0
Volvo Penta	0	0		-	0
Corporate Functions, Group Functions & Other	(0)	0		(36)	(36)
<b>Industrial operations</b>	<b>(318)</b>	<b>(14)</b>		<b>(1,020)</b>	<b>(715)</b>
Customer Finance	0	0		0	0
<b>Volvo Group restructuring charges</b>	<b>(318)</b>	<b>(14)</b>		<b>(1,020)</b>	<b>(715)</b>
<b>Volvo Group</b>	<b>2,269</b>	<b>482</b>		<b>8,926</b>	<b>7,138</b>

Operating margin excl. restructuring charges	First quarter		12 months rolling values	Jan-Dec 2013
	2014	2013		
%				
Trucks	4.1	0.3	4.6	3.8
Construction Equipment	4.8	4.1	5.0	4.9
Buses	1.1	(2.5)	(0.4)	(1.1)
Volvo Penta	8.4	5.4	9.0	8.3
<b>Industrial operations</b>	<b>3.4</b>	<b>0.2</b>	<b>3.1</b>	<b>2.4</b>
<b>Volvo Group excl. restructuring charges</b>	<b>3.9</b>	<b>0.9</b>	<b>3.6</b>	<b>2.9</b>
<b>Volvo Group</b>	<b>3.5</b>	<b>0.8</b>	<b>3.2</b>	<b>2.6</b>

## TRUCKS

# Improved earnings

- » Transition to Euro 6
- » Strong demand in North America and Japan, weakening market in Brazil
- » Operating margin excluding restructuring charges improved to 4.1% (0.3)



### Improved outlook in North America and Japan but weakening demand in Brazil

In the first three months of 2014, demand in Europe declined as expected compared to the very strong finish of 2013 when customers chose to renew their fleets ahead of the new emission standard, Euro 6, which became effective in January 2014. However, compared with the weak period in 2013, truck registrations in Europe showed an increase of 11% through February. We maintain our forecast for the heavy-duty truck market in Europe in 2014.

In the first quarter of 2014, the total North American retail market for heavy-duty trucks continued to increase gradually to 54,584 vehicles, compared with 50,302 in the first quarter of 2013. In addition to replacement demand, the increase can be attributed to growing customer confidence in the economy, strong freight demand and increased construction activity. Supported by the recent market development, we have raised our outlook for the total market for heavy-duty trucks in North America to 260,000 trucks.

In Brazil the truck market started to weaken in the quarter due to slow economic growth, all in all the total market for heavy-duty trucks declined by 8% compared to the first quarter last year and consequently we have revised our outlook for the total market downwards for the full year to 90,000 heavy-duty trucks, which is still a good market level.

The market in Japan increased sharply in the first quarter, partly due to pre-buy ahead of a VAT increase in April but also as a result of an improving Japanese economy. The outlook for the total market for heavy-duty trucks 2014 has been revised slightly upwards.

For 2014, the Volvo Group forecasts for the total truck markets in North America, Brazil, India and Japan have been changed as presented in the table above. Forecasts

### Total market development

Registrations, number of trucks	First quarter		Change in %	Forecast 2014	Change vs. previous forecast
	2014	2013			
Europe 30* heavy-duty (through Feb.)	<b>33,253</b>	30,056	11	230,000	Unchanged
North America heavy-duty	<b>54,584</b>	50,302	9	260,000	+10,000
Brazil heavy-duty	<b>21,080</b>	22,919	(8)	90,000	-15,000
China heavy-duty (through Feb.)	<b>106,603</b>	82,629	27	700,000	Unchanged
China medium-duty (through Feb.)	<b>36,700</b>	37,456	(2)	280,000	Unchanged
India heavy-duty	<b>38,279</b>	42,973	(11)	120,000	-25,000
India medium-duty	<b>16,906</b>	24,789	(32)	64,000	-24,000
Japan heavy-duty	<b>13,316</b>	8,934	49	38,000	+3,000
Japan medium-duty	<b>13,525</b>	10,488	29	42,000	Unchanged

\* EU minus Bulgaria plus Norway and Switzerland.

### Net order intake per market

Number of trucks	First quarter		Change in, %
	2014	2013	
Europe	<b>19,248</b>	25,853	(26)
Volvo	<b>10,226</b>	16,000	(36)
Renault Trucks	<b>9,022</b>	9,853	(8)
North America	<b>16,367</b>	13,436	22
Volvo	<b>9,430</b>	8,305	14
Mack	<b>6,845</b>	4,924	39
South America	<b>6,275</b>	9,025	(30)
Asia	<b>8,558</b>	8,109	6
Other markets	<b>4,698</b>	4,622	2
<b>Total Trucks</b>	<b>55,146</b>	<b>61,045</b>	<b>(10)</b>
Non-consolidated operations			
VECV/Eicher (100%)	<b>7,851</b>	10,135	(23)
DVT (100%)	<b>19</b>	57	(67)
<b>Total volumes</b>	<b>63,016</b>	<b>71,237</b>	<b>(12)</b>

for the other truck markets have been kept unchanged compared to previous forecasts.

### Truck order intake at 55,146 - book-to-bill of 115%

The total net orders declined by 10% in the first quarter compared with the year-earlier period. Net orders of 55,146 trucks and deliveries of 47,845 trucks resulted in a book-to-bill ratio of 115% for the Group's wholly-owned operations.

Orders posted large regional differences in the quarter, where orders in Europe declined by 26% following the strong demand last year ahead of the introduction of the new Euro 6 emission regulation. The lower demand in comparison to the first quarter of 2013 is also explained by the fact that many Volvo customers last year took the opportunity to buy the old series of Volvo trucks before production was ended in Europe. In Russia there is currently hesi-

tancy among customers as a result of the political situation surrounding the Ukraine.

In North America order intake continued to improve reaching 16,367 orders, an increase of 22%. In South America, orders were down by 30% compared with the first quarter of last year.

Compared with the first quarter of 2013 orders in Asia increased by 6%, mainly as a result of higher demand in Japan.

### Deliveries rose by 25% in the first quarter

In the first quarter of 2014, the Volvo Group delivered a total of 47,845 trucks, which was 25% more than in the first quarter of 2013 but 22% fewer than in the fourth quarter of 2013.

### Operating margin of 4.1%

During the first quarter of 2014, the truck operation's net sales amounted to SEK 43,845 M, which was 18% higher than in the first quarter of 2013. Adjusted for changes in exchange rates net sales increased by 22% compared to the first quarter last year.

The truck operations posted an operating income of SEK 1,798 M in the first quarter, excluding charges of SEK 318 M related to the Group-wide efficiency program. In the first quarter of 2013, operating income amounted to SEK 115 M excluding restructuring charges of SEK 14 M. The operating

Deliveries per market	First quarter		Change in, %
	2014	2013	
Number of trucks			
Europe	<b>16,588</b>	15,216	9
North America	<b>13,001</b>	7,707	69
South America	<b>6,445</b>	6,041	7
Asia	<b>8,226</b>	6,010	37
Other markets	<b>3,585</b>	3,442	4
<b>Total Trucks</b>	<b>47,845</b>	<b>38,416</b>	<b>25</b>
Non-consolidated operations			
VECV/Eicher (100%)	<b>7,667</b>	10,095	(24)
DVT (100%)	<b>9</b>	54	(83)
<b>Total volumes</b>	<b>55,521</b>	<b>48,565</b>	<b>14</b>

Net sales by market area	First quarter		Change in, %
	2014	2013	
SEK M			
Europe	<b>17,089</b>	14,846	15
North America	<b>11,618</b>	7,749	50
South America	<b>4,908</b>	5,155	(5)
Asia	<b>6,986</b>	6,207	13
Other markets	<b>3,244</b>	3,073	6
<b>Total</b>	<b>43,845</b>	<b>37,031</b>	<b>18</b>

margin, excluding restructuring charges, was 4.1%, compared with 0.3% in the year-earlier period. The improvement was mainly due to higher delivery volumes, improved price realization and better capacity utilization and productivity in the industrial system, which was partly offset by negative currency effects and higher costs for research and development as a result of reduced capitalization compared with the first quarter of 2013. The year-over-year impact from mov-

ing from net capitalization in the first quarter of 2013 to net amortization in the first quarter of 2014 amounted to SEK 857 M. Cash spend in research and development was reduced by SEK 187 M compared to the first quarter of 2013. Compared with the first quarter of 2013, operating income was negatively impacted by changes in currency exchange rates in an amount of SEK 872 M.



## CONSTRUCTION EQUIPMENT

# Increased sales and earnings

- » Improved earnings on the back of higher sales
- » Launch of new machines complying with Tier 4 final
- » Moderate growth in mature markets expected, weaker development in emerging markets



### Market was up in the beginning of the year

In the first two months of 2014 the European market grew by 15%, with growth mainly coming from Western Europe, particularly from the UK, Germany and France. The North American market grew by 7%, despite the harsh winter, mainly from compact equipment, driven by rental and housing. The decrease in South America is mainly caused by Brazil after the majority of the large government deals have been delivered during 2013 as well as low demand for commodities impacting markets across the region. The total Asian market, excluding China, was 4% above 2013 driven by a 38% growth in Japan. On the other hand, India and South East Asia showed a further decline. The Chinese market increased in the first two months of 2014 compared to low levels in 2013. However, in March the market decreased compared to last year and with a further shift towards compact equipment. In all, the segments for wheel loaders and excavators showed a slight growth of 7% in China in the first quarter.

### Order intake 9% above last year

In the first quarter of 2014 order intake was 9% higher than in the same quarter 2013. Order intake grew in Europe and North America. In Europe the growth was driven by market uptake and market share improvements through a dedicated program focusing on compact equipment. In North America the growth was driven by market growth and by good order intake on articulated haulers and excavators. In South America order intake was above last year, mainly driven by high intake for compact products, which were at low levels in the first quarter last year. Order intake in Asia was slightly above last year, mainly driven by higher order intake in China as intake in rest of Asia decreased because of low demand in India and Southeast Asia.

### Total market development

Change in % measured in units	Year-to-date February		Previous forecast
	2014	Forecast 2014	
Europe	15	0% to 10%	Unchanged
North America	7	0% to 10%	-5% to +5%
South America	(11)	-10% to 0%	-5% to +5%
Asia excl. China	4	-10% to 0%	-5% to +5%
China	27	-5% to +5%	0% to 10%

### Net order intake per market

Number of machines	First quarter		Change in, %
	2014	2013	
Europe	4,053	3,256	24
North America	2,095	1,663	26
South America	952	832	14
Asia	11,309	10,861	4
Other markets	832	1,058	(21)
<b>Total orders</b>	<b>19,241</b>	<b>17,670</b>	<b>9</b>
Of which:			
Volvo	11,747	10,587	11
SDLG*	7,494	7,083	6
Of which in China	6,477	6,055	7

\* For SDLG-branded machines, order intake is calculated as the number of machines delivered.

### Deliveries per market

Number of machines	First quarter		Change in, %
	2014	2013	
Europe	3,387	2,810	21
North America	1,482	1,091	36
South America	777	733	6
Asia	11,354	10,639	7
Other markets	759	676	12
<b>Total deliveries</b>	<b>17,759</b>	<b>15,949</b>	<b>11</b>
Of which:			
Volvo	10,255	8,866	16
SDLG	7,504	7,083	6
Of which in China	6,477	6,055	7

### Deliveries were up 11%

In the first quarter Volvo CE's deliveries increased by 11% compared to the same period in 2013. In Europe the growth was mainly driven by market growth and market share increases in France, the UK and Germany. In North America, the growth was mainly driven by improved market demand and low deliveries in the first quarter of

2013. In Asia the increase was mainly due to slight market growth in China during the first quarter. However, the mining sector continued to be soft, resulting in a low mix of large products in the delivery numbers in Asia.

### Tier4 final launched

The construction equipment industry's largest event of the year, CONEXPO 2014 in



Las Vegas, saw Volvo CE unveil an overhaul of its core product range. Some of the new machines include the H-Series wheel loaders, E-Series excavators, G-Series articulated haulers and C-Series motor graders, as well as a host of emissions-compliant road machinery introductions. All new machines meet, where necessary, the low-emission requirements of Tier 4 Final/Stage IV legislation, which came into force in North America and the EU in January 2014.

#### Increased sales and earnings

In the first quarter of 2014, net sales increased by 10% to SEK 13,371 M (12,136). Adjusted for currency movements net sales increased by 11%. The increase in sales is

SEK M	First quarter		Change in, %
	2014	2013	
Europe	<b>3,698</b>	3,479	6
North America	<b>2,375</b>	1,965	21
South America	<b>686</b>	749	(8)
Asia	<b>5,921</b>	5,299	12
Other markets	<b>692</b>	644	7
<b>Total</b>	<b>13,371</b>	<b>12,136</b>	<b>10</b>

mainly due to higher sales of smaller equipment. Demand for larger equipment is still relatively low.

Operating income increased to SEK 647 M (500) and the operating margin was 4.8% (4.1). Earnings in the first quarter were positively impacted by increasing volumes which was partly offset by negative currency

exchange movements. Compared with the first quarter of 2013, changes in currency exchange rates had a negative impact on operating income of SEK 180 M.

## BUSES

# Positive result in a continued weak market

- » Operating income of SEK 36 M (loss SEK 88 M)
- » Deliveries decreased by 3%
- » Orders for 180 buses to Australia and 146 to Colombia



Overall, despite some improvement, the global bus market continues on low levels. In North America, the trend for the coach and transit market is stable to slightly positive, in line with general economic development. In Latin America the Brazilian market is characterized by uncertainty. The Asian markets show growth, but on low levels. In Europe, the total market was up during the first two months of 2014, mainly driven by a strong development in Germany and France.

Volvo Buses' deliveries amounted to 1,775 buses during the first quarter 2014, compared to 1,825 units for the same period in 2013, which is a decrease of 3%. Deliveries in South America increased by 23% compared to the same period 2013. European deliveries were down by 32%. Order intake in the first quarter totaled 1,374 buses, which was 35% lower than the same period last year.

Net sales in the first quarter decreased by 3% to SEK 3,367 M (3,482). Adjusted for currency fluctuations, sales decreased by 2%. Buses reported an operating income of SEK 36 M compared to an operating loss of SEK 88 M during the first quarter of 2013. Operating margin was a positive 1.1% (neg. 2.5%). The improved profitability is primarily a result of better gross margins. Factory efficiency was negatively impacted by the changeover to Euro 6, but is proceeding according to plan. Compared to the first quarter of 2013, operating income was negatively impacted by currency exchange rates in an amount of SEK 65 M.

SEK M	First quarter		Change in, %
	2014	2013	
Europe	<b>985</b>	1,307	(25)
North America	<b>1,067</b>	1,124	(5)
South America	<b>705</b>	432	63
Asia	<b>415</b>	364	14
Other markets	<b>195</b>	255	(23)
<b>Total</b>	<b>3,367</b>	<b>3,482</b>	<b>(3)</b>

## VOLVO PENTA

# Stable profitability in difficult business climate

- » Continued weak demand
- » Preparations for new product introductions
- » Favorable market and product mix



The total demand for leisure boats seems to have bottomed out on low levels. Cutbacks and rationalizations continue in the boat industry. Volvo Penta has defended, and in some cases increased, its market share. The new "Glass Cockpit" solution has been very well received. There is an increased activity from low levels in Marine Commercial. The slowdown in China as well as the depressed economy in Southern Europe had a negative impact on sales in the Industrial Segment. The volume in the total order book at March 31, 2014 was 4,376 units (5,811).

Net sales in the first quarter of 2014 decreased by 2% compared to last year and

amounted to SEK 1,804 M (1,839). Adjusted for exchange-rate fluctuations, net sales decreased by 2%. Sales in the first quarter were distributed between business segments as follows: Marine SEK 1,022 M (1,041) and Industrial SEK 782 M (798). Operating income amounted to SEK 151 M (100). Earnings were positively impacted by a favorable market and product mix. The operating margin was 8.4% (5.4). Compared with the first quarter of 2013, operating income was positively impacted by changes in currency exchange rates in an amount of SEK 9 M.

Net sales by market area	First quarter		Change in, %
	2014	2013	
SEK M			
Europe	949	935	2
North America	305	361	(16)
South America	98	67	47
Asia	371	382	(3)
Other markets	81	94	(13)
<b>Total</b>	<b>1,804</b>	<b>1,839</b>	<b>(2)</b>

## VOLVO GROUP'S CUSTOMER FINANCE

# Strong new business

- » Record volume
- » Asset-backed securitization
- » Efficiency improvement



The customer finance business delivered record first quarter new business volume and units financed, while stable levels of penetration were achieved across the markets where financial services are offered.

The improvement in operating income when compared to the first quarter of 2013 was achieved primarily through portfolio growth, strong margins and cost control in all regions. The gross credit portfolio grew by 2.5% when compared to the first quarter of 2013. On a currency-adjusted basis the growth was 2.9%. Growth was achieved net of the sale of Volvo Rents, which reduced the credit portfolio by SEK 6.3 billion during the quarter. Overall portfolio performance and credit reserves remained stable.

Customer Finance	First quarter	
	2014	2013
SEK M		
Number of financed units	11,852	10,108
Total penetration rate* %	28	28
New financing volume, SEK billion	11.0	9.1
Credit provision expenses, SEK M	196	161
Operating income, SEK M	395	381
Credit portfolio net, SEK billion	100	99
Credit reserves, % of credit portfolio	1.33	1.30
Return on shareholders' equity, %	11.7	13.0

\* 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.

In March, VFS successfully completed an asset-backed securitization program. Under the terms of the transaction, SEK 4.4 billion of securities tied to US-based loans on trucking and construction equipment assets were

issued. In addition, SEK 0.9 billion of assets were syndicated in the quarter.

## IMPORTANT EVENTS

### **Chinese authority approves joint venture between the Volvo Group and Dongfeng Motor Group**

On January 7, 2014 the National Development and Reform Commission (NDRC) in China gave its approval of the establishment of a joint venture between the Volvo Group and Dongfeng Motor Group Company Limited. Completion is subject to certain conditions including the approval of other Chinese authorities. As previously announced in January 2013, AB Volvo has signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45% of a new subsidiary of DFG, Dongfeng Commercial Vehicles (DFCV), which will include the major part of DFG's medium- and heavy-duty commercial vehicles business.

### **Divestiture of Volvo Rents completed**

The previously announced divestiture of Volvo Rents was completed on January 31, 2014. The price amounted to USD 1.1 billion, corresponding to SEK 6.9 billion. For further information, please see Note 3 to the Financial Statements.

### **Volvo Group divests commercial real estate**

On March 28, 2014 companies in the Volvo Group signed an agreement to sell commercial real estate to companies jointly owned by Hemfosa Fastigheter AB and AB Sagax, and to companies owned by AB Sagax. The

purchase consideration, on a cash and debt free basis, is expected to be approximately SEK 2 billion. On April 15, 2014 the sale was essentially completed. Companies within the Volvo Group completed a transaction where approximately SEK 1.8 billion of the total purchase sum was transferred. The remaining part of the transaction is expected to be completed later during the second quarter of 2014. For further information, please see Note 3 to the Financial Statements.

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

The Annual General Meeting of AB Volvo held on April 2, 2014 approved the Board of Directors' proposal that a dividend of SEK 3.00 per share be paid to the company's shareholders.

Jean-Baptiste Duzan, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg and Lars Westerberg were reelected as members of the AB Volvo Board. Matti Alahuhta, James W. Griffith and Kathryn V. Marinello were elected as new members of the Board. Carl-Henric Svanberg was reelected as Chairman of the Board.

The registered accounting firm PricewaterhouseCoopers AB was reelected as the company's auditor for a period of four years.

Carl-Olof By, representing AB Industrivärden, Lars Förberg, representing Cevian Capital, Yngve Slyngstad, representing Norges Bank Investment Management, Håkan Sandberg, representing Svenska 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.

Moreover, the Meeting adopted the Board of Directors' motion concerning a long-term, share-based incentive program for a maximum of 300 senior executives in the Volvo Group comprising the years 2014–2016, including transfer of treasury shares to the participants in the program as matching-and performance shares, based on the same principles as the program adopted by the Annual General Meeting held in 2011, however with a certain adjustment of the performance targets.

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

## CONSOLIDATED INCOME STATEMENT FIRST QUARTER

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Net sales</b>	<b>64,123</b>	<b>56,380</b>	<b>2,351</b>	<b>2,351</b>	<b>(828)</b>	<b>(387)</b>	<b>65,646</b>	<b>58,344</b>
Cost of Sales	(50,141)	(44,800)	(1,374)	(1,413)	828	387	(50,687)	(45,827)
<b>Gross income</b>	<b>13,982</b>	<b>11,580</b>	<b>977</b>	<b>937</b>	<b>0</b>	<b>0</b>	<b>14,959</b>	<b>12,517</b>
Research and development expenses	(4,137)	(3,626)	0	0	0	0	(4,137)	(3,626)
Selling expenses	(6,256)	(6,395)	(390)	(393)	0	0	(6,646)	(6,789)
Administrative expenses	(1,370)	(1,295)	(10)	(10)	0	0	(1,380)	(1,305)
Other operating income and expenses	(374)	(184)	(181)	(153)	0	0	(555)	(337)
Income (loss) from investments in joint ventures and associated companies	21	42	0	0	0	0	21	42
Income from other investments	8	(20)	0	0	0	0	8	(20)
<b>Operating income</b>	<b>1,874</b>	<b>101</b>	<b>395</b>	<b>381</b>	<b>0</b>	<b>0</b>	<b>2,269</b>	<b>482</b>
Interest income and similar credits	89	98	0	0	0	0	89	98
Interest expense and similar charges	(534)	(557)	0	0	0	0	(534)	(558)
Other financial income and expenses	(97)	(123)	0	0	0	0	(97)	(123)
<b>Income after financial items</b>	<b>1,332</b>	<b>(481)</b>	<b>395</b>	<b>381</b>	<b>0</b>	<b>0</b>	<b>1,727</b>	<b>(101)</b>
Income taxes	(430)	(35)	(156)	(112)	0	0	(586)	(147)
<b>Income for the period*</b>	<b>902</b>	<b>(516)</b>	<b>239</b>	<b>268</b>	<b>0</b>	<b>0</b>	<b>1,141</b>	<b>(248)</b>
*Attributable to:								
Equity holders of the parent company							1,084	(304)
Minority interests							57	56
							<b>1,141</b>	<b>(248)</b>
Basic earnings per share, SEK							0.53	(0.15)
Diluted earnings per share, SEK							0.53	(0.15)
<b>Key operating ratios, %</b>								
Gross margin	21.8	20.5	-	-	-	-	22.8	21.5
Research and development expenses in % of net sales	6.5	6.4	-	-	-	-	6.3	6.2
Selling expenses in % of net sales	9.8	11.3	-	-	-	-	10.1	11.6
Administrative expenses in % of net sales	2.1	2.3	-	-	-	-	2.1	2.2
Operating margin	2.9	0.2	-	-	-	-	3.5	0.8

## CONSOLIDATED OTHER COMPREHENSIVE INCOME FIRST QUARTER

SEK M	2014	2013
<b>Income for the period</b>	<b>1,141</b>	<b>(248)</b>
<i>Items that will not be reclassified to income statement:</i>		
Remeasurements of defined benefit pension plans	(479)	668
<i>Items that may be reclassified subsequently to income statement:</i>		
Exchange differences on translation of foreign operations	(39)	(1,435)
Share of OCI related to joint ventures and associated companies	22	14
Exchange differences on hedge instruments of net investment in foreign operations	0	0
Accumulated translation difference reversed to income	12	0
Available for sale investments	278	(23)
Cash flow hedges	(8)	9
<b>Other comprehensive income, net of income taxes</b>	<b>(214)</b>	<b>(767)</b>
<b>Total comprehensive income for the period*</b>	<b>927</b>	<b>(1,015)</b>
*Attributable to:		
Equity holders of the parent company	925	(1,072)
Minority interests	2	57
	<b>927</b>	<b>(1,015)</b>

## CONSOLIDATED BALANCE SHEET

SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	Mar 31 2014	Dec 31 2013	Mar 31 2014	Dec 31 2013	Mar 31 2014	Dec 31 2013	Mar 31 2014	Dec 31 2013
<b>Assets</b>								
<b>Non-current assets</b>								
Intangible assets	36,344	36,479	107	109	0	0	36,451	36,588
<i>Tangible assets</i>								
Property, plant and equipment	51,738	52,146	89	87	0	0	51,827	52,233
Assets under operating leases	16,995	17,013	13,770	13,714	(4,939)	(5,055)	25,826	25,672
<i>Financial assets</i>								
Investments in joint ventures and associated companies	4,378	4,377	0	0	0	0	4,378	4,377
Other shares and participations	2,241	1,944	12	6	0	0	2,253	1,950
Non-current customer-financing receivables	808	727	44,790	49,466	(883)	(6,401)	44,715	43,792
Deferred tax assets	11,790	12,326	829	840	0	0	12,619	13,166
Prepaid pensions	9	11	0	11	0	0	9	22
Non-current interest-bearing receivables	536	550	29	34	(93)	(104)	472	480
Other non-current receivables	3,062	3,017	139	128	(133)	(208)	3,068	2,937
<b>Total non-current assets</b>	<b>127,901</b>	<b>128,590</b>	<b>59,765</b>	<b>64,395</b>	<b>(6,048)</b>	<b>(11,768)</b>	<b>181,618</b>	<b>181,217</b>
<b>Current assets</b>								
Inventories	44,968	40,964	202	189	0	0	45,170	41,153
<i>Current receivables</i>								
Customer-financing receivables	467	679	41,748	40,854	(758)	(1,464)	41,457	40,069
Tax assets	1,616	1,692	54	57	0	0	1,670	1,749
Interest-bearing receivables	990	1,645	504	473	(1,167)	(1,209)	327	909
Internal funding	1,974	2,256	0	0	(1,974)	(2,256)	0	0
Accounts receivable	30,630	29,170	258	245	0	0	30,888	29,415
Other receivables	13,608	12,207	1,232	1,383	(880)	(936)	13,960	12,654
Non interest-bearing assets held for sale	1,085	8,102	0	0	0	0	1,085	8,102
Interest-bearing assets held for sale	0	2	0	0	0	0	0	2
Marketable securities	4,384	2,570	3	21	0	0	4,387	2,591
Cash and cash equivalents	18,466	25,660	1,721	1,679	(302)	(371)	19,885	26,968
<b>Total current assets</b>	<b>118,188</b>	<b>124,947</b>	<b>45,722</b>	<b>44,901</b>	<b>(5,081)</b>	<b>(6,236)</b>	<b>158,829</b>	<b>163,612</b>
<b>Total assets</b>	<b>246,089</b>	<b>253,537</b>	<b>105,487</b>	<b>109,296</b>	<b>(11,129)</b>	<b>(18,004)</b>	<b>340,447</b>	<b>344,829</b>
<b>Equity and liabilities</b>								
<b>Equity attributable to the equity holders of the parent company</b>								
Minority interests	1,337	1,333	0	0	0	0	1,337	1,333
<b>Total equity</b>	<b>69,685</b>	<b>68,467</b>	<b>8,582</b>	<b>8,906</b>	<b>(8)</b>	<b>(8)</b>	<b>76,922</b>	<b>76,032</b>
<i>Non-current provisions</i>								
Provisions for post-employment benefits	12,869	12,249	64	73	0	0	12,933	12,322
Provisions for deferred taxes	(446)	324	2,005	2,082	0	0	1,559	2,406
Other provisions	5,376	6,005	194	183	1	2	5,571	6,190
<i>Non-current liabilities</i>								
Bond loans	49,050	46,585	0	0	0	0	49,050	46,585
Other loans	27,610	31,219	16,084	12,182	(875)	(6,537)	42,819	36,864
Internal funding	(35,787)	(34,027)	34,812	35,761	975	(1,734)	0	0
Other liabilities	13,753	14,315	600	665	(3,319)	(3,503)	11,034	11,477
Current provisions	12,414	11,246	66	58	3	0	12,483	11,304
<i>Current liabilities</i>								
Loans	34,978	46,806	8,077	6,705	(1,350)	(1,959)	41,705	51,552
Internal funding	(27,906)	(38,090)	31,826	39,659	(3,920)	(1,569)	0	0
Non interest-bearing liabilities held for sale	0	332	0	0	0	0	0	332
Interest-bearing liabilities held for sale	0	18	0	0	0	0	0	18
Trade payables	49,900	53,685	157	216	0	0	50,057	53,901
Tax liabilities	619	1,072	245	48	0	0	864	1,120
Other liabilities	33,974	33,331	2,775	2,758	(2,636)	(2,696)	34,113	33,393
<b>Total equity and liabilities</b>	<b>246,089</b>	<b>253,537</b>	<b>105,487</b>	<b>109,296</b>	<b>(11,129)</b>	<b>(18,004)</b>	<b>340,447</b>	<b>344,829</b>
<b>Key ratios, %</b>								
Total equity as percentage of total assets	28.3	27.0	8.1	8.1	-	-	23.0	22.4
Shareholders' equity per share, excluding minority interests, SEK	-	-	-	-	-	-	37.9	37.5
Return on operating capital, 12 months rolling values	7.9	5.9	-	-	-	-	-	-
Return on shareholders' equity, 12 months rolling values	-	-	11.7	12.1	-	-	6.8	5.0

## CONSOLIDATED CASH FLOW STATEMENT FIRST QUARTER

SEK bn	Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Operating activities</b>								
Operating income	1.9	0.1	0.4	0.4	0.0	0.0	2.3	0.5
Depreciation tangible assets	1.7	1.3	0.0	0.0	0.0	0.0	1.7	1.3
Amortization intangible assets	0.8	0.8	0.0	0.0	0.0	0.0	0.8	0.8
Depreciation leasing vehicles	0.6	0.7	0.8	0.7	0.0	0.0	1.4	1.4
Other non-cash items	0.0	(0.1)	0.2	0.1	0.0	0.0	0.2	0.0
Total change in working capital whereof	(11.0)	(6.2)	3.8	(0.3)	(6.2)	0.0	(13.4)	(6.5)
<i>Change in accounts receivable</i>	(1.3)	(1.2)	0.0	(0.1)	(0.1)	0.0	(1.4)	(1.3)
<i>Change in customer financing receivables</i>	0.1	0.2	3.7	(0.3)	(6.2)	(0.1)	(2.4)	(0.2)
<i>Change in inventories</i>	(4.3)	(2.7)	0.0	0.1	0.0	0.0	(4.3)	(2.6)
<i>Change in trade payables</i>	(3.6)	(1.3)	(0.1)	0.0	0.1	0.0	(3.6)	(1.3)
<i>Other changes in working capital</i>	(1.9)	(1.2)	0.2	0.0	0.0	0.1	(1.7)	(1.1)
Interest and similar items received	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Interest and similar items paid	(0.5)	(0.5)	0.0	0.0	0.0	0.0	(0.5)	(0.5)
Other financial items	(0.1)	(0.1)	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Income taxes paid	(0.8)	(0.6)	0.0	0.2	0.0	(0.1)	(0.8)	(0.5)
<b>Cash flow from operating activities</b>	<b>(7.3)</b>	<b>(4.5)</b>	<b>5.2</b>	<b>1.1</b>	<b>(6.2)</b>	<b>(0.1)</b>	<b>(8.3)</b>	<b>(3.5)</b>
<b>Investing activities</b>								
Investments in tangible assets	(1.2)	(1.6)	0.0	0.0	0.0	0.1	(1.2)	(1.5)
Investments in intangible assets	(0.6)	(1.3)	0.0	0.0	0.0	0.0	(0.6)	(1.3)
Investment in leasing vehicles	(0.1)	(0.3)	(1.6)	(1.3)	0.0	0.0	(1.7)	(1.6)
Disposals of fixed assets and leasing vehicles	0.2	0.1	0.8	0.5	0.0	0.0	1.0	0.6
<b>Operating cash flow</b>	<b>(9.0)</b>	<b>(7.6)</b>	<b>4.4</b>	<b>0.3</b>	<b>(6.2)</b>	<b>0.0</b>	<b>(10.8)</b>	<b>(7.3)</b>
Investments and divestments of shares, net							0.0	(0.1)
Acquired and divested operations, net							6.9	0.4
Interest-bearing receivables incl marketable securities							(1.4)	(1.4)
<b>Cash-flow after net investments</b>							<b>(5.3)</b>	<b>(8.4)</b>
<b>Financing activities</b>								
Change in loans, net							(1.6)	7.6
Other							(0.1)	0.0
<b>Change in cash and cash equivalents excl. translation differences</b>							<b>(7.0)</b>	<b>(0.8)</b>
Translation difference on cash and cash equivalents							(0.1)	(0.2)
<b>Change in cash and cash equivalents</b>							<b>(7.1)</b>	<b>(1.0)</b>

## CONSOLIDATED NET FINANCIAL POSITION

SEK bn	Industrial operations		Volvo Group	
	Mar 31 2014	Dec 31 2013	Mar 31 2014	Dec 31 2013
<b>Non-current interest-bearing assets</b>				
Non-current customer-financing receivables	-	-	44.7	43.8
Non-current interest-bearing receivables	0.5	0.6	0.5	0.5
<b>Current interest-bearing assets</b>				
Customer-financing receivables	-	-	41.5	40.1
Interest-bearing receivables	1.0	1.6	0.3	0.9
Internal funding	2.0	2.3	-	-
Interest-bearing assets held for sale	0.0	0.0	0.0	0.0
Marketable securities	4.4	2.6	4.4	2.6
Cash and cash equivalents	18.5	25.7	19.9	27.0
<b>Total financial assets</b>	<b>26.4</b>	<b>32.7</b>	<b>111.2</b>	<b>114.8</b>
<b>Non-current interest-bearing liabilities</b>				
Bond loans	(49.1)	(46.6)	(49.1)	(46.6)
Other loans	(27.6)	(31.2)	(42.8)	(36.9)
Internal funding	35.8	34.0	-	-
<b>Current interest-bearing liabilities</b>				
Loans	(35.0)	(46.8)	(41.7)	(51.6)
Internal funding	27.9	38.1	-	-
Interest-bearing liabilities held for sale	0.0	(0.0)	0.0	(0.0)
<b>Total financial liabilities</b>	<b>(47.9)</b>	<b>(52.5)</b>	<b>(133.6)</b>	<b>(135.0)</b>
<b>Net financial position excl post-employment benefits</b>	<b>(21.6)</b>	<b>(19.8)</b>	<b>(22.3)</b>	<b>(20.2)</b>
Provisions for post-employment benefits, net	(12.9)	(12.2)	(12.9)	(12.3)
<b>Net financial position incl post-employment benefits</b>	<b>(34.5)</b>	<b>(32.1)</b>	<b>(35.3)</b>	<b>(32.5)</b>
<b>Key ratios, %</b>				
Net financial position in % of total equity	(49.4)	(46.8)		
Net financial position excl. pensions in % of total equity	(31.0)	(29.0)		

CHANGES IN NET FINANCIAL POSITION,  
INDUSTRIAL OPERATIONS

SEK bn	First quarter 2014
<b>Beginning of period</b>	<b>(32.1)</b>
Cash flow from operating activities	(7.3)
Investments in fixed assets	(1.9)
Disposals	0.2
<b>Operating cash-flow</b>	<b>(9.0)</b>
Investments and divestments of shares, net	0.0
Acquired and divested operations, net	6.9
Capital injections to/from Customer Finance operations	0.7
Currency effect	(0.3)
Remeasurements of defined benefit pension plans	(0.6)
Pension payments and costs, net	0.0
Other changes	(0.1)
<b>Total change</b>	<b>(2.4)</b>
<b>Net financial position at end of period</b>	<b>(34.5)</b>

## CONSOLIDATED CHANGES IN TOTAL EQUITY

SEK bn	First quarter	
	2014	2013
<b>Total equity at end of previous period</b>	<b>77.4</b>	<b>77.1</b>
<b>IFRS transition effect</b>	<b>-</b>	<b>-</b>
<b>Total equity at beginning of period</b>	<b>77.4</b>	<b>77.1</b>
<b>Shareholders' equity attributable to equity holders of the parent company at beginning of period</b>	<b>76.0</b>	<b>75.8</b>
Income for the period	1.1	3.6
Other comprehensive income	(0.2)	2.6
<b>Total comprehensive income</b>	<b>0.9</b>	<b>6.2</b>
Dividend to AB Volvo's shareholders	0.0	(6.1)
Share-based payments	0.0	0.1
Transactions with minority interests	0.0	0.0
Other changes	0.0	0.0
<b>Shareholders' equity attributable to equity holders of the parent company at end of period</b>	<b>76.9</b>	<b>76.0</b>
<b>Minority interests at beginning of period</b>	<b>1.4</b>	<b>1.3</b>
Income for the period	0.0	0.2
Other comprehensive income	(0.1)	0.1
<b>Total comprehensive income</b>	<b>(0.1)</b>	<b>0.3</b>
Dividend	0.0	(0.2)
Minority regarding acquisitions and divestments	0.0	0.0
Other changes	0.0	0.0
<b>Minority interests at end of period</b>	<b>1.3</b>	<b>1.4</b>
<b>Total equity at end of period</b>	<b>78.3</b>	<b>77.4</b>



## QUARTERLY FIGURES

SEK M unless otherwise stated					
<b>Income statement, Volvo Group</b>					
	1/2013	2/2013	3/2013	4/2013	1/2014
<b>Net sales</b>	<b>58,344</b>	<b>72,756</b>	<b>64,880</b>	<b>76,642</b>	<b>65,646</b>
Cost of sales	(45,827)	(56,876)	(50,012)	(59,789)	(50,687)
<b>Gross income</b>	<b>12,517</b>	<b>15,880</b>	<b>14,868</b>	<b>16,853</b>	<b>14,959</b>
Research and development expenses	(3,626)	(3,596)	(3,711)	(4,191)	(4,137)
Selling expenses	(6,789)	(7,373)	(6,786)	(7,558)	(6,646)
Administrative expenses	(1,305)	(1,491)	(1,461)	(1,605)	(1,380)
Other operating income and expenses	(337)	(153)	(536)	(2,528)	(555)
Income (loss) from investments in joint ventures and associated companies	42	(6)	63	(3)	21
Income from other investments	(20)	1	(38)	27	8
<b>Operating income</b>	<b>482</b>	<b>3,262</b>	<b>2,398</b>	<b>996</b>	<b>2,269</b>
<i>Whereof restructuring charges</i>	<i>(14)</i>	<i>(16)</i>	<i>(104)</i>	<i>(581)</i>	<i>(318)</i>
<b>Operating income excl. Restructuring charges</b>	<b>496</b>	<b>3,278</b>	<b>2,502</b>	<b>1,577</b>	<b>2,588</b>
Interest income and similar credits	98	101	93	89	89
Interest expense and similar charges	(558)	(712)	(647)	(893)	(534)
Other financial income and expenses	(123)	229	(140)	45	(97)
<b>Income after financial items</b>	<b>(101)</b>	<b>2,880</b>	<b>1,704</b>	<b>237</b>	<b>1,727</b>
Income taxes	(147)	(795)	(288)	311	(586)
<b>Income for the period*</b>	<b>(248)</b>	<b>2,086</b>	<b>1,415</b>	<b>548</b>	<b>1,141</b>
*Attributable to					
Equity holders of AB Volvo	(304)	2,015	1,387	485	1,084
Minority interests	56	71	28	63	57
	<b>(248)</b>	<b>2,086</b>	<b>1,415</b>	<b>548</b>	<b>1,141</b>
<b>Key operating ratios, Volvo Group, %</b>					
Gross margin	21.5	21.8	22.9	22.0	22.8
Research and development expenses in % of net sales	6.2	4.9	5.7	5.5	6.3
Selling expenses in % of net sales	11.6	10.1	10.5	9.9	10.1
Administrative expenses in % of net sales	2.2	2.0	2.3	2.1	2.1
Operating margin excl. restructuring charges	0.9	4.5	3.9	2.1	3.9
Operating margin	0.8	4.5	3.7	1.3	3.5
<b>Key operating ratios, Industrial Operations, %</b>					
Gross margin	20.5	21.0	21.9	21.1	21.8
Research and development expenses in % of net sales	6.4	5.1	5.9	5.6	6.5
Selling expenses in % of net sales	11.3	9.9	10.1	9.5	9.8
Administrative expenses in % of net sales	2.3	2.1	2.3	2.1	2.1
Operating margin excl. restructuring charges	0.2	4.0	3.4	1.6	3.4
Operating margin	0.2	4.0	3.3	0.8	2.9
<b>EBITDA, Industrial operations</b>					
<b>Operating income</b>	<b>101</b>	<b>2,846</b>	<b>2,069</b>	<b>600</b>	<b>1,874</b>
Product and Software development, amortization	704	759	867	924	743
Goodwill, revaluation for Volvo Rents	0	0	0	1,458	0
Other intangible assets, amortization	78	77	76	79	72
Tangible assets, depreciation	2,067	2,291	2,333	2,761	2,329
<b>Total depreciation and amortization</b>	<b>2,849</b>	<b>3,127</b>	<b>3,276</b>	<b>5,221</b>	<b>3,145</b>
<b>Operating income before depreciation and amortization (EBITDA)</b>	<b>2,950</b>	<b>5,973</b>	<b>5,345</b>	<b>5,821</b>	<b>5,019</b>
<i>EBITDA margin, %</i>	<i>5.2</i>	<i>8.4</i>	<i>8.4</i>	<i>7.8</i>	<i>7.8</i>
<b>Net capitalization of research and development</b>					
Capitalization	1,172	1,140	542	766	461
Amortization	(610)	(650)	(768)	(804)	(623)
<b>Net capitalization</b>	<b>562</b>	<b>489</b>	<b>(226)</b>	<b>(38)</b>	<b>(162)</b>

## QUARTERLY FIGURES

<b>Net sales</b>					
SEK M	1/2013	2/2013	3/2013	4/2013	1/2014
Trucks	37,031	46,234	43,248	51,961	<b>43,845</b>
Construction Equipment	12,136	16,019	12,278	13,005	<b>13,371</b>
Buses	3,482	4,008	3,705	5,512	<b>3,367</b>
Volvo Penta	1,839	2,159	1,775	1,777	<b>1,804</b>
Corporate Functions, Group Functions & Other	2,554	3,170	3,094	3,592	<b>2,206</b>
Eliminations	(662)	(760)	(787)	(949)	<b>(471)</b>
<b>Industrial operations</b>	<b>56,380</b>	<b>70,830</b>	<b>63,312</b>	<b>74,898</b>	<b>64,123</b>
Customer Finance	2,351	2,385	2,350	2,452	<b>2,351</b>
Reclassifications and eliminations	(387)	(459)	(783)	(708)	<b>(828)</b>
<b>Volvo Group</b>	<b>58,344</b>	<b>72,756</b>	<b>64,880</b>	<b>76,642</b>	<b>65,646</b>

<b>Operating income excl. restructuring charges</b>					
SEK M	1/2013	2/2013	3/2013	4/2013	1/2014
Trucks	115	1,851	1,893	2,965	<b>1,798</b>
Construction Equipment	500	1,324	496	272	<b>647</b>
Buses	(88)	11	(164)	50	<b>36</b>
Volvo Penta	100	290	165	72	<b>151</b>
Corporate Functions, Group Functions & Other	(516)	(617)	(239)	(2,198)	<b>(592)<sup>1</sup></b>
Eliminations	4	3	23	20	<b>152</b>
<b>Industrial operations</b>	<b>115</b>	<b>2,862</b>	<b>2,174</b>	<b>1,181</b>	<b>2,192</b>
Customer Finance	381	416	327	397	<b>395</b>
<b>Volvo Group excl. restructuring charges</b>	<b>496</b>	<b>3,278</b>	<b>2,502</b>	<b>1,577</b>	<b>2,588</b>

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

<b>Restructuring charges (Note 6, Efficiency program)</b>					
	1/2013	2/2013	3/2013	4/2013	1/2014
Trucks	(14)	(16)	(100)	(549)	<b>(318)</b>
Construction Equipment	-	-	-	-	-
Buses	-	-	-	-	-
Volvo Penta	-	-	-	-	-
Corporate Functions, Group Functions & Other	-	-	(4)	(32)	-
<b>Industrial operations</b>	<b>(14)</b>	<b>(16)</b>	<b>(104)</b>	<b>(581)</b>	<b>(318)</b>
Customer Finance	-	-	-	-	-
<b>Volvo Group restructuring charges</b>	<b>(14)</b>	<b>(16)</b>	<b>(104)</b>	<b>(581)</b>	<b>(318)</b>
<b>Volvo Group</b>	<b>482</b>	<b>3,262</b>	<b>2,398</b>	<b>996</b>	<b>2,269</b>

<b>Operating margin excl. restructuring charges</b>					
%	1/2013	2/2013	3/2013	4/2013	1/2014
Trucks	0.3	4.0	4.4	5.7	<b>4.1</b>
Construction Equipment	4.1	8.3	4.0	2.1	<b>4.8</b>
Buses	(2.5)	0.3	(4.4)	0.9	<b>1.1</b>
Volvo Penta	5.4	13.4	9.3	4.0	<b>8.4</b>
<b>Industrial operations</b>	<b>0.2</b>	<b>4.0</b>	<b>3.4</b>	<b>1.6</b>	<b>3.4</b>
<b>Volvo Group excl. restructuring charges</b>	<b>0.9</b>	<b>4.5</b>	<b>3.9</b>	<b>2.1</b>	<b>3.9</b>
<b>Volvo Group</b>	<b>0.8</b>	<b>4.5</b>	<b>3.7</b>	<b>1.3</b>	<b>3.5</b>

<b>Share data</b>					
	1/2013	2/2013	3/2013	4/2013	1/2014
Earnings per share, SEK <sup>2</sup>	(0.15)	0.99	0.68	0.24	<b>0.53</b>
Earnings per share, SEK <sup>2</sup> , 12 months rolling values	3.43	1.94	1.93	1.77	<b>2.45</b>
Diluted earnings per share, SEK	(0.15)	0.99	0.68	0.24	<b>0.53</b>
Number of shares outstanding, million	2,028	2,028	2,028	2,028	<b>2,028</b>
Average number of shares during period, million	2,028	2,028	2,028	2,028	<b>2,028</b>
Average diluted number of shares during period, million	2,030	2,030	2,030	2,031	<b>2,030</b>
Number of company shares, held by AB Volvo, million	101	101	100	100	<b>100</b>
Average number of company shares, held by AB Volvo, million	101	101	100	100	<b>100</b>

<sup>2</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 PRINCIPLES

The Volvo Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted are consistent with those described in the Volvo Group Annual Report 2013 note 1 (available at [volvogroup.com](http://volvogroup.com)). There are no new accounting principles applicable from 2014 that significantly affects the Volvo Group. Volvo Group has adopted IFRS 10, 11 and 12 from January 1, 2013.

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

The parent company applies the 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 are exposed are classified into three main categories:

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

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

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

For a more elaborated account for these risks, please refer to the Risk Management section on pages 86-87 in the 2013 Annual Report for the Volvo Group (available at [volvogroup.com](http://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 overvalue 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, 2014, amounted to SEK 16.0 Bn compared to SEK 17.3 Bn as of December 31, 2013. A significant part of the contingent liabilities are related to credit guarantees issued as a result of sales in emerging markets, in particular sales of construction equipment in China. The gross exposure of SEK 16.0 Bn is partly reduced by counter guarantees and collaterals. Please refer to the Volvo Group Annual Report 2013 note 24 for a description of the nature of contingent liabilities including information on legal proceedings and investigations that the Group is currently involved in and subject to. The on-going legal proceedings and investigations are progressing but during the first three months no material change has occurred in these matters compared to the description provided in note 24 of the Volvo Group Annual Report 2013.

## NOTE 3 CORPORATE ACQUISITIONS AND DIVESTMENTS

### Volvo Rents divestment

The previously announced divestiture of Volvo Rents was completed on January 31 2014. The price amounted to USD 1.1 Bn, corresponding to SEK 6.9 Bn, and had a positive impact on the Group's cashflow and net financial debt within the industrial operation in the first quarter of 2014 with the same amount. In connection to the divestment, Volvo Rents repaid all outstanding loans to Volvo Financial Services.

The divestment has not affected earnings in the first quarter. An additional income effect from the divestment may be recognized in the second quarter 2014, when price mechanism adjustments have been finalised.

In the fourth quarter 2013, assets and liabilities pertaining to Volvo Rents were classified as assets held for sale and a loss of SEK 1.5 Bn was recognized in operating income within the segment "Group functions, corporate functions and other".

Net sales for Volvo Rents in 2013 amounted to SEK 4,212 M and operating income for the corresponding period amounted to negative SEK 133 M.

### Agreement on divestment of commercial real estate

Companies in the Volvo Group signed an agreement in March 2014, to sell commercial real estate to companies jointly owned by Hemfosa Fastigheter AB and AB Sagax, and to companies owned by AB Sagax. On April 15, approximately SEK 1.8 Bn of the total purchase sum of approximately SEK 2 Bn was transferred. The remaining part of the transaction is expected to be completed later during the second quarter of 2014. The entire transaction is expected to reduce the net financial debt in the Volvo Group's Industrial Operation by approximately SEK 1.9 Bn. The transaction is expected to have a positive impact on the Group's operating income of approximately SEK 900 M in the second quarter of 2014. The transaction covers to a large extent real estate in Gothenburg owned by the Volvo Group and leased to external tenants. The transaction also includes properties in Denmark, Sweden and Finland, where the real estate to a large extent will be rented by companies in the Volvo Group.

The transaction is expected to have a positive impact on operating income in the segment "Trucks" of SEK 200 M and in the segment "Group functions, corporate functions and other" of SEK 700 M in the second quarter of 2014.

At the end of the first quarter, the assets subject to the commercial real estate divestments amount to approximately SEK 1 Bn, classified as assets held for sale.

### Other acquisitions and divestments

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

## NOTE 4 CURRENCY AND FINANCIAL INSTRUMENTS

Currency effect on operating income Industrial operations	Compared to first quarter 2013			Compared to fourth quarter 2013		
	First quarter 2014	First quarter 2013	Change	First quarter 2014	Fourth quarter 2013	Change
SEK M						
Net flows in foreign currency			(706)			(266)
Realized gains and losses on hedging contracts	9	8	1	9	3	6
Unrealized gains and losses on receivables and liabilities in foreign currency	75	245	(170)	75	(162)	237
Unrealized gains and losses on hedging contracts	(16)	(6)	(10)	(16)	16	(32)
Translation effect on operating income in foreign subsidiaries			(219)			(117)
<b>Total currency effect on operating income Industrial operations</b>			<b>(1,104)</b>			<b>(172)</b>

Applicable currency rates	Quarterly exchange rates		Close rates	
	First quarter 2014	First quarter 2013	March 2014	March 2013
BRL	2.73482	3.22113	2.87460	3.22870
CNY	1.05955	1.03375	1.04630	1.04790
EUR	8.86603	8.50635	8.95745	8.34735
JPY	0.06297	0.06994	0.06326	0.06926
USD	6.46588	6.43459	6.50805	6.51745

**Fair value of financial instruments**

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

Financial instruments in the Volvo Group reported at fair value through profit and loss consist of marketable securities (see balance sheet) and interest-, currency- and raw material derivatives. Derivatives with positive

fair values amounted to SEK 1.7 Bn and derivatives with negative fair values amounted to SEK 0.8 Bn as of March 31, 2014. The derivatives are accounted for on gross-basis, with the exception of derivatives with positive fair values amounting to SEK 1.1 Bn, netted against a fair value of a loan of negative 1.1 Bn, related to hedge accounting.

Financial liabilities valued at amortized cost, reported as current and non-current bond loans and other loans, amounted to

SEK 133.2 Bn in reported carrying value with a fair value of SEK 136.1 Bn. In the Volvo Group consolidated financial position, financial liabilities include loan-related derivatives with negative fair values amounting to SEK 0.4 Bn.

## NOTE 5 TRANSACTIONS WITH RELATED PARTIES

Sales to associated companies amounted to SEK 539 M (656) and purchases from associated companies amounted to SEK 383 M (535) during the first quarter of 2014. As of March 31, 2014, receivables from associated companies amounted to SEK 305 M (301) and liabilities to associated companies to SEK 362 M (707). Sales to joint ventures

amounted to SEK 159 M (155) and purchases from joint ventures amounted to SEK 96 M (29) during the first quarter of 2014. As of March 31, 2014, receivables from joint ventures amounted to SEK 116 M (143) and liabilities to joint ventures to SEK 125 M (58).

## NOTE 6 EFFICIENCY PROGRAM

The Volvo Group has decided to combine a number of actions into a Group-wide efficiency program. The program encompasses both reduction of white collar employees and consultants and efficiency enhancements in the global industrial system. The actions' common feature is that they are the result of the implementation of the Group's three-year strategies and that they are designed to enhance efficiency and competitiveness.

It is estimated that the program will entail restructuring costs totaling approximately SEK 5 Bn, whereof approximately SEK 1 Bn is expected to have no impact on cash flow.

The majority of the restructuring charges are expected to impact operating income during 2014. Savings are expected to amount to approximately SEK 4 Bn annually, and will generate results gradually in 2014, with full effect achieved by the end of 2015.

As from the third quarter 2013 operating cost related to the efficiency program is presented separately, when relevant for operational follow-up. As a result, in this report operating income and operating margin is presented both including and excluding restructuring charges. The cost included in the efficiency program includes all restructuring cost, not only cost that meet the defi-

inition of restructuring provisions. The cost is recognized as Other operating income and expense in the Group's Income statement.

In the first quarter 2014, SEK 318 M related to the efficiency program is presented separately. They are mainly connected to the consolidation of the industrial footprint in Japan and the dealer optimization in Europe.

Please refer to the CEO comments in this report for information on the announced activities within the program.

### Efficiency program cost, provision and cash-flow

SEK bn	whereof items with no cash-flow effect	
<b>Total restructuring cost, efficiency program</b>		
Announced total restructuring cost	5.0	1.0
Cost recognized		
Previous quarters*	1.3	0.5
Current quarter	0.3	0.3
Total cost recognized	1.6	
<b>Remaining restructuring cost to be recognized</b>	<b>3.4</b>	<b>0.2</b>
<b>Restructuring provision, efficiency program fourth quarter 2013</b>		
Opening balance	0.5	
Utilized	(0.1)	
New provision	0	
<b>Closing balance</b>	<b>0.4</b>	

\* From fourth quarter 2012

Items not affecting cash-flow is now estimated to SEK 1 Bn from previous SEK 0.5 Bn.

The estimated total cost of SEK 5 Bn remains.

## PARENT COMPANY

Income Statement	First quarter	
	2014	2013
SEK M		
<b>Net sales<sup>1</sup></b>	<b>156</b>	<b>96</b>
Cost of sales <sup>1</sup>	(156)	(96)
<b>Gross income</b>	<b>0</b>	<b>0</b>
Operating expenses <sup>1</sup>	(201)	(286)
Income from investments in Group companies	(270)	(297)
Income from investments in joint ventures and associated companies	27	31
Income from other investments	7	-
<b>Operating income (loss)</b>	<b>(437)</b>	<b>(552)</b>
Interest income and expenses	(268)	(248)
Other financial income and expenses	(10)	(54)
<b>Income after financial items</b>	<b>(715)</b>	<b>(854)</b>
Income taxes	163	187
<b>Income for the period</b>	<b>(552)</b>	<b>(667)</b>

<sup>1</sup> Of net sales in the first quarter, SEK 106 M (95) pertained to Group companies, while purchases from Group companies amounted to SEK 64 M (82).

Other comprehensive income		
<b>Income for the period</b>	<b>(552)</b>	<b>(667)</b>
<i>Items that may be reclassified subsequently to income statement:</i>		
Available-for-sale investments	286	(75)
<b>Other comprehensive income, net of income taxes</b>	<b>286</b>	<b>(75)</b>
<b>Total comprehensive income for the period</b>	<b>(266)</b>	<b>(742)</b>

Balance Sheet		
SEK M	March 31 2014	Dec 31 2013
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	34	38
Tangible assets	64	72
Financial assets		
Shares and participations in Group companies	60,763	60,763
Receivables from Group companies	26	59
Investments in joint ventures and associated companies	3,343	3,343
Other shares and participations	1,490	1,203
Deferred tax assets	2,713	2,550
Other long-term receivables	27	27
<b>Total non-current assets</b>	<b>68,460</b>	<b>68,055</b>
<b>Current assets</b>		
Short-term receivables from Group companies	8,853	8,951
Other short-term receivables	404	311
Cash and bank accounts	0	0
<b>Total current assets</b>	<b>9,257</b>	<b>9,262</b>
<b>Total assets</b>	<b>77,717</b>	<b>77,317</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity		
Restricted equity	9,891	9,891
Unrestricted equity	24,434	24,693
Untaxed reserves	5	5
Provisions	141	164
Non-current liabilities <sup>1</sup>	8	7
Current liabilities <sup>2</sup>	43,238	42,557
<b>Total shareholders' equity and liabilities</b>	<b>77,717</b>	<b>77,317</b>

<sup>1</sup> Of which SEK 7 M (7) pertains to Group companies.

<sup>2</sup> Of which SEK 42,735 M (42,032) pertains to Group companies.

In the first quarter revaluation of the ownership in the listed company Eicher Motors Ltd has increased the value by SEK 286 M, recognized in other comprehensive income.

Investments in tangible assets in the first quarter amounted to SEK 1 M (37).

Financial net debt amounted to SEK 34,523 M (33,685) at the end of the first quarter.

**Events after the balance sheet date**

For important events after the balance sheet date, see page 11 of this report. No other significant events have occurred after the end of the first quarter 2014 that are expected to have a substantial effect on the Volvo Group.

Göteborg, April 25, 2014

AB Volvo (publ)



Olof Persson  
President and CEO

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

## DELIVERIES

	First quarter		Change, in %
	2014	2013	
<b>Trucks<sup>1</sup></b>			
Europe	<b>16,588</b>	15,216	9
Western Europe	<b>12,667</b>	11,992	6
Eastern Europe	<b>3,921</b>	3,224	22
North America	<b>13,001</b>	7,707	69
South America	<b>6,445</b>	6,041	7
Asia	<b>8,226</b>	6,010	37
Other markets	<b>3,585</b>	3,442	4
<b>Total Trucks</b>	<b>47,845</b>	<b>38,416</b>	<b>25</b>
Light duty (< 7 tons)	<b>2,581</b>	2,861	(10)
Medium duty (7–16 tons)	<b>3,490</b>	3,655	(5)
Heavy duty (>16 tons)	<b>41,774</b>	31,900	31
<b>Total Trucks</b>	<b>47,845</b>	<b>38,416</b>	<b>25</b>
<b>Non-consolidated operations</b>			
VECV/Eicher (100%)	<b>7,667</b>	10,095	(24)
DVT (100%)	<b>9</b>	54	(83)
<b>Total volumes</b>	<b>55,521</b>	<b>48,565</b>	<b>14</b>
<b>Mack Trucks</b>			
Europe	-	1	-
Western Europe	-	1	-
Eastern Europe	-	-	-
North America	<b>5,292</b>	3,558	49
South America	<b>150</b>	555	(73)
Asia	-	-	-
Other markets	<b>208</b>	205	1
<b>Total Mack Trucks</b>	<b>5,650</b>	<b>4,319</b>	<b>31</b>
Light duty (< 7 tons)	-	-	-
Medium duty (7–16 tons)	-	-	-
Heavy duty (>16 tons)	<b>5,650</b>	4,319	31
<b>Total Mack Trucks</b>	<b>5,650</b>	<b>4,319</b>	<b>31</b>
<b>Renault Trucks</b>			
Europe	<b>6,126</b>	7,228	(15)
Western Europe	<b>5,481</b>	6,651	(18)
Eastern Europe	<b>645</b>	577	12
North America	<b>14</b>	22	(36)
South America	<b>127</b>	166	(23)
Asia	<b>584</b>	452	29
Other markets	<b>844</b>	1,019	(17)
<b>Total Renault Trucks</b>	<b>7,695</b>	<b>8,887</b>	<b>(13)</b>
Light duty (< 7 tons)	<b>2,257</b>	2,541	(11)
Medium duty (7–16 tons)	<b>854</b>	1,615	(47)
Heavy duty (>16 tons)	<b>4,584</b>	4,731	(3)
<b>Total Renault Trucks</b>	<b>7,695</b>	<b>8,887</b>	<b>(13)</b>

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

The information is such that AB Volvo (publ) is obliged to make public pursuant to the Securities Market Act (SFS 2007:528) and/or the Act on trade with financial instruments (SFS 1991:980). The information was distributed to media for publication on April 25, 2014 at 07:20 a.m.

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



	First quarter		Change, in %
	2014	2013	
<b>Volvo Trucks</b>			
Europe	<b>10,462</b>	7,987	31
Western Europe	<b>7,186</b>	5,340	35
Eastern Europe	<b>3,276</b>	2,647	24
North America	<b>7,685</b>	3,973	93
South America	<b>6,098</b>	5,297	15
Asia	<b>2,945</b>	2,650	11
Other markets	<b>1,551</b>	1,154	34
<b>Total Volvo Trucks</b>	<b>28,741</b>	<b>21,061</b>	<b>36</b>

Light duty (< 7 tons)	-	-	-
Medium duty (7-16 tons)	<b>432</b>	319	35
Heavy duty (>16 tons)	<b>28,309</b>	20,742	36
<b>Total Volvo Trucks</b>	<b>28,741</b>	<b>21,061</b>	<b>36</b>

<b>UD Trucks<sup>1</sup></b>			
Europe	-	-	-
Western Europe	-	-	-
Eastern Europe	-	-	-
North America	<b>10</b>	154	(94)
South America	<b>70</b>	23	204
Asia	<b>4,697</b>	2,908	62
Other markets	<b>982</b>	1,064	(8)
<b>Total UD Trucks</b>	<b>5,759</b>	<b>4,149</b>	<b>39</b>

Light duty (< 7 tons)	<b>324</b>	320	1
Medium duty (7-16 tons)	<b>2,204</b>	1,721	28
Heavy duty (>16 tons)	<b>3,231</b>	2,108	53
<b>Total UD Trucks</b>	<b>5,759</b>	<b>4,149</b>	<b>39</b>

<b>Non-consolidated operations</b>			
DVT (100%)	<b>9</b>	54	(83)
<b>Total volumes</b>	<b>5,768</b>	<b>4,203</b>	<b>37</b>

<b>Eicher<sup>2</sup></b>			
Europe	-	-	-
Western Europe	-	-	-
Eastern Europe	-	-	-
North America	-	-	-
South America	-	-	-
Asia	<b>7,667</b>	10,095	(24)
Other markets	-	-	-
<b>Total Eicher</b>	<b>7,667</b>	<b>10,095</b>	<b>(24)</b>

Light duty (< 7 tons)	<b>1,335</b>	1,202	11
Medium duty (7-16 tons)	<b>4,467</b>	6,611	(32)
Heavy duty (>16 tons)	<b>1,865</b>	2,282	(18)
<b>Total Eicher</b>	<b>7,667</b>	<b>10,095</b>	<b>(24)</b>

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

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

	First quarter		Change, in %
	2014	2013	
<b>Buses</b>			
Europe	<b>312</b>	462	(32)
Western Europe	<b>303</b>	449	(33)
Eastern Europe	<b>9</b>	13	(31)
North America	<b>241</b>	286	(16)
South America	<b>814</b>	664	23
Asia	<b>292</b>	293	0
Other markets	<b>116</b>	120	(3)
<b>Total Buses</b>	<b>1,775</b>	<b>1,825</b>	<b>(3)</b>

**Further publication dates**

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Report on the second quarter 2014	July 24, 2014
Report on the third quarter 2014	October 24, 2014
Report on the fourth quarter 2014	February 5, 2015
Annual Report 2014	March 2015

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