

PRESS RELEASE

Strong start to 2023 for Volvo Construction Equipment

Robust earnings and continued demand in Europe and North America have helped Volvo Construction Equipment (Volvo CE) increase global sales by 11% this Q1, 2023.



The first articulated hauler made from fossil-free steel in America was handed over to customer CRH at CONEXPO

In Q1, 2023, Volvo CE has secured good profitability and a boost to its operating margin with continued demand in large infrastructure and construction projects – particularly in North America and Europe – while increasing its own investments into the biggest technological shift in the industry’s history.

Compared to the same period last year, Volvo CE is reporting a strong boost in sales of 17% in Europe and 37% in North America. This is more than compensating for a dip in sales in Asia and South America where investment levels have slowed down. With the exception of China, activity in the construction industry has continued to be good across most markets, driven primarily by ongoing infrastructure investments and by the mining industry, which benefits from continued good commodity prices.

Melker Jernberg, President of Volvo CE, says: “Strong profitability and robust sales like the kind we see this quarter is of course important to us and is a testament to the great products and service solutions we continue to bring to the market. But these results also allow us to maintain our industry lead in the sustainable transformation, increasing our investments into zero emission solutions and demonstrating innovative partnerships in what is no doubt the biggest technological shift ever to happen in our industry.”

For the first quarter this year, Volvo CE increased net sales by 11% to SEK 25,109 M from SEK 22,613 M in Q1, 2022 – with the majority coming from machine sales, while service sales remained flat. Adjusted

operating income amounted to SEK 4,587 M (from SEK 2,810 M), corresponding to an adjusted operating margin of 18.3%, way up from 12.4% last year. Operating income was positively impacted by a favorable brand and product mix, minimally offset by lower volumes, increased material costs and R&D expenses.

Despite net order intake declining this quarter – heavily impacted by an anticipated drop in China following the pre-buy effect of the emissions regulations change that came in at the end of last year – it was North America that saw the most significant increase of 107% driven by a favorable market outlook. Deliveries in China and Brazil slowed down, while deliveries in North America and Europe, excluding the stopped sales in Russia, increased.

Market development

Overall, demand in major markets outside China remained stable this Q1, with notable growth in North America, where many large infrastructure projects and strong commercial construction more than offset a weakness in residential construction amid high interest rates, and in Europe, where construction activity was positively influenced by rental fleet replacements. In South America however, investment levels slowed due to lower business confidence among customers in Brazil. Development in Asia remained flat, due in part to the Chinese market reporting a significant negative correction due to the pre-buy effect of emissions regulations and low economic activity.

While there was fluctuation across the regions, Volvo CE's global investment into sustainable power solutions continued this quarter – including milestone investments into battery pack production at its excavator plant in Changwon, South Korea and into electric wheel loaders at its Arvika facility in Sweden.

Among the launches already this year was the L120H Electric Conversation wheel loader, fulfilling market appetite for more sustainable solutions in the mid-size range. The introduction of electric products in new markets continued, with a notable launch of the zero-emission EC55 Electric excavator in India.

Another significant success this quarter was the CONEXPO trade show in Las Vegas in March, where Volvo CE launched a range of new service offerings in North America such as Connected Map, Task Manager and Global Load Out solutions, all designed to increase connectivity, productivity and sustainability in work site solutions. The event also marked the handover of the first articulated hauler made from fossil-free steel in North America to a customer, CRH (pictured).

Table 1. Volvo Construction Equipment, net sales by market area, in Millions of Swedish Krona

Net sales by market area	First quarter			
	SEK M	2023	2022	Change
Europe	8,610	7,388	17	
North America	6,537	4,762	37	
South America	758	1,090	-30	
Asia	7,098	8,128	-13	
Africa & Oceania	2,106	1,244	69	
Total	25,109	22,613	11	

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Volvo Construction Equipment (Volvo CE) is a global leader in construction solutions, delivering premium products and services that combine power and performance with a more sustainable way of working. We are a company driven by people and together we have a purpose: To build the world we want to live in. Founded in 1832 and with a distribution network across every major market, our many dedicated experts around the world are fulfilling our shared purpose through a focus on sustainability, electromobility and services. As well as our expanding range of electric machines and charging solutions, Volvo CE provides industry-leading haulers, loaders, excavators and much more, all built to suit the demands of our customers' varied construction and infrastructure needs. Volvo CE benefits from being connected to the Volvo Group, which also offers trucks, buses, power solutions for marine and industrial applications, financing and services that increase our customers' uptime and productivity. Through its holistic perspective, Volvo Group is committed to shaping the future landscape of sustainable transport and infrastructure solutions. For further company information and to explore our values further please visit www.volvoce.com