

PRESS RELEASE

Volvo CE's steady Q1 performance impacted by China

Volvo Construction Equipment (Volvo CE) saw a modest increase in net sales for Q1, 2022 in all areas outside of Asia – with its overall growth momentum impacted by the market decline in China, triggered in part by the ongoing Covid-19 restrictions there.



The ongoing pandemic in China has had a significant impact on sales in the construction equipment industry's largest market in the world, leading to a drop of 9% in overall global sales for the first quarter of 2022. However, all other regions have played a strong role in softening the impact by demonstrating a steady increase in sales for the first three months of the year, with South America reporting the highest increase of 62%, North America rising 11%, Africa and Oceania 5% and Europe 2%. Further illustrating the escalating importance of service solutions, service sales have also increased by 17%.

Melker Jernberg, President of Volvo CE, says: "There can be no doubt that the industry and the wider world itself is in the midst of extremely challenging times, but I am proud that we as an organization are tackling these issues head on – supplying our customers with the products and services they need today, while focusing on the tragic humanitarian crises going on around the globe and taking action on urgent climate change. During this difficult period, we are keeping up the speed of transformation to more sustainable construction and infrastructure solutions, helping to decarbonize value chains, all the while safeguarding our communities around the world."

During Q1 2022, Volvo CE saw net sales decrease to SEK 22,613 M from SEK 24,742 M in Q1, 2021. Adjusted operating income amounted to SEK 2,810 M (SEK 3,822 M in Q1, 2021), corresponding to an

adjusted operating margin of 12.4%, down from 15.4%. The operating income has been negatively affected by lower machine volumes and higher material costs, which were partially mitigated by improved price realization and higher service volumes.

The elevated levels of order intake from the same period last year as the world recovered somewhat from the impact of the pandemic, has meant there has been a drop in order intake for Q1, 2022 – declining by 42%. While mainly due to the continued decline in China, order intake has also felt the effect of a cancellation of orders in Russia and restrictive order slotting due to large order books. Effects from a strained supply chain have also led to deliveries decreasing by 33%.

Market development

The European market grew by 13% in the first two months of the year, influenced by a large number of investments in infrastructure and housing, while North America increased by 20% thanks to the high levels of housing construction and manufacturing in the region. Due to the strong demand for commodities, South America has continued its robust rise in market demand with a 45% increase on the same quarter last year. However, all of this has been affected by a 33% decline in the Chinese market, primarily due to a spike in Covid-19 cases that has led to restrictions and lockdowns across the country, but also due to a price pressure that remains primarily on excavators. Asia outside of China has also been negatively impacted by price increases on machines in India, related to new emission regulations, and has reported an 8% fall.

Volvo CE is demonstrating a solid performance during challenging times, while also continuing its evolution as a sustainable leader, not just for the company but for the industry and society as a whole. This quarter marks the successful launch of its first fully electric machine in the Asian market – the ECR25 Electric compact excavator – now available for customers to buy in South Korea and the introduction of a tailored CO₂ Reduction Program aimed at helping customers realize their own unique goals towards carbon neutrality.

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

Net sales by market area SEK M	First quarter		
	2022	2021	Change
Europe	7,388	7,263	2
North America	4,762	4,297	11
South America	1,090	674	62
Asia	8,128	11,319	-28
Africa & Oceania	1,244	1,189	5
Total	22,613	24,742	-9

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Journalists wanting further information, please contact:

Åsa Alström

Head of Strategic Communications

Volvo Construction Equipment

asa.alstrom@volvo.com



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Volvo Construction Equipment (Volvo CE) is a leading international manufacturer of premium construction equipment, and with over 14,000 employees, it is one of the largest companies in the industry. Volvo CE offers a wide range of products and services in more than 140 countries through its global distribution network. Volvo CE is part of the Volvo Group. The Volvo Group drives prosperity through transport and infrastructure solutions, offering trucks, buses, construction equipment, power solutions for marine and industrial applications, financing and services that increase our customers' uptime and productivity. Founded in 1927, the Volvo Group is committed to shaping the future landscape of sustainable transport and infrastructure solutions. The Volvo Group is headquartered in Gothenburg, Sweden, employs almost 100.000 people and serves customers in more than 190 markets. In 2021, net sales amounted to about SEK 372.2 billion (EUR 35.8 billion). Volvo shares are listed on Nasdaq Stockholm.