

PRESSEINFOS

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Volvo Cars Q1 Results: Stable start to 2023, as company continues delivering on ongoing transformation with improved earnings

- Q1 revenue was SEK 95.7 bn (SEK 74.3 bn in Q1 2022)
- Q1 operating income was SEK 5.1 bn (SEK 6.0 bn in Q1 2022)
- Q1 operating income (excluding JVs and associates) was SEK 6.3 bn (SEK 5.9 bn in Q1 2022)
- Q1 EBIT margin was 5.3 per cent (8.1 per cent in Q1 2022)
- Q1 EBIT margin (excluding JVs and associates) was 6.6 per cent (7.9 per cent in Q1 2022)
- Q1 basic earnings per share was SEK 1.21 (SEK 1.29 in Q1 2022)
- Q1 fully electric car sales share at 18 per cent (8 per cent in Q1 2022)

Volvo Cars today reports a 7 per cent increase in operating profits, excluding joint ventures and associates, to SEK 6.3 bn and an EBIT margin of 6.6 per cent for the first quarter of 2023. While delivering improved earnings for the quarter, despite raw material prices remaining at elevated levels and continued turbulence around the world, Volvo Cars' execution engine remains focused on its transformation priorities. The interim report for the first quarter 2023 can be found [here](#).

"We have started 2023 on a stable note, continuing to deliver on our ongoing transformation with increased revenues and core profits in the first quarter," said Jim Rowan, president and chief executive. "With this performance we've laid a strong foundation for the rest of 2023, but we remain ever vigilant amidst the continued turbulence around the world. Our focus is on execution."

During the first quarter, Volvo Cars sales increased 10 per cent compared to the same period last year, with fully electric car sales growing by 157 per cent. This performance took the share of fully electric cars to 18 per cent, versus 8 per cent in the first quarter last year. It demonstrates that Volvo Cars is among the fastest transformers in the industry, while also maintaining price discipline.

This growth was achieved with only two fully electric models – the XC40 and the C40. Volvo Cars will introduce more fully electric cars in the coming years, at least one per year until mid-decade, built on next-generation electrical architectures and core computing technology. This roll-out plan will put the company firmly on course towards its ambitious transformation goals.

The company's new born-electric flagship SUV, the Volvo EX90 that was globally launched last year, has received tremendous reception from customers. This has surpassed the company's boldest and most ambitious internal projections. As a result, Volvo Cars has closed the order book for the time being because the first scheduled production run is sold out, but it will re-open again soon. The strong customer response has given the company renewed confidence in its strategy and roadmap for the future.

Volvo Cars' efforts to reduce CO₂ footprint per car are also progressing according to plan. In the first quarter, CO₂ emissions were 20 per cent lower compared with the 2018 benchmark, supporting the company's mid-decade ambitions of 40 per cent CO₂ reduction per car.

Q1 Operating and financial performance

Revenues for the first three months grew 29 per cent compared to the same period last year to

SEK 96 bn. The increase came on the back of the double-digit growth in retail sales for the quarter versus the corresponding period in 2022.

EBIT during the first quarter, excluding joint ventures and associates, increased 7 per cent compared to the corresponding period last year and reached SEK 6.3 bn. The increase in EBIT was delivered despite raw material prices remaining at elevated levels. This performance was the result of higher volumes sold during the period, increased price realisation per car, a favourable geographical mix and the effects of pricing actions initiated last year, especially in Europe. The company-wide resource optimisation and efficiency initiative is also gathering momentum through direct savings which helped the underlying profitability. The company will continue to focus on this initiative.

2023 – looking ahead to the rest of the year

2023 will be another crucial year in the company's ongoing transformation. In a few months, Volvo Cars will launch a new fully electric small SUV to the world, which will take the company into a new demographic and with a competitive price point. This new car will build on the strong customer response to the Volvo EX90. With these two new state-of-the-art SUVs, Volvo Cars will cover both the top end of the premium electric market as well as the entry level premium segment. Together, they will complement the existing line-up of the fully electric XC40 and C40. This sets the company up for a future with strong growth and improved profitability on fully electric cars.

The company is also gearing up to transform its operations in the United Kingdom, its third largest market by retail sales, from a traditional wholesale business to a direct-to-consumer model by creating a truly omnichannel experience for customers. With volvocars.com as the base and main sales channel, the company will remove administrative burdens and increase overall efficiency in the system, improving the customer experience and at a lower cost for the company over time. The lessons from the UK transformation will be crucial as the company plans for more markets to become direct consumer facing.

But while the direction of travel remains clear, Volvo Cars is also navigating an increasingly turbulent external environment. Overall demand for its cars remains healthy at a global level but it is seeing regional variances and fluctuations. Overall however, the order book size remains stable and at historically strong levels. But as the external environment remains challenging and volatile, the company is monitoring demand and pricing trends closely.

As Volvo Cars has been among the pioneers in the industry-wide transformation towards electrification and core computing technology, it was hit more adversely as costs for lithium skyrocketed 800 per cent over the last two years. But it is now beginning to see lithium prices declining, which should improve underlying profitability on electric cars. While the full effect of this price decline will not be fully felt until a few months from now due to time lag and price indexation, the trend is positive.

Manufacturing has also continued to improve from the fourth quarter onwards last year. In the first three months of 2023, the company produced 9 per cent more cars, including Polestar cars, than in the corresponding quarter last year. Though some shortages continue and will still affect production during the second quarter of this year, the company is cautiously optimistic about 2023. If there are no unexpected supply chain disruptions, Volvo Cars expects a solid double-digit growth in retail sales for the year and a continued growth of fully electric car sales, taking their share even higher than last year's share of 11 per cent.

The macroeconomic backdrop remains challenging. But Volvo Cars is confident that it can navigate these headwinds and deliver on its transformation. The company's efforts on cost efficiencies and resource optimisation have started to materialize in certain areas, including a greater focus on the competencies and cost structures it will need for the future and the transformation. Given the long-term nature of the headwinds the industry is likely to face, Volvo Cars is also evaluating the need for further targeted cost actions that are sustainable over time and that will contribute to growth. Volvo Cars remains steadfast on the efficiency and productivity initiative, aiming to reinforce a cost-conscious mindset throughout the company and its supplier base.

To sum up, Volvo Cars' transformation engine is gathering speed as the company strives to be a leader in next-generation mobility. The Volvo car of the future will be fully electric, safer than ever, increasingly sold online, powered by cutting-edge core computers, running on in-house developed software, and will improve over time thanks to regular over-the-air updates.

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Volvo Cars in 2022

For the full year 2022, Volvo Car Group recorded an operating profit of SEK 22.3 billion. Revenue in 2022 amounted to SEK 330.1 billion, while global sales reached 615,121 cars.

About Volvo Car Group

Volvo Cars was founded in 1927. Today, it is one of the most well-known and respected car brands in the world with sales to customers in more than 100 countries. Volvo Cars is listed on the Nasdaq Stockholm exchange, where it is traded under the ticker "VOLCAR B".

"For life. To give people the freedom to move in a personal, sustainable and safe way." This purpose is reflected in Volvo Cars' ambition to become a fully electric car maker by 2030 and in its commitment to an ongoing reduction of its carbon footprint, with the ambition to be a climate-neutral company by 2040.

As of December 2022, Volvo Cars employed approximately 43,200 full-time employees. Volvo Cars' head office, product development, marketing and administration functions are mainly located in Gothenburg, Sweden. Volvo Cars' production plants are located in Gothenburg, Ghent (Belgium), South Carolina (US), Chengdu, Daqing and Taizhou (China). The company also has R&D and design centres in Gothenburg, Camarillo (US) and Shanghai (China).

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