



Volvo Bus Corporation

## Press Information

# Difficult market conditions impacted profitability in Volvo Buses

**In the first quarter, operating income declined to SEK 62 M (303). Operating income was negatively affected by pricing pressure in Europe as well as low capacity utilization in the manufacturing system in Europe and Brazil. Net sales increased by 10% and were driven by significantly higher deliveries in Brazil in connection to the new, stricter emission regulation.**

The global bus market is recovering in varying degrees. In Europe, volumes are lower compared to 2011. The number of registrations in southern Europe has declined significantly. The market is characterized by tough competition in all tenders.

In North America, the overall bus market remained weak and operators are restrictive with their investments. The South American market displayed a decline following the prebuy of buses in 2011 prior to the introduction of the Euro V emission regulations at the end of the year. The bus market in Mexico remained weak and largely reflects the trend in the US.

In Asia and the Pacific area, dampened demand for new buses was reported. China continued to grow in all segments. In India the market for heavy buses increased 38% during the first quarter of 2012.

### **Lower order intake**

Deliveries during the first quarter of 2012 amounted to 2,800 buses, compared with 2,533 in the year-earlier period, up 11%. South America also accounts for the largest increase in this quarter. One of the reasons is higher deliveries of the front-engine buses that were introduced in 2011.

The order intake for the first quarter amounted to 2,256 buses, compared with 2,369 in the year-earlier period, down 5%. During the first quarter, 184 hybrid orders were signed in the UK, of which the largest order to date is 77 double-decker buses for Arriva in London.

### **Higher sales but lower operating income**

In the first quarter, net sales increased by 10% to SEK 5,224 M (4,742). Adjusted for currency fluctuations, net sales increased by 7%. The increase was driven by

significantly higher deliveries in Brazil in connection to the new, stricter emission regulation.

Operating income declined to SEK 62 M (303). Operating income was negatively affected by pricing pressure in Europe as well as low capacity utilization in the manufacturing system in Europe and Brazil. Compared with the first quarter of 2011, currency fluctuations had a positive impact on operating income in an amount of SEK 101 M. The operating margin declined to 1.2% (6.4).

The first quarter of 2011 included a positive impact of SEK 80 M from the recognition of VAT credits in Brazil relating to previous years.

- Operating margin declined to 1.2%
- Order for 184 hybrids for the UK

Net sales by market area	First quarter		Change in %
	2012	2011	
<b>SEK M</b>			
Europe	<b>1,197</b>	1,322	(9)
North America	<b>1,831</b>	1,656	11
South America	<b>1,110</b>	349	218
Asia	<b>669</b>	892	(25)
Other markets	<b>417</b>	524	(20)
<b>Total</b>	<b>5,224</b>	<b>4,742</b>	<b>10</b>

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Volvo Bus Corporation is one of the the world's largest manufacturer of large buses and coaches. The range comprises complete vehicles, chassis, bus bodies, transport system solutions for metropolitan traffic, leasing, financing and service contract maintenance. Volvo Bus Corporation is part of the Volvo Group, one of the world's leading manufacturers of trucks, buses and construction equipment, drive systems for marine and industrial applications, aerospace components and services. The Group also provides complete solutions for financing and service.