PRESS RELEASE

Volvo Construction Equipment refocuses its presence in China – divests its shares in SDLG

Volvo Construction Equipment (Volvo CE) has signed a contract to sell its ownership in China-based SDLG (Shandong Lingong Construction Machinery Co) to a fund predominantly owned by the Lingong Group (LGG) for SEK 8 billion (6 billion RMB.) The transaction is expected to have a positive effect of SEK 1 billion on operating income at the time of closing, subject to currency fluctuations. Going forward, Volvo CE will be targeting focused customer segments in China and enhance its utilization of the Chinese supplier eco system.

Volvo CE will:

- Sell its entire stake of 70% of the shares in SDLG to a fund predominantly owned by the SDLG minority owner LGG
- Focus on offering Volvo branded premium products and services to focused customer segments in China
- Utilize its system in China as a production and development center serving both the domestic and export markets

In 2006, Volvo CE acquired a majority stake in SDLG, with LGG as a minority shareholder. The strategic investment gave Volvo CE access to the important domestic Chinese construction equipment market. The SDLG collaboration has been successful, but for strategic reasons Volvo and LGG now believe it would be mutually beneficial to pursue independent business strategies. Therefore, the parties have agreed that a fund predominantly owned by LGG will take ownership of Volvo's SDLG shares. In 2024, the SDLG revenue contribution was approximately 2% of Volvo Group turnover with an insignificant impact on the Volvo Group's operating income.

The transaction is currently estimated to have a positive effect on the segment Construction Equipment's operating income of SEK 1 billion at the time of closing, subject to fluctuations in currency exchange rates up to the time of closing. Closing is expected to occur in the second half of 2025, subject to regulatory approvals and other conditions. The effect will be excluded from adjusted operating income. The transaction is also expected to have a negative tax impact of SEK 1.6 billion, subject to currency fluctuations.

Melker Jernberg, Head of Volvo CE, says "SDLG has served us well since 2006. However, with increasing competition, the need to transform to new technologies as well as strengthening the interaction with customers, we need to re-focus. China remains an important market for us, and we aim to capitalize on our opportunities by focusing on sustainable solutions in targeted segments. We also plan to leverage the excellent industrial system in China."

Premium products and services for specific targeted segments

Volvo CE will maintain its strategic focus on leading the development of sustainable solutions within the Chinese construction industry, targeting key segments such as mining, quarry & aggregates, and heavy infrastructure. The emphasis will be on providing tailored and comprehensive solutions that address specific customer needs while developing a sustainable distribution roadmap suited to the highly competitive landscape.

The operations in China serve as a globally competitive production and development center, catering both domestic and export markets. To leverage the quality and cost advantages present in the competitive industrial environment, Volvo CE has operated an excavator production facility in Shanghai since 2002 and has recently announced the establishment of new production lines. Moving forward, China will remain a crucial component of the value chain and a base for numerous suppliers, both domestic and international.

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