Press release from AB Volvo's Remuneration Committee

The remuneration to the executive management of the Volvo Group is lower than in comparable companies. This is confirmed by a study carried out by the Group's Remuneration Committee. Accordingly, the Board is proposing to the Annual General Meeting to decide that the ceiling be raised for remuneration including the variable salary of about 250 senior executives and for the share program that also encompasses them. The proposal is supported by Volvo's largest shareholders, representing slightly more than 53% of the total number of votes.
"We must ensure that we can retain key persons among Volvo's senior executives and this is not less important in bad times, more to the contrary," says Finn Johnsson, Chairman of Volvo's Remuneration Committee.

Raising the ceiling for the variable salary portion means that the Volvo Group is approaching the level prevailing in other large companies in Sweden and abroad where Volvo has operations. Following the proposed increase, it will be easier for the Volvo Group, which is Sweden's largest exchange-listed company and Europe's largest truck manufacturer, to recruit and retain managers on the global labor market.

The Board's proposal means that the ceiling for remuneration including about 250 senior executives' performance-based variable salary is increased from 50% to a maximum of 60% of fixed salary in 2009. The increase of the variable salary does not apply to the CEO, who currently has a variable salary that can amount to a maximum of 65%. In principle, there will be no adjustment of the fixed salaries of senior executives of the Volvo Group in 2009.

In addition to increasing the variable salary, the Board also proposes that the maximum allotment of shares in the share program for the Group's senior executives, including the CEO, is raised by 50%. Based on a share price of SEK 40, the total value of the new program at full allotment would be SEK 177 M, compared with the total value for the allotment in 2007 that amounted to about SEK 227 M.

"We have strong and attractive managers in Volvo and the senior executives the changes encompass include some of our absolutely most important leaders, now and in the future – it is the Board's duty to ensure that the company also succeeds with retaining them," says Finn Johnsson.

The Group Executive Committee, including CEO Leif Johansson, currently receives salaries comprising a fixed component and a variable component linked to performance. The variable salary portion is linked to operating income and cash flow during each month and quarter. When certain goals are achieved for operating income, and cash flow is positive, a variable salary is paid. If the goals are not met, no variable salary is paid, which is reflected directly in reduced costs for the company. The variable salary portion is paid out directly in conjunction with the concluded month and quarter.

"The fourth quarter of 2008 is a good example that the variable salary has an effect," says Finn Johnsson. "Despite the dramatic slowdown, the Volvo Group succeeded in reducing its inventories and as a result posted a positive cash flow, which not all of our competitors succeeded in accomplishing so well."

During 2008, the CEO received a variable salary for the two first highly successful quarters. In the third and fourth quarter, when markets weakened and earnings fell, in principle no variable salary was paid. For the CEO, this means that for 2008, including the share-based incentive program, he received in total 22% less remuneration than in 2007. This despite that based on earnings 2008 was the fourth best year in the Group's history.

The Volvo Group's share-based incentive program encompasses about 250 of the Group's senior managers. The program is based on return on equity and a first allotment of shares is made first after return exceeds 12%. Maximum allotment occurs at 15%. In 2008, the return amounted to 12.1%, that is, just above the limit when there is initially an allotment. The Board proposes, in addition to an increase in the maximum number of shares that may be allotted, that the previous one-year share program shall instead apply to the three fiscal years 2009, 2010 and 2011.

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For more information, please contact Finn Johnsson, Chairman of Volvo's Remuneration Committee, tel +46 31 66 13 73.