



AB Volvo

## Press Information

# Mack and UAW reach tentative agreement including creation of independent retiree healthcare trust

**Mack Trucks, Inc. and the United Auto Workers union have reached a tentative agreement on a new 40-month Master Agreement. The agreement includes the creation of a trust that would completely eliminate Mack's health care liabilities for retirees. If approved by the UAW members, the agreement would have a negative impact on the Volvo Group's operating income of approximately \$110 million in the second quarter 2009.**

The tentative agreement includes a successor collective bargaining agreement, and the creation of a UAW-managed independent trust, known as a Voluntary Employee Beneficiary Association (VEBA). The VEBA would permanently assume the sole obligation of providing retiree health benefits to current and future Mack retirees, spouses, surviving spouses, and their dependents. The successor collective bargaining agreement and the VEBA are conditional on ratification by the UAW membership. Thereafter, the VEBA will be subject to an Approval Order from the U.S. District Court for the Eastern District of Pennsylvania, which could take up to 12 months.

Mack's parent company, Sweden-based AB Volvo, has agreed to fund the VEBA with \$525 million in cash, which would be paid in equal installments over a five-year period. The first payment would be made no earlier than July 1, 2010. If the agreement is ratified by the UAW membership, the Volvo Group will have a negative impact on operating income of approximately \$110 million in the second quarter 2009, and a negative impact on the Volvo Group's net debt of an equal amount.

The establishment of the VEBA would allow for continued health care benefits for current Mack-UAW retirees, surviving spouses and dependents (about 9,000 people in total), as well as for future UAW retirees, while eliminating Mack's health care liabilities for this group.

Further comment about the proposed Master Agreement is being withheld pending ratification by the various local bargaining units. The ratification meetings are being scheduled by the UAW, and will be held within the next few weeks.

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The Volvo Group is 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. The Volvo Group, which employs about 100,000 people, has production facilities in 19 countries and sells their products in more than 180 markets. Annual sales of the Volvo Group amount to about SEK 300 billion. The Volvo Group is a publicly-held company headquartered in Göteborg, Sweden. Volvo shares are listed on OMX Nordic Exchange Stockholm.

AB Volvo (publ) may be required to disclose the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 08.30 a.m. CET, 18 May, 2009.