



AB Volvo

Press Information

Volvo signs final agreement with Indian vehicle manufacturer Eicher

The Volvo Group has signed a final agreement with the Indian vehicle manufacturer Eicher Motors covering establishment of a new Indian joint-venture company. As announced previously, the joint venture, with the proposed name VE Commercial Vehicles Ltd. comprises Eicher Motors' entire truck and bus operations and the Volvo Group's Indian truck sales operations and service network for trucks and buses.

In accordance with the agreement, Eicher Motors transfers its entire truck and bus operations and its components business as well as operations within technical consulting services to VE Commercial Vehicles. Eicher Motors' production of motorcycles will not be included.

As announced earlier, Volvo will have direct ownership of 45.6% of the joint-venture company. Volvo is also acquiring 8.1% of Eicher Motors Limited from the majority owner and consequently gains a direct and indirect ownership interest of 50% in VE Commercial Vehicles.

The Volvo Group will pay a total of SEK 1 840M for the 50% direct and indirect ownership of the joint-venture company. SEK 1 510M is provided the joint venture in cash and the remaining SEK 330M comprises a SEK 220M payment for the 8.1% in Eicher Motors Limited and SEK 110M in consideration for a competition clause in which Eicher Motors Limited and its majority owner undertake not to compete with the joint-venture company or its operations. In addition, Volvo is transferring its Indian truck dealer network and its Indian truck and bus service network to the joint-venture company.

“This agreement provides a very solid platform for further growth on the Indian market for heavy trucks, which is the fourth largest in the world,” says Pär Östberg, member of the Volvo Group Executive Management and responsible for the Group's Asian truck operations.

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“India is investing heavily in improving its infrastructure and together with Eicher we have highly favorable conditions to further strengthen our position on the Indian market.”

Among other aspects, the transaction is conditional on approval of the requisite authorities and the goal is to complete the transaction so that Volvo’s 50% interest in the joint-venture company can be consolidated during the third quarter of this year. Short term, the transaction is expected to have only marginal effect on the Volvo Group’s profitability, financial position and earnings per share.

The operations within Eicher Motors intended to be transferred to the joint-venture company reported sales in the fiscal year ended March 31, 2008 of some SEK 3.3 billion and operating income of about SEK 135 M.

May 26, 2008

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Visit <http://www.thenewsmarket.com/volvogroup> to access broadcast-standard video from Volvo Group. You can preview and request video, and choose to receive as a MPEG2 file or by Beta SP tape. Registration and video is free to the media.

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 285 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 07.30 a.m. May 26, 2008.