

The Board of Directors' of AB Volvo complete proposals to the Annual General meeting 2007

Point 10 in the notice: The disposition to be made of the Company's profits

The Board of Directors proposes that a dividend of SEK 25.00 per share shall be paid in cash. April 11, 2007 is proposed as the record date to receive the cash dividend. Payment of the cash dividend is expected to occur through VPC AB (Swedish Central Security Depository) on April 16, 2007. The Board has, by reason of its proposal on the dividend and its proposal under Point 18 below on the adoption of an automatic redemption procedure, made the following statement pursuant to Chapter 18, Section 4 and Chapter 20, Section 8 of the Swedish Companies Act.

The proposed ordinary dividend and the proposed reduction of the share capital for repayment to the shareholders reduces the Company's solvency from 85.3% to 77.4% and the Group's, excluding Financial Services, solvency from 43.5% to 37.2%, calculated as per year end 2006. The Board of Directors considers this solvency to be satisfactory with regard to the business in which the Group is active. According to the Board of Directors' opinion, the proposed ordinary dividend and the proposed reduction of the share capital for repayment to the shareholders will not affect the Company's or the Group's ability to fulfil their payment obligations and the Company and the Group are well prepared to handle both changes in the liquidity and unexpected events. The Board of Directors is of the opinion that the Company and the Group have capacity to take future business risks as well as to bear contingent losses. The proposed ordinary dividend and the proposed reduction of the share capital for repayment to the shareholders will not negatively affect the Company's and the Group's ability to make further commercially justified investments in accordance with the Board of Directors' plans.

In addition to what has been stated above, the Board of Directors has considered other known circumstances which may be of importance for the Company's and the Group's financial position. In doing so, no circumstance has appeared that does not justify the proposed ordinary dividend and the proposed reduction of the share capital for repayment to the shareholders. If the Annual General Meeting resolves in accordance with the Board of Directors' proposals regarding ordinary dividend, reduction of the share capital for repayment to the shareholders and bonus issue, SEK 18,680 M will remain of the Company's non-restricted equity, calculated at year end 2006.

The Board of Directors has the view that the Company's and the Group's shareholders' equity will, after the proposed ordinary dividend and the proposed reduction of the share capital with repayment to the shareholders, be sufficient in relation to the nature, scope and risks of the business.

Had the assets and liabilities not been estimated at their market value pursuant to Chapter 4, Section 14 of the Swedish Annual Accounts Act, the Company's shareholders' equity would have been SEK 475,922,222.00 less.

Point 18 in the notice: The Board of Directors' proposal for an automatic redemption procedure, including

- A. an amendment to the Articles of Association,
- B. a share split,
- C. a reduction of the share capital through redemption of shares,
- D. a bonus issue and
- E. an authorization to make adjustments

Background

Against the background of the Group's profitability and capacity to generate free cash-flow the Board of Directors of Aktiebolaget Volvo ("the Company") proposes that the Annual General Meeting resolves to implement an automatic redemption of shares. According to this procedure each share is to be divided into six shares (share split 6:1), each share with a quota value of SEK 1, of which one share will be redeemed at SEK 25 and, as a result, a total amount of SEK 10,119,964,7501 will be distributed to the shareholders. To make it possible to distribute funds in an easy and time-efficient way, the Board of Directors further proposes that a bonus issue be implemented by a transfer of SEK 425,684,044 from the Company's non-restricted equity to the share capital. For these reasons, the Board of Directors proposes that the General Meeting decides in accordance with the following proposal.

A. Change of the Articles of Association

The Board of Directors proposes that the wording of the Articles of Association be changed, to the effect that the permitted range of the number of shares be increased from a minimum of 300,000,000 and a maximum of 1,200,000,000 to a minimum of 1,000,000,000 and a maximum of 4,000,000,000 (Section 4).

B. Share split

The Board of Directors proposes that the quota value of the share (the share capital divided by the number of shares) is changed by way of a so called share split, so that each share be divided into six shares, of which one is to be named redemption share in the VPC system and be redeemed in the manner described under Section C. below. The record day at VPC AB (the Swedish Central Security Depository) for implementation of the share split is set to 30 April 2007. After implementation of the share split, the number of shares in the Company will increase from 425,684,044 to 2,554,104,264, each share with a quota value of SEK 1.

C. Reduction of the share capital for repayment to the shareholders

The Board of Directors proposes that the Annual General Meeting resolves that the share capital of the Company be reduced for repayment to the shareholders by SEK 425,684,044 (the reduction amount) by way of redemption of 425,684,044 shares, of which 135,520,326 are shares of series A and 290,163,718 are shares of series B. The shares that are to be redeemed are the shares which, after implementation of the share split in accordance with Section B. above, are named redemption shares in the VPC system, whereby the record day for the right to receive redemption shares according to Section B. above is set to 30 April 2007.

The purpose of the reduction of the share capital is repayment to the shareholders and, to the extent that the reduction of the share capital is implemented by way of redemption of shares held by the Company, for transfer to a fund to be used pursuant to a resolution adopted by the General Meeting.

For each redeemed share (irrespective of the series of shares) a redemption price of SEK 25 is to be paid in cash, of which SEK 24 exceeds the quota value of the share. In addition to the reduction amount, a total amount of SEK 9,715,166,1602 will be distributed, by use of the Company's non-restricted equity. Payment for the redeemed shares is to be made as early as possible, however not later than ten banking days after the Swedish Companies Registration Office's registration of all resolutions pursuant to Sections A. – D.

After implementation of the reduction of the share capital, the Company's share capital will amount to SEK 2,128,420,220 divided on, in total, 2,128,420,220 shares, of which 677,601,630 are shares of series A and 1,450,818,590 are shares of series B, each share with a quota value of SEK 1. Apart from the reduction of the share capital, the Company's restricted shareholders' equity will not be affected.

As its statement pursuant to Chapter 20, Section 13, fourth paragraph of the Swedish Companies Act, the Board of Directors states the following. The resolution on reduction of the share capital for repayment to the shareholders by redemption of shares according to this Section C. may be implemented without obtaining the Swedish Companies Registration Office's or a general court's permission, since the Company at the same time implements a bonus issue according to Section D. below, which implies that neither the Company's restricted shareholders' equity, nor its share capital will be reduced. The effect of the reduction of the share capital and of the bonus issue on the Company's restricted shareholders' equity and the share capital appears, in so far as concerns the reduction, from what is stated in the preceding paragraph and, in so far as concerns the bonus issue, from what is stated in Section D. below.

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1. This amount may increase if the Company's holding of treasury shares decreases. The Company's treasury shares do not carry any right to repayment. The distributed amount will not be more than SEK 10,139,533,500.
 2. Calculated on the number of outstanding shares per 31 December 2006, at which time the Company held 20,885,454 treasury shares. The Company may dispose of treasury shares in connection with the ongoing incentive programmes, in which case the total redemption price will increase. The total redemption price can amount to maximum SEK 10,139,533,500.

The Board of Directors' statement pursuant to Chapter 20, Section 8 of the Swedish Companies Act is enclosed as Appendix 1.

D. Increase of the share capital by way of a bonus issue

The Board of Directors further proposes that the Annual General Meeting resolves that the share capital of the Company be increased by way of a bonus issue by SEK 425,684,044 to SEK 2,554,104,264, by a transfer of SEK 425,684,044 from the non-restricted equity. No new shares are to be issued in connection with the increase of the share capital.

The number of shares of the Company will, after implementation of the increase of the share capital, be 2,128,420,220, of which 677,601,630 are shares of series A and 1,450,818,590 are shares of series B, each share with a quota value of SEK 1.20.

Resolutions adopted by the Annual General Meeting pursuant to Sections A. – D. above are to be adopted as one single resolution. To be valid, the General Meeting's resolution must be supported by shareholders holding at least two thirds of both the votes cast and the shares represented at the Meeting.

Finally, the Board of Directors proposes that the Annual General Meeting resolves to authorise the Company's CEO to make such minor adjustments of the resolutions pursuant to Sections A. – D. above that may be required in connection with the registration of the resolutions by the Swedish Companies Registration Office or VPC AB.

The Board of Directors' of Aktiebolaget Volvo statement pursuant to Chapter 18, Section 4 and Chapter 20, Section 8 of the Swedish Companies Act (2005:551). (Enclosure 1 to the proposal).

In view of the Board of Director's proposal to the Annual General Meeting to be held 4 April 2007 to decide on the distribution of an ordinary dividend of SEK 25 and on an automatic redemption of shares, including a reduction of the share capital for repayment to the shareholders, the Board hereby makes the following statement.

The proposed ordinary dividend and the proposed reduction of the share capital for repayment to the shareholders reduces the Company's solvency from 85.3 per cent to 77.4 per cent and the Group's, excluding Financial Services, solvency from 43.5 per cent to 37.2 per cent, calculated as per year end 2006. The Board of Directors considers this solvency to be satisfactory with regard to the business in which the Group is active.

According to the Board of Directors' opinion, the proposed ordinary dividend and the proposed reduction of the share capital for repayment to the shareholders will not affect the Company's or the Group's ability to fulfil their payment obligations and the Company and the Group are well prepared to handle both changes in the liquidity and unexpected events.

The Board of Directors is of the opinion that the Company and the Group have capacity to take future business risks as well as to bear contingent losses. The proposed ordinary dividend and the proposed reduction of the share capital for repayment to the shareholders will not negatively affect the Company's and the Group's ability to make further commercially justified investments in accordance with the Board of Directors' plans.

In addition to what has been stated above, the Board of Directors has considered other known circumstances which may be of importance for the Company's and the Group's financial position. In doing so, no circumstance has appeared that does not justify the proposed ordinary dividend and the proposed reduction of the share capital for repayment to the shareholders.

If the Annual General Meeting resolves in accordance with the Board of Directors' proposals regarding ordinary dividend, reduction of the share capital for repayment to the shareholders and bonus issue, SEK 18,680 M will remain of the Company's non-restricted equity, calculated as per year end 2006.

The Board of Directors has the view that the Company's and the Group's shareholders' equity will, after the proposed ordinary dividend and the proposed reduction of the share capital with repayment to the shareholders, be sufficient in relation to the nature, scope and risks of the business.

Had the assets and liabilities which have been estimated at their market value pursuant to Chapter 4, Section 14 of the Swedish Annual Accounts Act instead been estimated at the lower cost principle, the company's shareholders' equity would have been SEK 475,922,222 less.

Point 19 in the notice: The Board of Directors' proposal for a decision on the adoption of a Remuneration Policy for senior executives

This Policy concerns the remuneration and other terms of employment for the Group Executive Committee of the Volvo Group. The members of the Group Executive Committee, including the President and the Executive Vice President are in the following referred to as the "Executives".

This Policy will be valid for employment agreements entered into after the approval of the Policy by the Annual General Meeting and for changes made to existing employment agreements thereafter.

1. Guiding principles for remuneration and other terms of employment

The guiding principle is that the remuneration and the other terms of employment for the Executives shall be competitive in order to ensure that the Volvo Group can attract and retain competent Executives.

The annual report 2006 sets out details on the total remuneration and benefits awarded to the Executives during 2006.

2. The principles for fixed salaries

The Executive's fixed salary shall be competitive and based on the individual Executive's responsibilities and performance.

3. The principal terms of variable salary and incentive schemes, including the relation between fixed and variable components of the remuneration and the linkage between performance and remuneration

The Executives may receive variable salaries in addition to fixed salaries. The variable salary may amount to a maximum of 50% of the fixed annual salary.

The variable salary may be based on i.a. the performance of the entire Volvo Group or the performance of the Business Area or Business Unit where the Executive is employed. The performance will be related to the fulfilment of various improvement targets or the attainment of certain financial objectives. Such targets will be set by the Board and may relate to i.a. operating income or cash flow.

On a yearly basis, the Board will evaluate whether a share or share-price related incentive program will be proposed to the Annual General Meeting or not. The Annual General Meeting decides upon such programs. In the report on 2006 operations released on February 2, 2007, it was announced that the Board of Directors has decided to propose that the Annual General Meeting 2007 approve the adoption of a share-based incentive program relating to the financial year 2007.

The Executives are also participating in Volvo's Profit Sharing Program (VPS), which applies to the majority of the Volvo Group's employees and which can give a maximum individual result of SEK 8,500 per year, provided AB Volvo's return on equity (ROE) amounts to 20% or more. Results under VPS are principally placed in Volvo shares and they can be disposed of on the individual level after three years, at the earliest.

4. The principal terms of non-monetary benefits, pension, notice of termination and severance pay

4.1 Non-monetary benefits

The Executives will be entitled to customary non-monetary benefits such as company cars and company health care. In addition thereto in individual cases company housing and other benefits may also be offered.

4.2 Pension

In addition to pension benefits which the Executives are entitled to according to law and collective bargaining agreements, Executives resident in Sweden may be offered defined-contribution plans with annual premiums amounting to SEK 30,000 plus 20% of the pensionable salary over 30 income base amounts. In the defined-contribution plan, the pension earned will correspond to the sum of paid-in premiums and possible return without any guaranteed level of pension received by the employee. In the defined-contribution plan, no definite retirement date is set.

Some of the Executives have earlier been entitled to defined-benefit pension plans, but the majority of the Executives have re-negotiated these to the new system of defined-contribution plans. In connection therewith, agreements have in some cases been reached on individual adjusting premiums in accordance with actuarial calculations.

Previous pension agreements for certain Executives stipulated that early retirement could be obtained from the age of 60. Such agreements are no longer signed and the majority of the Executives that earlier were entitled to such defined-benefits pension plans have agreed to exchange these for defined-contribution plans without any defined point of time for retirement. The premium amounts to 10% of the pensionable salary plus individual adjusting premiums based on actuarial calculations in some cases.

Executives resident outside Sweden may be offered pension benefits that are competitive in the country where the Executives are resident, preferably defined-contribution plans.

4.3 Notice of termination and severance pay

For Executives resident in Sweden, the termination period from the Company will be 12 months and 6 months from the Executive. In addition thereto, the Executive, provided that termination has been made by the Company, will be entitled to 12 months severance pay.

Executives resident outside Sweden may be offered notice periods for termination and severance payment that are competitive in the country where the Executives are resident, preferably solutions comparable to the solutions applied to Executives resident in Sweden.

5. The Board's preparation and decision-making on issues concerning remuneration and other terms of employment for the Group Executive Committee

The Remuneration Committee recommends and the Board decides, on the remuneration and other terms of employment for the President and the Executive Vice President. The Remuneration Committee decides on the remuneration and other terms of employment for the other members of the Group Executive Committee, in accordance with the principles decided by the Board.

The Remuneration Committee is further responsible for the review and recommendation to the Board of share and share-price related incentive programs to be decided upon by the Annual General Meeting.

6. Deviations from this Policy

The Board of Directors may deviate from this Policy, except as regards point 3, third paragraph, if there are specific reasons to do so in an individual case.

7. Deviations from an earlier approved Policy

This Policy does not contain any material deviations from the Policy approved by the Annual General Meeting 2006.

8. Information on earlier decisions on remuneration that has not become due for payment at the time of the Annual General Meeting's consideration of this Policy

The decisions already taken on remuneration to the Executives fall within the frames of this policy, except that some of the Executives have a right to receive 24 months severance pay provided they are above 50 years of age. Further, some Executives have outstanding rights under the employee stock option program under which

options were allotted in May 2003. The options may be exercised until May 2008. Information on that program can be found on the Corporate Governance website.

Point 20 in the notice: The Board of Directors' proposal for a decision on

A. a share-based incentive program 2007/2008 for senior executives, and
B. the transfer of repurchased shares in the Company to the participants in the program

A. The Board proposes, after preparation of the proposal by the Remuneration Committee, that the Annual General Meeting should approve to implement a share-based incentive program during the second financial quarter 2007 (below referred to as the "Program") for senior executives within the Volvo Group. The reason for the proposal is that the Board considers it to be in the interest of the company that the senior executives are given personal incentives that are linked to the financial performance of the Volvo Group. The conditions for the Program are as follows.

1. Under the Program, a maximum of 518,000 Series B Volvo shares can be allotted to a maximum of 240 senior executives, including the members of the Group Executive Committee and other executives nominated by the Board (the "Participants"), during the first six months 2008. The number of shares to be allotted shall be related to the degree of fulfilment of certain financial goals for the financial year 2007 determined by the Board.

2. Preferential rights to acquire shares shall accrue to the Participants. Over-subscription is not permitted. The President and CEO Leif Johansson may receive a maximum of 8,000 shares while the other Participants may receive a maximum of 2,000 – 4,000 shares each.

3. Participants not resident in Sweden at the time of allotment shall, instead of shares, receive an amount in cash corresponding to the market value of the shares at the time of allotment.

4. The Participants shall not pay anything for their rights under the Program.

5. The shares to be allotted under the Program shall be existing shares. The company may fulfil its obligations to deliver shares under the Program either through a third party, which would acquire and transfer the shares in its own name, or, subject to the approval by the Annual General Meeting in accordance with item B. below, by transferring shares held by AB Volvo in the company.

6.A Participant may receive shares or cash only if the Participant remains employed within the Volvo Group at the time of allotment. However, if the Participant retires with pension before allotment, he or she shall be entitled to receive shares or cash notwithstanding such retirement.

7. Shares may be transferred on one or more occasions.

8. The chairman of the Board is entitled to determine additional terms for the Program.

9. Assuming that the maximum amount of shares (518,000) will be allotted, the company's cost for the Program will amount to a maximum of 287 million kronor including social fees, calculated on a share price at implementation of the Program of 480 kronor.

If the Annual General Meeting approves the proposal made by the Board of Directors of a 6:1 share split combined with redemption of every sixth share and a bonus issue, then all amounts of shares set out above shall be multiplied by five.

B. The Board further proposes that the Annual General Meeting should approve the transfer of shares in the company held by the company itself at any time to the Participants in order to fulfil the company's undertakings in accordance with the Program on the following terms.

1. Not more than 518,000 Series B shares may be transferred.
2. Preferential rights to acquire shares shall accrue to the Participants who are entitled to acquire shares in accordance with the terms and conditions of the Program. Over subscription is not permitted.
3. The preferential rights of Participants to acquire shares are to be exercised during the first six months 2008.
4. The Participants shall not pay anything for the shares acquired under the Program.
5. Shares may be transferred on one or more occasions.

If the Annual General Meeting approves the proposal made by the Board of Directors of a 6:1 share split combined with redemption of every sixth share and a bonus issue, then the amount of shares set out above shall be multiplied by five.

The reason for deviation from shareholders' preferential rights is to minimize the cash flow effects of fulfilling the commitments under the Program.

If a decision by the General Meeting regarding the Board's proposal under item B is to be valid, the decision must be supported by shareholders with at least nine-tenths of both the votes cast and the shares represented at the General Meeting.