

**Minutes of the Annual General Meeting of Shareholders in Aktiebolaget Volvo (publ) held on Wednesday, April 4, 2007.**

Through advertisements inserted in *Göteborgs-Posten*, *Dagens Nyheter*, *Sydsvenska Dagbladet* and *Post- och Inrikes Tidningar* (Swedish Official Gazette) on March 5, 2007, the shareholders in Aktiebolaget Volvo were notified to attend the Annual General Meeting in Lisebergshallen, Göteborg, on this date at 3:00 p.m.

- § 1 The Meeting was opened by Board Chairman Finn Johnsson.
- § 2 Attorney Sven Unger was appointed Chairman of the Meeting. The undersigned, Eva Persson, was requested to serve as secretary and minutes keeper.

The Chairman announced that the minutes would be disclosed publicly on the company's website.

At the request of the Chairman, the Meeting approved that functionaries and representatives from the mass media that are not registered shareholders could participate in the Meeting.

- § 3 A list was presented of the registered shareholders with information about the number of shares, of which each carried entitlement to vote. The list, after adjustment for absent registered shareholders, was approved as the voting list for the Meeting, Appendix A.

It was noted that Board members Peter Bijur, Per-Olof Eriksson, Tom Hedelius, Leif Johansson, Finn Johnsson, Philippe Klein, Louis Schweitzer, Ying Yeh, Martin Linder, Olle Ludvigsson and Johnny Rönkvist as well as deputy members Margareta Öhlin and Berth Thulin were present at the Meeting. In addition auditors Göran Tidström and Olle Karlsson were present, representing the company's auditors PricewaterhouseCoopers AB.

- § 4 The agenda, Appendix B, was approved as presented.
- § 5 Jointly with the Chairman, Björn Lind and Eva Halvarsson were appointed to attest the minutes. Authorized Public Accountants Göran Tidström, Olle Karlsson, Bo Karlsson and Johan Rippe were appointed to serve as vote checkers in the event of any voting.
- § 6 The matter of whether the Meeting had been duly convened was presented for resolution. Those present resolved that the Meeting had been duly convened with respect to time and proper notification.
- § 7 The work of the Board and the Board's committees was presented by Board Chairman Finn Johnsson. Concurrently, the motivation for the Board's proposals under points 18 and 20 of the agenda was presented.

- § 8 The annual report, audit report, consolidated accounts and the consolidated audit report were presented for fiscal year 2006. In conjunction with this, Authorized Public Accountant Göran Tidström presented a report on the auditing work and CEO Leif Johansson on the operations.

In subsequent discussions, comments were made by shareholders present to which CEO Leif Johansson and Chairman Finn Johnson responded.

- § 9 Motion was presented to adopt the income statement and balance sheet and the consolidated income statement and balance sheet.

The Meeting resolved to adopt the income statement and balance sheet and the consolidated income statement and balance sheet.

- § 10 Motion presented regarding the disposition by the Annual General Meeting of unappropriated earnings. The Board and the President had presented a proposal supported by one of the auditors in accordance with which the unappropriated earnings at the disposal of the Meeting, SEK 39,345,352,677.02, would be distributed as follows:

Dividends to the shareholders  
for each share in AB Volvo SEK 25.00 in cash SEK 10,127,691,825.00

To be carried forward SEK 29,217,660,852.02  
SEK 39,345,352,677.02

It was noted that in accordance with the Swedish Companies Act, the necessary documents were presented at the Meeting, that as noted in footnote 1, on page 152 of the Annual Report, Board members Martin Linder, Olle Ludvigsson and Johnny Rönnkvist registered a dissent against the proposal of a dividend and redemption in accordance with Point 18 on the agenda and that the total amount to distribute and to be carried forward did not agree with the information presented in the Board's proposal in the annual report since AB Volvo in the current year disposed of treasury stock pursuant to prevailing incentive programs.

The Meeting then resolved to approve the Board's and the President's proposal for disposition of earnings and that the record date for determining who is entitled to receive dividends shall be April 11, 2007.

- § 11 The Meeting resolved to discharge the Board members, deputy members and the President from liability for the administration of the company in 2006.

It was noted that the Board members, deputy members and the President did not participate in this decision.

- § 12 Motion was presented regarding determination of the number of Board members and deputy members that should be elected by the Meeting.

Curt Källströmer, representing the Election Committee, presented with reference to Appendix 7 to the agenda a report on the Election Committee's work and moved that the Board, with exception of members appointed under special provisions, shall comprise nine members and that no deputies be appointed.

After Gudrun Schyman, representing herself, asked questions answered by Curt Källströmer and comments were made by Gunnar Ek, representing among others the Swedish Shareholders Association (Sveriges Aktiesparares Riksförbund), the Meeting ruled in favor of the proposal.

§ 13 Motion presented on determining the fees to be paid to the Board.

Curt Källströmer, representing the Election Committee, moved that a fee to the Board for the period until the next Annual General Meeting has been held should be paid in an amount of SEK 5,725,000 to be distributed among the Board members as follows: SEK 1,500,000 to the Chairman and SEK 500,000 to each of the other members, with the exception of the President. In addition, the Chairman of the Audit Committee should receive SEK 250,000 and the other two members of the Audit Committee SEK 125,000 each and members of the Remuneration Committee SEK 75,000 each.

The Meeting resolved to approve the Election Committee's proposal.

§ 14 Motion presented on fees to be paid to the auditors

Curt Källströmer, representing the Election Committee, moved that the Meeting should resolve that the fees shall be paid based on approved invoices for review of the accounts and administration as well as the Group audit.

The Meeting resolved to approve the Election Committee's proposal.

§ 15 Motion presented on the election of the Board of Directors.

Curt Källströmer, representing the Election Committee, moved that the Meeting should reelect Peter Bijur, Per-Olof Eriksson, Tom Hedelius, Leif Johansson, Finn Johnsson, Philippe Klein, Louis Schweitzer and Ying Yeh and newly elect Lars Westerberg. Curt Källströmer also stated that the Election Committee moved that Finn Johnsson should be elected Chairman of the Board.

At the request of the Chairman, the Meeting decided that the proposed could be considered as satisfactorily presented through the information in Appendix 1 to the agenda.

The Meeting then elected for the period until the next Annual General Meeting is held:

as members:

Peter Bijur, Per-Olof Eriksson, Tom Hedelius, Leif Johansson, Finn Johnsson, Philippe Klein, Louis Schweitzer, Lars Westerberg and Ying Yeh as well as

To Board Chairman:

Finn Johnsson.

In this regard it should be noted that employee organizations had appointed Martin Linder, Olle Ludvigsson and Johnny Rönnkvist as members of the Board as well as Margareta Öhlin and Berth Thulin as deputy members.

§ 16 Motion presented on the election of auditors and deputy auditors.

Curt Källströmer, representing the Election Committee, moved that the Meeting should select the registered auditing firm of PricewaterhouseCoopers AB for a period of three years – to the close of the Annual General Meeting held the third year fiscal year after the auditor election.

The Meeting resolved to approve the Election Committee's proposal.

§ 17 Motion presented on adopting revised instructions for the Election Committee and appointment of members of the Election Committee.

Curt Källströmer, representing the Election Committee, moved that the Meeting should adopt the instructions for the Election Committee attached as Appendix 2 to the agenda.

As a consequence of the proposal, which included that the Election Committee can appoint other members to the Election Committee in addition to those members elected by the Annual General Meeting, Christer Elmehagen, representing among others AMF Pensionsförsäkrings AB, suggested that at its first meeting the Election Committee should select an additional member to represent the Swedish institutional investors in AB Volvo.

Marianne Nilsson, representing Swedbank Robur funds, Björn Franzén, representing the Fourth National Pension Fund and Gunnar Ek, representing among others Aktiesparares Riksförbund, stated that they supported Christer Elmehagen's proposal. It was noted that no other shareholder registered any differing opinion.

The Meeting resolved to approve the Election Committee's proposal.

Curt Källströmer, representing the Election Committee, then moved that the Meeting should appoint as members of the Election Committee Board Chairman Finn Johnsson, Carl-Olof By, representing Svenska Handelsbanken, SHB Pension Fund, SHB Pensionskassa, SHB Employee Fund and Oktogonen, Lars Förberg, representing Violet Partners LP, Björn Lind, representing SEB Funds/Trygg Försäkring and Thierry Moulouguet, representing Renault s.a.s and that the Board should decide that no fees be paid to members of the Election Committee.

The Meeting resolved to approve the Election Committee's proposal.

§ 18 Motion presented on the Board's proposal for a decision on an automatic redemption procedure in accordance with points 3-4 of the agenda, involving

- A. changes in the Articles of Association,
- B. share split,
- C. reduction of share capital through redemption of shares,
- D. bonus issue, and
- E. adjustment authorization.

After the Chairman presented the main elements of the proposal, the Meeting first resolved to approve points A - D and there after also to approve the proposal in point E. It was noted that the decision related to points A-D was

supported by more than two thirds of the votes cast and of the shares represented at the Meeting .

§ 19 Motion presented on the proposal for a decision regarding guidelines for remuneration to senior executives.

The Meeting resolved to approve the Board's proposal in accordance with Appendix 5 to the agenda.

§ 20 Motion presented on the Board's proposal for decisions on:  
A. share-based incentive program 2007/2008 to senior executives, and  
B. transfer of repurchased shares in the company to participants in the program.

It was noted that the documentation required by the Swedish Companies Act had been presented at the Meeting.

The Meeting resolved to approve the Board's proposal in accordance with point A in Appendix 6 to the agenda.

The Meeting resolved thereafter to adopt the Board's proposal under point B in Appendix 6 to the agenda. It was noted that the decision was supported by shareholders with at least nine tenths of the votes cast and the votes represented at the Meeting.

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The Annual General Meeting was closed.

Attested:

Eva Persson

Sven Unger

Björn Lind

Eva Halvarsson

**AGENDA FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS IN  
AB VOLVO ON WEDNESDAY, APRIL 4, 2007**

1. Opening of the Meeting

Chairman of the Board, Finn Johnsson

2. Election of Chairman of the Meeting

**Proposal by the Election Committee:**

Mr. Sven Unger, lawyer

3. Verification of the voting list

4. Approval of the agenda

5. Election of minutes-checkers and vote controllers

**Proposal:**

Minutes-checkers: Björn Lind  
Eva Halvarsson

Vote controllers: Auth. Public Acct. Göran Tidström  
Auth. Public Acct. Olov Karlsson  
Auth. Public Acct. Bo Karlsson  
Auth. Public Acct. Johan Rippe

6. Determination of whether the Meeting has been duly convened

Notification was published on March 5, 2007 in Göteborgs-Posten, Dagens Nyheter, Sydsvenska Dagbladet and Post- och Inrikes Tidningar.

7. Presentation of the work of the Board and the Board committees

8. Presentation of the Annual Report and the Auditors' Report as well as the Consolidated Accounts and the Auditors' Report on the Consolidated Accounts. In connection therewith, the President's account of the operations

9. Adoption of the Income Statement and Balance Sheet and the Consolidated Income Statement and Consolidated Balance Sheet

10. The disposition to be made of the Company's profits

**Proposal:**

The Board of Directors and the President propose that the profits available to the Meeting be disposed of as follows:

To the shareholders, a dividend of  
SEK 25.00 per share in AB Volvo SEK 10,127,691,825.00

To be carried forward SEK 29,217,660,852.02  
SEK 39,345,352,677.02

It is proposed that the record date for determining who is entitled to receive cash dividends shall be April 11, 2007.

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

In view of the Board of Directors' 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, and a reduction of retained earnings, for repayment to the shareholders in an amount corresponding to SEK 25 per share, 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 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 less.

11. The discharge of the members of the Board and of the President from liability

12. Determination of the number of members and deputy members of the Board of Directors to be elected by the Meeting

**Proposal by the Election Committee:**

Nine members and no deputy members.

All proposals made by the Election Committee and the information and report that according to the Swedish Code of Corporate Governance shall be available on the company's website have been attached to the agenda as Enclosure 7.

13. Determination of the remuneration to be paid to the Board of Directors

**Proposal by the Election Committee:**

To the Board for the period until the close of the next Annual General Meeting: A fee of SEK 5,725,000 to be distributed among the members as follows. The Chairman of the Board is awarded SEK 1,500,000 and each of the other members SEK 500,000 with the exception of the President. Further, the Chairman of the Audit Committee is awarded SEK 250,000 and the other two members of the Audit Committee SEK 125,000 each and the members of the Remuneration Committee SEK 75,000 each.

14. Determination of the remuneration to be paid to the Auditors

**Proposal by the Election Committee:**

Fees based on invoices for the examination of the accounts and the management and for the audit of the consolidated financial statements.

15. Election of the Board of Directors

**Proposal by the Nomination Committee, members:**

For the period until the the close of the next Annual General Meeting:

re-election of	Peter Bijur,
" -	Per-Olof Eriksson,
" -	Tom Hedelius,
" -	Leif Johansson,
" -	Finn Johnsson,
" -	Philippe Klein,
" -	Louis Schweitzer,
" -	Ying Yeh and
election of	Lars Westerberg.

The Election Committee further proposes that Finn Johnsson be elected as Chairman.

The proposed persons have the assignments as shown in Enclosure 1.

The employee organizations have through separate elections designated the following

members:

Martin Linder (organization of salaried employees, PTK)

Olle Ludvigsson (plant trade union organizations, LO)

Johnny Rönnkvist (plant trade union organizations, LO)



deputy members:

Margareta Öhlin (organization of salaried employees, PTK)

Berth Thulin (plant trade union organizations, LO)

## 16. Election of Auditors and Deputy Auditors

**Proposal by the Nomination Committee, members:**

That PricewaterhouseCoopers AB, Authorized Public Accountants, be elected as auditors for a period of three years – until the end of the Annual General Meeting held during the third financial year after the election.

## 17. Adoption of revised instructions for the Election Committee and election of members of the Election Committee

**Proposal by the Election Committee:**

The proposed new instructions for the Election Committee are attached hereto as Enclosure 2.

The Election Committee proposes that the Annual General Meeting elects the following persons to serve as members of the Election Committee and resolves that no fees shall be paid to the members of the Election Committee.

- The Chairman of the Board, Finn Johnsson
- Carl-Olof By, representing Svenska Handelsbanken, SHB Pension Fund, SHB Pensionskassa, SHB Employee Fund and Oktogonen
- Lars Förberg, representing Violet Partners LP
- Björn Lind, representing SEB Fonder / Trygg Försäkring
- Thierry Moulonguet, representing Renault s.a.s.

18. 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

The proposal is attached hereto as Enclosure 3-4.

## 19. The Board of Directors' proposal for a decision on the adoption of a Remuneration Policy for senior executives

The proposal is attached hereto as Enclosure 5.

20. The Board of Directors' proposal for a decision on

- A. a new 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

The proposal is attached hereto as Enclosure 6.

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**Peter Bijur**

Born 1942, MBA Marketing, BA Political Science

Member of the Volvo Board since: 2006, member of the Audit Committee.

Board member: Gulfmark Offshore Inc.

Principal work experience: Numerous positions with Texaco Inc, retired as Chairman and Chief Executive Officer in 2001.

**Per-Olof Eriksson**

Born 1938, Master of Engineering, Hon. Dr. of Technology.

Member of the AB Volvo Board since: 1994, Chairman of the Audit Committee.

Board Chairman: Callans Trä AB, Odlander, Fredrikson & Co AB and Cross Country Systems AB.

Board member: Assa Abloy AB, Elkem AS, Investment AB Öresund, KTH Holding AB, Senea AB and Södersjukhuset AB. Member of the Royal Swedish Academy of Engineering Sciences.

Principal work experience: Engineer Uddeholms AB; numerous positions with Sandvik Group (in Sweden, Germany and the UK); President and CEO Seco Tools AB; President and CEO Sandvik AB.

**Tom Hedelius**

Born 1939, Master of Business Administration, Hon. Dr. of Economics.

Member of the AB Volvo Board since: 1994, member of the Remuneration Committee.

Board Chairman: AB Industrivärden, Bergman & Beving AB and Anders Sandrews Stiftelse.

Honorary Chairman: Svenska Handelsbanken.

Vice Chairman: Addtech AB, Lagercrantz Group AB and Jan Wallander och Tom Hedelius stiftelse.

Board member: Svenska Cellulosa Aktiebolaget SCA and Lundbergs AB.

Principal work experience: AB Industri kredit; numerous positions with Svenska Handelsbanken (Credit Director, Executive Vice President, President and CEO, Chairman).

**Leif Johansson**

Born 1951, Master of Engineering.

President of AB Volvo and Chief Executive Officer of the Volvo Group since 1997.

Member of the AB Volvo Board since: 1997.

Board member: Bristol-Myers Squibb Company, Svenska Cellulosa Aktiebolaget SCA, Confederation of Swedish Enterprise and The Association of Swedish Engineering Industries. Member of the Royal Swedish Academy of Engineering Sciences.

Principal work experience: Project consultant Indevo; Assistant to President Centro Maskin Morgårdshammar; President Husqvarna Motorcyklar; Division Manager Office Machines Facit Sweden; President Facit; Division Manager AB Electrolux Major Appliances; Division President AB Electrolux Major Appliances; Executive Vice President AB Electrolux; President AB Electrolux; CEO Electrolux Group.

### **Finn Johnsson**

Born 1946, Master of Business Administration.

Member of the AB Volvo Board since: 1998. Chairman since February 2004, Chairman of the Remuneration Committee.

Board Chairman: Luvata Oy, Thomas Concrete Group AB, Unomedical A/S, KappAhl AB and City Airline.

Board member: Skanska AB and AB Industrivärden.

Principal work experience: Machine Division at Swedish Match; President Arenco Machine Co., USA; President Swedish Match Europe and Swedish Match Asia; President Tarkett AB; Executive Vice President Stora AB; President Industri AB Euroc; President United Destillers, UK; CEO of Mölnlycke Health Care AB.

### **Philippe Klein**

Born 1957.

Senior Vice President CEO/COO Office and Corporate Administration, Nissan Motor Co., Ltd

Member of the Volvo Board since: 2006.

Principal work experience: Various positions within Renault (Engineer; Senior Manager, Engine Development and Tuning; Director, Process Quality Department in Vehicle Engineering; Vice President, Industrial System Performance Department; Senior Vice President, CEO's Office Renault S A and member of the Renault Management Committee); Vice President, CEO's Office at Nissan.

### **Louis Schweitzer**

Born 1942. Bachelor of Laws.

Member of the AB Volvo Board since: 2001, member of the Remuneration Committee.

Board Chairman: Renault, AstraZeneca Plc.

Board member: Electricité de France, BNP-Paribas, Véolia and L'Oréal.

Principal work experience: Official at French Budget Department; Chief of Staff of Mr Laurent Fabius (Minister of Budget, then Minister for Industry and Research, and Prime Minister); Chairman, French Commission for Equality (since 2005); numerous positions with Renault SA (Chief Financial Officer and Executive Vice President Finance and Planning, President and Chief Operating Officer, Chairman and Chief Executive Officer).

### **Ying Yeh**

Born 1948, BA, Literature & International Relations.

President and Chairman of Kodak North Asia Region.

Member of the Volvo Board since: 2006, member of the Audit Committee.

Principal work experience: Journalist NBC, New York. Numerous positions with the U S Government Foreign Service in Burma, Hong Kong, Taiwan and Beijing. Various positions with Eastman Kodak in China.

### **Lars Westerberg**

Born 1948, MSc Engineering, BSc Economics

Board Chairman: Autoliv Inc. and Husqvarna AB.

Board Director: SSAB and Plastal AB.

Principal work experience: Lars Westerberg has previously served as President of Gränges and Esab and as President and CEO of Autoliv Inc.

INSTRUCTIONS FOR THE AB VOLVO ("THE COMPANY") ELECTION COMMITTEE,  
TO BE ADOPTED AT THE ANNUAL GENERAL MEETING ON APRIL 4, 2007

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*It follows from the Swedish Code of Corporate Governance ("the Code") that companies that are subject to the Code shall have an Election Committee that represents the company's shareholders. The Election Committee is thus a body of the shareholders' meeting that prepares decisions on certain appointments to be taken by the shareholders at the Shareholders' Meeting. The main task of the Election Committee is to propose candidates for election to the Board of Directors including the Chairman of the Board, election of members of the Election Committee and, where applicable, candidates for election of auditors. When nominating persons for election to the Board of Directors, the Election Committee shall, according to the Code, i.a. determine whether, in its view, the persons nominated for election are considered to be independent of the company and its senior management as well as of major shareholders in the company. In addition, the Election Committee shall propose a candidate for election of Chairman of the General Meeting of Shareholders. The Election Committee also prepares proposals concerning fees to the Chairman of the Board, the other Board members and the auditors, which fees are presented at the Annual General Meeting for resolution.*

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**1. Appointment of the Election Committee**

- 1.1 The Annual General Meeting elects five members of the Election Committee. Four of these are to represent the largest shareholders in the Company based on votes who have expressed their willingness to participate in the Election Committee ("Large Shareholder"). In the election of these members, it shall be stated which Large Shareholder the member represents. One of the members is to be the Chairman of the Board of the Company.
- 1.2 If a member represents a shareholder(s) that has/have sold the major part of its/their holding of Volvo shares and thereafter (i) is no longer to be considered a Large Shareholder and (ii) in terms of votes has become significantly smaller than the fourth largest shareholder in the Company measured in terms of votes, the Election Committee may decide that the member shall resign from the Election Committee. If such occurs, the Election Committee may, if it considers it appropriate, offer another representative of Large Shareholders a position on the Election Committee.

- 1.3 If a member's affiliation with the Large Shareholder ceases – for example, through termination of employment – the same Large Shareholder shall be entitled to appoint a new member to replace the previous member who no longer represents the Large Shareholder. This shall be effected through notice of such being sent from the Large Shareholder to the Chairman of the Election Committee (or, if it is the Chairman who is being replaced, to another member of the Election Committee) stating the name of the member being replaced and the name of the new member.
- 1.4 If a member leaves the Election Committee for some other reason, the Election Committee, if it so finds appropriate, may offer another representative of Large Shareholder(s) a position on the Election Committee. Notice of resignation is sent from the member to the Chairman of the Election Committee (or, if it is the Chairman who is resigning, to another member of the Election Committee).
- 1.5 The Election Committee may offer other major shareholders to appoint a representative as a member of the Election Committee so as to reflect in this manner the ownership in the Company. If such an offer is to be made it should be directed in turn to the largest shareholders in terms of voting rights not already being represented on the Election Committee. However, the number of members of the Election Committee may never exceed seven.
- 1.6 If the general meeting has not decided otherwise, the members of the Election Committee shall elect a chairman from within its number. The Chairman of the Board of the Company shall not be appointed as chairman of the Election Committee.
- 1.7 It is the task of the Election Committee to determine which shareholders should be considered as Large Shareholder(s) when applying sections 1.2 and 1.4 and as major shareholders when applying section 1.5.

## 2. Duties

The Election Committee shall have the following duties.

### 2.1 Board

2.1.1 The Election Committee shall make proposals regarding the chairman and other members of the board as well as the board fee, for the chairman and other members, and any reimbursement for committee work.

2.1.2 The proposal of the Election Committee shall be presented to the Company well in advance in order for the proposal to be presented in the summons to the general meeting and at the same time be presented on the Company's website.

2.1.3 The Election Committee shall at the same time information is presented to the Company according to 2.1.2 also furnish the requisite information regarding the proposed board members in order for the Company to present the following information on the Company's website:

- age, main education and work experience,
- assignments in the Company and other assignments of importance,
- shares and other financial instruments in the Company held by the person in question as well as related physical or legal entities,
- if, according to the Election Committee, the member is deemed to be independent of the Company, the Company management and major shareholders in the Company,
- in conjunction with re-election, the year in which the member was elected to the board, and
- other information that could be of importance to the shareholders in making an assessment of the proposed member's expertise and independence.

2.1.4 The Election Committee shall at the same time information is furnished to the Company according to 2.1.2 also provide an account of how the Election Committee has performed its work so that a report can be presented on the Company's website.

2.1.5 The Election Committee shall make a presentation at the general meeting and give reasons for its proposals, whereupon a specific reason shall be given if no renewal of the board is proposed. The Election Committee shall also provide an account of how its work has been performed.

## **2.2 Auditor**

2.2.1 In the years in which an auditor for the Company is to be elected the Election Committee shall present a proposal for election of and payment to the auditor. The Election Committee shall then use as a term of reference the preparation of the election made within the audit committee of the Company.

2.2.2 The Company shall be notified of the Election Committee's proposal well in advance so that the proposal can be presented in the summons to the general meeting and at the same time be presented on the Company's website.

2.2.3 The Election Committee shall, at the same time information is furnished to the Company according to 2.2.2, also furnish the information necessary to allow the Company to provide information about circumstances that could be of significance to shareholders in making an assessment of the expertise and independence of the auditor proposed on the Company's website.

2.2.4 The Election Committee shall at the same time information is furnished to the Company according to 2.2.2 also provide an account of how the Election Committee has performed its work so that this account can be presented on the Company's website.

2.2.5 The Election Committee shall present and give reasons for its proposals at the general meeting and provide an account of how the Election Committee's work has been performed.

## **2.3 Chairman for the meeting**

2.3.1 The Election Committee shall present a proposal for a chairman for the annual general meeting.

2.3.2 The Election Committee's proposal shall be presented to the Company well in advance so that the proposal can be presented in the summons to the meeting.

## **2.4 Members of the Election Committee**

- 2.4.1 The Election Committee shall submit proposals for the members of the following year's Election Committee. In such a case, the Election Committee shall indicate which Large Shareholders the members represent.
- 2.4.2 The Election Committee's proposal shall be presented to the Company in adequate time so that the proposal can be included in notifications of general meetings.

## **3. Meetings**

- 3.1 The Election Committee shall meet as often as necessary for the Election Committee to perform its duties. A summons to a meeting is sent out by the chairman of the Election Committee, however, to the first meeting this is done by the Chairman of the Board. If a member requests that the Election Committee be convened, this request shall be complied with.
- 3.2 The Election Committee shall form a quorum if more than half of the members are present – which, however, may not number fewer than three. No decisions may be reached, however, unless all members, have been offered the opportunity to be involved in dealing with the matter.
- 3.3 A decision by the Election Committee applies when more than half of the members present vote for or, in the event of a tied vote, the opinion supported by the chairman.
- 3.4 At the Election Committee meetings minutes should be taken which are signed and verified by the chairman and the member appointed by the Election Committee. The minutes shall be taken and filed in the manner applicable to board minutes.

## **4. Confidentiality**

- 4.1 A member of the Election Committee is subject to a confidentiality obligation concerning the Company's business and this obligation shall, at the Company's



request, be confirmed by the member through the signing of a special non-disclosure agreement between the member and the Company.

**5. Fee and cost reimbursement**

- 5.1 A fee can be payable to the members of the Election Committee following a decision thereon at the general meeting.
- 5.2 The members of the Election Committee are entitled to payment from the Company for reasonable, confirmed costs incurred in the discharge of the assignment as well as, for example, costs for recruitment services.
- 5.3 The Election Committee shall, in conjunction with the presentation of the report on its work at the annual general meeting, report payments under this point.

**6. Amendments to instruction**

- 6.1 The Election Committee shall evaluate these instructions and the work of the Election Committee on an ongoing basis and present a proposal at the general meeting for changes to these instructions that the Election Committee has deemed appropriate.

**Proposal of the Board of Directors' of Aktiebolaget Volvo to the Annual General Meeting to be held on 4 April 2007 for an automatic redemption of shares, including (A) a change of the Articles of Association, (B) a share split, (C) reduction of the share capital for repayment to the shareholders, and (D) increase of the share capital by way of a bonus issue, etc.**

## **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 10,119,964,750<sup>1</sup> 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).

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<sup>1</sup> 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.

**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 9,715,166,160<sup>2</sup> 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.

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

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<sup>2</sup> 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.

**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.

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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.

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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.

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Göteborg 1 February 2007  
Aktiebolaget Volvo (publ)  
THE BOARD OF DIRECTORS

**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)**

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, and a reduction of retained earnings, for repayment to the shareholders in an amount corresponding to SEK 25 per share, 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 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 less.

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Göteborg in February 2007

Aktiebolaget Volvo (publ)

THE BOARD OF DIRECTORS

**POLICY ON REMUNERATION TO SENIOR EXECUTIVES, proposed by the Board of Directors of AB Volvo to be adopted by the Annual General Meeting 2007**

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.

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**The Board of Directors' of AB Volvo proposal to the Annual General Meeting 2007 concerning a share-based incentive program and the transfer of shares in the company held by the company itself 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.

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## **Proposals by the Election Committee of AB Volvo to the Annual General Meeting 2007**

### **The Election Committee's proposal as regards Chairman of the Annual General Meeting**

The Election Committee proposes Sven Unger, lawyer, to be the Chairman of the Meeting.

### **The Election Committee's proposal as regards the number of members and deputy members of the Board of Directors**

The Election Committee proposes nine members and no deputy members.

### **The Election Committee's proposal as regards remuneration to be paid to the Board of Directors**

The Election Committee proposes that the fee shall amount to SEK 5,725,000 and that it be distributed among the members as follows. The Chairman of the Board is awarded SEK 1,500,000 and each of the other members SEK 500,000 with the exception of the President. Further, the Chairman of the Audit Committee is awarded SEK 250,000 and the other two members of the Audit Committee SEK 125,000 each and the members of the Remuneration Committee SEK 75,000 each.

### **The Election Committee's proposal as regards remuneration to be paid to the Auditors**

The Election Committee proposes fees based on invoices for the examination of the accounts and the management and for the audit of consolidated financial statements.

### **The Election Committee's proposal as regards Board members**

The Election Committee proposes the re-election of Peter Bijur, Per-Olof Eriksson, Tom Hedelius, Leif Johansson, Finn Johnsson as Chairman, Philippe Klein, Louis Schweitzer and Ying Yeh. The Election Committee further proposes the election, for the first time, of Lars Westerberg. Information relating to the proposed Board members is set out below.

#### Peter Bijur

Born 1942, MBA Marketing, BA Political Science

Member of the Volvo Board since: 2006, member of the Audit Committee.

Board member: Gulfmark Offshore Inc.

Holdings in Volvo: None

Principal work experience: Numerous positions with Texaco Inc, retired as Chairman and Chief Executive Officer in 2001.

Independence: Considering the demands laid down in the Swedish Code of Corporate Governance regarding the Board's independence, the Election Committee is of the opinion that Mr. Bijur is independent from the company, the company management and the company's major shareholders.

#### Per-Olof Eriksson

Born 1938, Master of Engineering, Hon. Dr. of Technology.

Member of the AB Volvo Board since: 1994, Chairman of the Audit Committee.

Board Chairman: Callans Trä AB, Odlander, Fredriksson & Co AB and Cross country Systems AB.

Board member: Investment AB Öresund, Assa Abloy AB, Seneca AB, Elkem AS, Södersjukhuset AB and KTH Holding AB.

Member of the Royal Swedish Academy of Engineering Sciences.

Holdings in Volvo, own and related parties: 6,200 Series A shares.

Principal work experience: Engineer Uddeholms AB; numerous positions with Sandvik Group (in Sweden, Germany and the UK), President and CEO Seco Tools AB; President and CEO Sandvik AB.

Independence: Considering the demands laid down in the Swedish Code of Corporate Governance regarding the Board's independence, the Election Committee considers Mr. Eriksson independent of the company's major shareholders but not of the company and company management, due to that Per-Olof Eriksson has been a Board member for more than 12 years.

#### Tom Hedelius

Born 1939, Master of Business Administration, Hon. Dr. of Economics.

Member of the AB Volvo Board since: 1994, member of the Remuneration Committee.

Board Chairman: AB Industrivärden, Bergman & Beving AB and Anders Sandrews Stiftelse..

Honorary Chairman: Svenska Handelsbanken.

Vice Chairman: Addtech AB and Lagercrantz Group AB and Jan Wallanders och Tom Hedelius stiftelse.

Board member: Svenska Cellulosa Aktiebolaget SCA and Lundbergs AB.

Holdings in Volvo, own and related parties: 2,693 shares, including 693 Series B shares.

Principal work experience: AB Industrikredit; numerous positions with Svenska Handelsbanken (Credit Director, Executive Vice President, President and CEO, Chairman).

Independence: Considering the demands laid down in the Swedish Code of Corporate Governance regarding the Board's independence, the Election Committee considers Mr. Hedelius independent of the company's major shareholders but not of the company and company management, due to that Tom Hedelius has been a Board member for more than 12 years.

#### Leif Johansson

Born 1951, Master of Engineering.

President of AB Volvo and Chief Executive Officer of the Volvo Group since 1997.

Member of the AB Volvo Board since: 1997.

Board member: Bristol-Myers Squibb Company, Svenska Cellulosa Aktiebolaget SCA, Confederation of Swedish Enterprise and The Association of Swedish Engineering Industries. Member of the Royal Swedish Academy of Engineering Sciences.

Holdings in Volvo, own and related parties: 50,562 shares, including 43,538 Series B shares and 50,000 employee stock options.

Principal work experience: Project consultant Indevo; Assistant to President Centro Maskin Morgårdshammar; President Husqvarna Motorcyklar; Division Manager Office Machines Facit Sweden; President Facit; Division Manager AB Electrolux Major Appliances; Division President AB Electrolux Major Appliances; Executive Vice President AB Electrolux; President AB Electrolux; CEO Electrolux Group.

Independence: Considering the demands laid down in the Swedish Code of Corporate Governance regarding the Board's independence and that Leif Johansson is Volvo's CEO, the Election Committee considers Mr. Johansson independent of the company's major shareholders but not of the company and company management.

#### Finn Johnsson

Born 1946, Master of Business Administration.

Member of the AB Volvo Board since: 1998. Chairman since February 2004, Chairman of the Remuneration Committee.

Board Chairman: Luvata Oy, Thomas Concrete Group AB, Unomedical A/S, KappAhl AB and City Airline.

Board member: Skanska AB and AB Industrivärden.

Holdings in Volvo: 4,000 shares, whereof 2,000 Series B shares.

Principal work experience: Machine Division at Swedish Match; President Arenco Machine Co., USA; President Swedish Match Europe and Swedish Match Asia; President Tarkett AB; Executive Vice President Stora AB; President Industri AB Euroc; President United Distillers, UK; CEO of Mölnlycke Health Care AB.

Independence: Considering the demands laid down in the Swedish Code of Corporate Governance regarding the Board's independence, the Election Committee is of the opinion that Mr. Johnsson is independent from the company, the company management and the company's major shareholders.

#### Philippe Klein

Born 1957

Senior Vice President, CEO's Office Renault S A and member of the Renault Management Committee.

Member of the Volvo Board since: 2006.

Holdings in Volvo: None

Principal work experience:

Various positions within Renault (Engineer; Senior Manager, Engine Development and Tuning; Director, Process Quality Department in Vehicle Engineering; Vice President, Industrial System Performance Department); Vice President, CEO's Office at Nissan.

Independence: Considering the demands laid down in the Swedish Code of Corporate Governance regarding the Board's independence, the election committee is of the opinion that Mr. Klein is independent from the company and the company management. Philippe Klein is employed by Renault SA and represents Renault SA on the company's Board. Since Renault SA controls more than 10% of the shares and votes in Volvo, he may not in the Election Committee's opinion be considered as independent in relation to one of the company's major shareholders.

#### Louis Schweitzer

Born 1942. Bachelor of Laws.

Member of the AB Volvo Board since: 2001, member of the Remuneration Committee.

Board Chairman: Renault, AstraZeneca Plc.

Board member: Electricité de France, BNP-Paribas, Véolia and L'Oréal.

Holdings in Volvo: 2,000 Series B shares.

Principal work experience: Official at French Budget Department; Chief of Staff of Mr Laurent Fabius (Minister of

Budget, then Minister for Industry and Research, and Prime Minister), Chairman, French Commission for Equality (since 2005); numerous positions with Renault SA (Chief Financial Officer and Executive Vice President Finance and Planning, President and Chief Operating Officer, Chairman and Chief Executive Officer).

Independence: Considering the demands laid down in the Swedish Code of Corporate Governance regarding the Board's independence, the election committee is of the opinion that Mr. Schweitzer is independent from the company and the company management. Louis Schweitzer is employed by Renault SA and represents Renault SA on the company's Board. Since Renault SA controls more than 10% of the shares and votes in Volvo, he may not in the Election Committee's opinion be considered as independent in relation to one of the company's major shareholders.

Lars Westerberg

Born 1948, MSc Engineering, BSc Economics  
President of Autoliv AB

Board Chairman: Husqvarna AB.

Board Director: SSAB, Plastal AB, Autoliv AB

Holdings in Volvo: None

Principal work experience: Lars Westerberg is the President of Autoliv and has previously served as President of Gränges and Esab, among other executive positions.

Independence: Considering the demands laid down in the Swedish Code of Corporate Governance regarding the Board's independence, the Election Committee is of the opinion that Mr. Westerberg is independent from the company, the company management and the company's major shareholders.

Ying Yeh

Born 1948, BA, Literature & International Relations.  
President and Chairman of Kodak North Asia Region.

Member of the Volvo Board since: 2006, member of the Audit Committee.

Holdings in Volvo: None

Principal work experience:

Journalist NBC, New York. Numerous positions with the U S Government Foreign Service in Burma, Hong Kong, Taiwan and Beijing. Various positions with Eastman Kodak in China.

Independence: Considering the demands laid down in the Swedish Code of Corporate Governance regarding the Board's independence, the Election Committee is of the opinion that Ying Yeh is independent from the company, the company management and the company's major shareholders.

**The Election Committee's proposal as regards Auditors and Deputy Auditors**

The Election Committee proposes the re-election of PricewaterhouseCoopers AB, Authorized Public Accountants, as auditors for a period of three years.

PricewaterhouseCoopers has been the elected Auditors for Volvo since 2003. Prior to that, the Authorized Public Accountants Olof Herolf and Olov Karlsson of the same firm were the elected Auditors during the period 1998 – 2002. The following fees have been paid by Volvo to PricewaterhouseCoopers AB during the passed three years.

Fees (SEK million)	2004	2005	2006
<u>Audit fees</u>	78	78	130
<u>Other fees</u> (audit related services / tax services)	36	45	30
<u>Total</u>	114	123	160

**The Election Committee's proposal as regards revised Instructions for the Election Committee**

The Election Committee proposes that the Annual General Meeting resolve to revise the Instructions for the Election Committee. The proposed changes concern principally the composition of the Election Committee and imply that the Annual General Meeting shall elect the Chairman of the Board and four additional members representing the largest shareholders ("Large Shareholder"), that, if a member represents a shareholder(s) that has/have sold the major part of its/their holding of Volvo shares and thereafter (i) is no longer to be considered a Large Shareholder and (ii) in terms of votes has become significantly smaller than the fourth largest shareholder in the Company measured in terms of votes, the Election Committee may decide to remove that member and, if deemed appropriate, offer another Large Shareholder a seat on the Election Committee, that a member may be replaced if it leaves the Election Committee or if its affiliation with the relevant Large Shareholder ceases and that the Election Committee may offer, in turn in relation to voting strength, other Large Shareholders to appoint a member of the Election Committee so as to reflect in this manner the ownership in the Company. However, the number of members of the Election Committee may never exceed seven and the Election Committee shall

determine itself which shareholders should be considered Large Shareholders for the purpose of applying the Instructions. The proposed changes also include an explicit duty for the Election Committee to propose members of the Election Committee.

The proposed new Instructions read as follows.

**INSTRUCTIONS FOR THE AB VOLVO ("THE COMPANY") ELECTION COMMITTEE, TO BE ADOPTED AT THE ANNUAL GENERAL MEETING ON APRIL 4, 2007**

*It follows from the Swedish Code of Corporate Governance ("the Code") that companies that are subject to the Code shall have an Election Committee that represents the company's shareholders. The Election Committee is thus a body of the shareholders' meeting that prepares decisions on certain appointments to be taken by the shareholders at the Shareholders' Meeting. The main task of the Election Committee is to propose candidates for election to the Board of Directors including the Chairman of the Board, election of members of the Election Committee and, where applicable, candidates for election of auditors. When nominating persons for election to the Board of Directors, the Election Committee shall, according to the Code, i.a. determine whether, in its view, the persons nominated for election are considered to be independent of the company and its senior management as well as of major shareholders in the company. In addition, the Election Committee shall propose a candidate for election of Chairman of the General Meeting of Shareholders. The Election Committee also prepares proposals concerning fees to the Chairman of the Board, the other Board members and the auditors, which fees are presented at the Annual General Meeting for resolution.*

**1. Appointment of the Election Committee**

- 1.1 The Annual General Meeting elects five members of the Election Committee. Four of these are to represent the largest shareholders in the Company based on votes who have expressed their willingness to participate in the Election Committee ("Large Shareholder"). In the election of these members, it shall be stated which Large Shareholder the member represents. One of the members is to be the Chairman of the Board of the Company.
- 1.2 If a member represents a shareholder(s) that has/have sold the major part of its/their holding of Volvo shares and thereafter (i) is no longer to be considered a Large Shareholder and (ii) in terms of votes has become significantly smaller than the fourth largest shareholder in the Company measured in terms of votes, the Election Committee may decide that the member shall resign from the Election Committee. If such occurs, the Election Committee may, if it considers it appropriate, offer another representative of Large Shareholders a position on the Election Committee.
- 1.3 If a member's affiliation with the Large Shareholder ceases – for example, through termination of employment – the same Large Shareholder shall be entitled to appoint a new member to replace the previous member who no longer represents the Large Shareholder. This shall be effected through notice of such being sent from the Large Shareholder to the Chairman of the Election Committee (or, if it is the Chairman who is being replaced, to another member of the Election Committee) stating the name of the member being replaced and the name of the new member.
- 1.4 If a member leaves the Election Committee for some other reason, the Election Committee, if it so finds appropriate, may offer another representative of Large Shareholder(s) a position on the Election Committee. Notice of resignation is sent from the member to the Chairman of the Election Committee (or, if it is the Chairman who is resigning, to another member of the Election Committee).
- 1.5 The Election Committee may offer other major shareholders to appoint a representative as a member of the Election Committee so as to reflect in this manner the ownership in the Company. If such an offer is to be made it should be directed in turn to the largest shareholders in terms of voting rights not already being represented on the Election Committee. However, the number of members of the Election Committee may never exceed seven.
- 1.6 If the general meeting has not decided otherwise, the members of the Election Committee shall elect a chairman from within its number. The Chairman of the Board of the Company shall not be appointed as chairman of the Election Committee.
- 1.7 It is the task of the Election Committee to determine which shareholders should be considered as Large Shareholder(s) when applying sections 1.2 and 1.4 and as major shareholders when applying section 1.5.

**2. Duties**

The Election Committee shall have the following duties.

**2.1 Board**

- 2.1.1 The Election Committee shall make proposals regarding the chairman and other members of the board as well as the board fee, for the chairman and other members, and any reimbursement for committee work.
- 2.1.2 The proposal of the Election Committee shall be presented to the Company well in advance in order for the proposal to be presented in the summons to the general meeting and at the same time be presented on the Company's website.
- 2.1.3 The Election Committee shall at the same time information is presented to the Company according to 2.1.2 also furnish the requisite information regarding the proposed board members in order for the Company to present the following information on the Company's website:
- age, main education and work experience,
  - assignments in the Company and other assignments of importance,
  - shares and other financial instruments in the Company held by the person in question as well as related physical or legal entities,
  - if, according to the Election Committee, the member is deemed to be independent of the Company, the Company management and major shareholders in the Company,
  - in conjunction with re-election, the year in which the member was elected to the board, and
  - other information that could be of importance to the shareholders in making an assessment of the proposed member's expertise and independence.
- 2.1.4 The Election Committee shall at the same time information is furnished to the Company according to 2.1.2 also provide an account of how the Election Committee has performed its work so that a report can be presented on the Company's website.
- 2.1.5 The Election Committee shall make a presentation at the general meeting and give reasons for its proposals, whereupon a specific reason shall be given if no renewal of the board is proposed. The Election Committee shall also provide an account of how its work has been performed.
- 2.2 *Auditor*
- 2.2.1 In the years in which an auditor for the Company is to be elected the Election Committee shall present a proposal for election of and payment to the auditor. The Election Committee shall then use as a term of reference the preparation of the election made within the audit committee of the Company.
- 2.2.2 The Company shall be notified of the Election Committee's proposal well in advance so that the proposal can be presented in the summons to the general meeting and at the same time be presented on the Company's website.
- 2.2.3 The Election Committee shall, at the same time information is furnished to the Company according to 2.2.2, also furnish the information necessary to allow the Company to provide information about circumstances that could be of significance to shareholders in making an assessment of the expertise and independence of the auditor proposed on the Company's website.
- 2.2.4 The Election Committee shall at the same time information is furnished to the Company according to 2.2.2 also provide an account of how the Election Committee has performed its work so that this account can be presented on the Company's website.
- 2.2.5 The Election Committee shall present and give reasons for its proposals at the general meeting and provide an account of how the Election Committee's work has been performed.
- 2.3 *Chairman for the meeting*
- 2.3.1 The Election Committee shall present a proposal for a chairman for the annual general meeting.
- 2.3.2 The Election Committee's proposal shall be presented to the Company well in advance so that the proposal can be presented in the summons to the meeting.
- 2.4 *Members of the Election Committee*
- 2.4.1 The Election Committee shall submit proposals for the members of the following year's Election Committee. In such a case, the Election Committee shall indicate which Large Shareholders the members represent.
- 2.4.2 The Election Committee's proposal shall be presented to the Company in adequate time so that the proposal can be included in notifications of general meetings.



3. Meetings

- 3.1 The Election Committee shall meet as often as necessary for the Election Committee to perform its duties. A summons to a meeting is sent out by the chairman of the Election Committee, however, to the first meeting this is done by the Chairman of the Board. If a member requests that the Election Committee be convened, this request shall be complied with.
- 3.2 The Election Committee shall form a quorum if more than half of the members are present – which, however, may not number fewer than three. No decisions may be reached, however, unless all members, have been offered the opportunity to be involved in dealing with the matter.
- 3.3 A decision by the Election Committee applies when more than half of the members present vote for or, in the event of a tied vote, the opinion supported by the chairman.
- 3.4 At the Election Committee meetings minutes should be taken which are signed and verified by the chairman and the member appointed by the Election Committee. The minutes shall be taken and filed in the manner applicable to board minutes.

4. Confidentiality

- 4.1 A member of the Election Committee is subject to a confidentiality obligation concerning the Company's business and this obligation shall, at the Company's request, be confirmed by the member through the signing of a special non-disclosure agreement between the member and the Company.

5. Fee and cost reimbursement

- 5.1 A fee can be payable to the members of the Election Committee following a decision thereon at the general meeting.
- 5.2 The members of the Election Committee are entitled to payment from the Company for reasonable, confirmed costs incurred in the discharge of the assignment as well as, for example, costs for recruitment services.
- 5.3 The Election Committee shall, in conjunction with the presentation of the report on its work at the annual general meeting, report payments under this point.

6. Amendments to instruction

- 6.1 The Election Committee shall evaluate these instructions and the work of the Election Committee on an ongoing basis and present a proposal at the general meeting for changes to these instructions that the Election Committee has deemed appropriate.

**The Election Committee's proposal as regards members of the Election Committee**

The Election Committee proposes that the Annual General Meeting elects the following persons to serve as members of the Election Committee and resolves that no fees shall be paid to the members of the Election Committee.

The Chairman of the Board

Carl-Olof By, representing Svenska Handelsbanken, SHB Pension Fund, SHB Pensionskassa, SHB Employee Fund and Oktogonen

Lars Förberg, representing Violet Partners LP

Björn Lind, representing SEB Fonder / Trygg Försäkring

Thierry Moulouquet, representing Renault SAS

**Presentation of the activities carried out by the Election Committee**

At the 2006 Annual General Meeting of shareholders in AB Volvo, the following were appointed to the Election Committee.

Finn Johnsson, Chairman of the Board

Curt Källströmer, representing Svenska Handelsbanken and others

Thierry Moulouquet, representing Renault s.a.s.

Björn Lind, representing SEB Funds and others

Eva Halvarsson, representing the Second AP Fund

Due to changes in ownership in AB Volvo, Lars Förberg, representing Violet Partners LP, became a member of the Election Committee in November 2007 in accordance with the Instructions for the Election Committee. Eva Halvarsson, representing Second AP Fund, was at the same time co-opted to the Election Committee.

The Election Committee held its first meeting on June 28, 2007, at which Curt Källströmer was appointed Chairman. The Election Committee has subsequently held eleven meetings. These meetings have mainly been devoted to the evaluation of the performance of the current Board, discussion of the need to undertake new recruitment and discussion relating to potential new Board members.

The evaluation of the current Board has included i.a. a report from the Board Chairman Finn Johnsson to the Election Committee on the Board's recurring self-evaluation process. The Election Committee also studied the procedural instructions that apply to the work of the Board of Directors and to the allocation of duties between the Board and the Chairman of the Board.

The Election Committee found that, there is a need in the long term to renew the Board. For this reason, the Election Committee decided at an early stage to engage the services of Egon Zehnder International (EZI), a recruitment consultant, to assist the Election Committee in identifying candidates for future work on the Volvo Board. With the help of EZI, a list of potential candidates for the Board of Directors was developed, which was thereafter discussed and reduced to a short list of candidates. The Election Committee then held interviews with the short-listed candidates. Finally, the Election Committee decided to propose that the 2007 Annual General Meeting re-elect Peter Bijur, Per-Olof Eriksson, Tom Hedelius, Leif Johansson, the Board Chairman Finn Johnsson, Philippe Klein, Louis Schweitzer and Ying Yeh, and to elect, for the first time, Lars Westerberg.

Lars Förberg, representing Violet Partners in the Election Committee, abstained from voting in connection with the decision of the Election Committee regarding the proposal on Board members for the following reasons. In addition to supporting the election of Lars Westerberg, Förberg had proposed candidates that in his view would provide the Volvo Board an additional rejuvenation and complementary skills and experience. At the same time Förberg considered the likelihood of obtaining a majority to support alternative Board candidates at the Volvo Annual General Meeting as low. Accordingly, he abstained from opposing the proposal of the Election Committee.

As regards the question of Auditors, the Election Committee met with the Chairman of the Audit Committee, Per-Olof Eriksson, who reported on the Audit Committee's evaluation of the work performed by the present Auditors, PricewaterhouseCoopers AB, and the Audit Committee's recommendations for the future. Based on that report, the Election Committee found it to be in the best interest of Volvo to propose the re-election of said firm for a period of another three years.

At the Election Committee's meetings, the Committee also discussed and formulated proposals to the 2007 Annual General Meeting as regards the Chairman of the Annual General Meeting, the number of Board members and deputy Board members, the fees to be paid to Board members and Auditors, and the new instructions to the Election Committee. As regards fees to Board members, the Election Committee had a benchmark study performed, which assisted the Election Committee in its proposal regarding fees to Board members.

The costs incurred in the Election Committee's discharge of its assignment amounts to SEK 596,000.

AB Volvo, Election Committee for the 2007 Annual General Meeting  
through  
Curt Källströmer